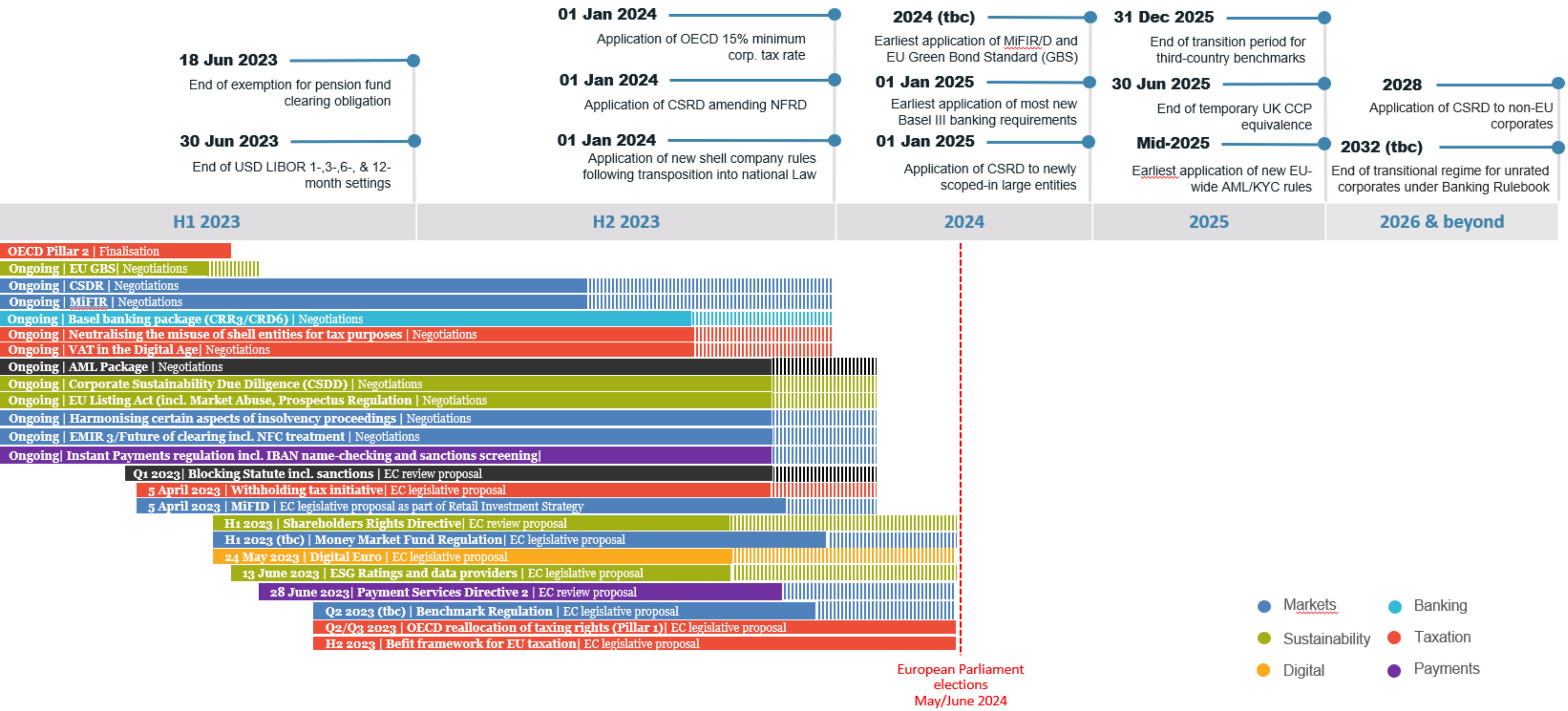
THE EUROPEAN ASSOCIATION OF CORPORATE TREASURERS

FLEISHMANHILLARD

EU REGULATORY OUTLOOK



REPORT DATE: 6 February2023

1. ALL RELEVANT ISSUES

FILE NAME	POLITICAL TIMELINE	CONTENT AND LATEST DEVELOPMENTS
1. Capital Markets		
Benchmark Regulation and IBOR transition	**27 Jul 2012:** LIBOR scandal exposes manipulation of interest rates benchmarks **31 Dec 2021:** Cessation of most LIBOR settings **30 Jun 2023:** Cessation of remaining USD LIBOR 1-, 3-, 6- and 12-months settings **20 May 2022**: Commission targeted consultation on BMR (deadline: **18 Aug 2022**) **19 Aug 2022:** ESMA response to Commission consultation on BMR **Q2 2023 (tbc):** Broader review of the Benchmark Regulation **31 Dec 2023:** New end of transition period for use of third-country benchmarks by EU regulated entities (potential extension to 31 Dec 2025)	**LIBOR** Following the 2012 LIBOR manipulation scandal, authorities globally sought to find a solution to avoid reliance on rates produced by. Most LIBOR have ceased being published 2021 and all LIBOR are to be phased-out by June 2023. To ensure consistency with other jurisdiction's cessation plans, the European Commission has decided not to designate replacement rates for benchmarks whose methodology has been replaced with a synthetic methodology. **The EU Benchmarks Regulation (BMR)** The BMR is the EU's rulebook on Benchmarks. The objective of the BMR is to ensure all benchmarks used by EU-regulated entities comply with methodological criteria. Since a critical number of benchmarks used by EU firms are administered outside the EU, the BMR plans to restrict the use only to recognised benchmarks. This is called the third country regime and has proven contentious as the BMR does not have equivalents in other jurisdictions therefore only a fraction of benchmarks outside the EU could still be used by EU entities should the third country regime enters into force in 2023. Ahead of a review of the BMR, the Commission explored a series of possible changes that would loosen the current regime. Proposals included in the consultation would likely affect the variety of benchmarks available as well as the costs associated with the provision of financial indices, with far-reaching consequences for third country benchmarks. In ESMA's response, the supervisor supports to limit the application of the EU BMR regime to 'strategic' benchmarks while other EU and non-EU administrators would have to option to opt-in to the regime on a voluntary basis.
Credit Rating Agencies Regulation (CRAR)	**30 Sep 2021:** ESMA opinion calling for a legislative review of CRAR **Nov 2021:** IOSCO publication of final report on ESG ratings and data products providers **04 Apr 2022:** EC consultation on the functioning of the ESG ratings market (deadline: 8 Jun 2022) **27 Jun 2022**: ESMA publication of results on study ESG rating market **Q3 2022 (delayed):** Deadline for ESMA assessment of incorporation of ESG factors in CRA methodologies	The Credit rating agencies (CRA) have been under renewed scrutiny in the context of sustainable finance and ESG ratings besides ongoing concerns over the market power of the three big CRAs (S&P, Moody's, and Fitch). Impact on the structure of the CRA market could impact issuance operations for corporates, with immediate impact on the cost of obtaining a rating. Both the European Commission and ESMA have called for reviewing the EU's CRA rulebook with view to enhance the financing of the green transition by (1) the consideration of ESG factors by CRAs, (2) as well as the functioning of the ESG ratings market. In addition, ESMA has proposed changes focused on the use and access to credit ratings by market participants, with considerations of including credit ratings within the European Single Access Point (ESAP). As part of the implementation of the Basel banking reform, the Commission proposed banking requirements which introduced a temporary lenient treatment of unrated corporates with a view of increasing the number of corporates receiving credit ratings through various upcoming incentives – potentially mandating credit ratings. The European Commission has launched a consultation on the functioning of the ESG rating markets which also explores the inclusion of ESG factors into "regular" credit ratings and could therefore re-open the "regular" credit rating rulebook.

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	By Q1 2023: Possible Commission action to ensure systematic capture of ESG risks in credit ratings and to improve transparency on their inclusion **13 Jun 2023:** Commission proposal on ESG ratings **Until 2031:** Potential initiative to encourage corporates to obtain credit ratings in the context of Basel III	End June, ESMA submitted the results of its call for evidence on the ESG ratings market. It concluded that the results are indicative of an immature and growing market. From the perspective of entities subject to ESG ratings, responses identified insufficient contact with these entities by rating providers, including on the basis for the rating, timeline for feedback and corrections.
EU Listing Act	**15 Oct 2021:** First debate and presentation from the Commission to Member States **19 Nov 2021:** Consultation on upcoming proposal (deadline 11 Feb 2022) **17 May 2022**: Exploratory discussions between the Commission and Members States **07 Dec 2022:** Publication of EU Listing Act package	The EU Listing Act seeks to simplify a wide range of existing listing rules as part of the Commission's aim to facilitate issuance in Europe. The proposed changes focus on provisions included in the Prospectus Regulation, the Market Abuse Regulation (MAR) and MiFID/R while also introducing a new framework for multiple-share votes. Notable changes include: • **Streamlines prospectus rules for primary issuance** – by proposing a 300-page limit applicable to initial public offerings as well as standardisation of prospectus in terms of format, sequence and summary. • **Introduces new exemptions to prospectus requirements** – whereby issuers only need to submit a new information document to supervisors for securities fungible with securities already admitted to trading if the pre-existing securities have been traded continuously for 18 months. • **Raises threshold for prospectus exemption for non-equity securities** – offered to the public to €150 million for securities issues continuously/repeatedly over 12 months. • New **simplified 'EU Follow-on' prospectus for secondary issuances** – to cover issuers/offerors of securities that have continuously traded for 18 months. These prospectus documents would need to cover the issuer's financial performance as well as a broadened definition of 'essential information'. • **New simplified 'EU Growth issuance document'** – for offers to the public if issuers have no securities admitted to trading yet.' • **Streamlines rules for third-country prospectus equivalence** – with approval by home supervisors no longer being required for third-country prospectus. • **Changes to Market Abuse rules –** notably limit the scope of the obligation to disclose inside information, and extend the insider lists alleviation to all issuers.
MiFIR	**17 Jun 2021:** Dutch AFM Report calling for review of bond trading **09 Jul 2021 (deadline 01 October 2021):** ESMA consultation reviewing the transparency rules for bond and derivatives (RTS 1&2) **25 Nov 2021:** Broader review of MiFIR **06 Dec 2021:** First Member State discussion on the proposal	The EU's landmark Regulation on Market Infrastructure is currently under review by the European legislators following the European Commission's proposal in November 2021. **Rules for access electronic venues** The Commission's proposal introduced a broad-based review of all aspects of the MiFID/R framework. Most alarming for EACT among the changes proposed is the removal of the exemption for non-financial companies to register as MiFID licensed firms in order to access trading venues. The removal of this exemption would create additional regulatory burden for Non-Financial Corporates (NFCs) that rely on access to trading venues, including FX venues.

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	02 Feb 2022: First mention of the deletion of NFC exemption **29 Jul 2022**: Submission of Parliament draft report **20 Dec 2022**: Member State position agreed **Early Mar 2023 (tbc):** Expected European parliament position **2024 (tbc):** expected implementation of the MiFIR review	The unexpected removal of the exemption for Non-Financial Corporates has been reinstated in the Member State negotiations, with the final Member State position (General Approach) even expanding the previous scope of the exemption to 'liquidity management' rather than the 2026 wording of 'treasury financing activities'. In the course of the European Parliament negotiations, the 2016 wording has been reinstated, however further discussion on the text is ongoing ahead of the common position expected in early March 2023. **Price transparency regime for derivatives** In addition, the price transparency regime for derivatives – which could impact banks' risk and thereby the cost of hedging for end-users – has been adjusted in both the Council and the Parliament. The changes proposed by Member States would reduce the scope of derivatives subject to transparency requirements which has the potential to reduce hedging costs for corporates as only cleared derivatives would be subject to pre-trade price transparency provisions. While negotiations continue in the Parliament, the removal of post-trade transparency obligations for NFCs' derivative hedging transactions would likely reduce corporates' hedging costs. This topic is expected to be subject to further discussions on the technical level in conjunction with further exemptions from pre-trade transparency for NFCs' derivatives hedging transactions.
MiFID quick fix	**26 Feb 2021:** Publication of the MiFID II changes in Official Journal of the EU **20 Oct 2021:** publication of Delegated Act on ancillary activity considerations **22 Apr 2022:** EC adoption of the technical standards on the designation of "significant or critical" contracts	Following the Covid-19 crisis, the Commission presented a series of amendments to support the post-crisis recovery. These changes lower the burden of some investor protection rules including through more flexibility in costs and charges disclosure and publication of best execution. For corporates there are important changes to the commodity hedging exemption (andposition limits) as well as an alleviation on product governance requirements for plain vanilla corporate bonds to facilitate greater retail investor participation in corporate bond markets. The final outstanding and relevant aspect of this workstream concerns the finalisation of the list of "significant or critical" contracts in the context of the position limit regime. This list is currently under scrutiny from the Council and Parliament and could enter into force by the summer.
EMIR Refit / Clearing review	**17 Jun 2019:** Entry into force **08 Sep 2021:** Delegated Act on FRANDT requirements published **22 Nov 2021:** ESMA consultation on clearing thresholds (deadline 19 Jan 2022) **25 Nov 2021:** UK FCA and Bank of England consultation on EMIR Refit implementation **08 Feb 2022:** Consultation on the EU clearing review (extended deadline 22 Mar 2022) **03 Jun 2022**: ESMA proposal to raise the commodity clearing	The EU's landmark Regulation on OTC derivative reporting and clearing is currently under review by the European legislators following the European Commission's proposal in December 2022. While the political focus of the review was initially on addressing the consequences of Brexit (i.e. reduce the EU's reliance on UK-based clearing houses), the proposal also includes changes motivated by the energy crisis which also impact how non-financial companies (NFCs) use derivatives. **Intragroup reporting exemption** As part of the objective to increase transparency in the energy derivative market, the Commission has proposed to remove the intragroup reporting exemption for NFCs, which was introduced as part of the 2019 EMIR Refit. The removal of the exemption was first mentioned in an ESMA letter to the Commission from September 2022 with the aim to improve transparency in commodity derivatives trading as a possible regulatory response to the energy derivatives crisis. In contrast, the proposed removal of the intragroup exemption follows the recent decision to grant another 3-year extension to the current temporary exemption regime for non-EU intragroup contracts under EMIR, proposed by the

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	threshold **13 Jun 2022**: European supervisors (ESAs) proposal to extend the intragroup exemption **10 Jun 2022:** Adoption of ESMA's RTS/ITS on reporting, data quality, data access and registration of TRs **01 Sep 2022:** Application date for Phase VI counterparties **22 Sep 2022**: ESMA letter on energy derivatives markets **20 Dec 2022:** ESMA guidelines on derivatives and TR reporting **07 Dec 2022:** Publication of EMIR Review Proposal amending the provisions related to clearing **29 Apr 2024:** Entry into force of technical standards on new EMIR Refit reporting regime **18 Jun 2023:** Extended deadline for pension fund clearing exemption	European Supervisors (ESMA, EBA and EIOPA) in June 2022. This decision, however, was made before ESMA's assessment of the energy derivative markets following the high price volatility of commodities in 2022. The removal of this exemption would mean that corporates could no longer delegate their group-level reporting to third parties, notably banks, as these do not have access to all intragroup transaction information. **Hedging exemption** While the hedging exemption remains in the Commission's EMIR proposal, more powers are transferred to ESMA which could change the calculation of the hedging exemption and the clearing thresholds for non-financial corporates. The current definition of the hedging exemption allows corporates to deduct certain derivatives from the calculation of the clearing thresholds. In particular, the proposal introduces a "dynamic" review procedure in case of significant price fluctuations which would require ESMA to review the clearing threshold at least every two years. In addition, ESMA is mandated to review the existing regulatory technical standards (RTS) on the hedging exemption. If ESMA's mandate is not outlined more specifically in the Regulation, this could lead to increased uncertainty on the application of the hedging exemption following future ESMA reviews. **Ongoing initiatives related to the Clearing Obligation** The Phase VI of bilateral margin requirements - for financial firms and NFC+ with a portfolio of uncleared OTC derivatives, in any asset class, over €8 billion – apply since September 2022. In its June 2022 report on the derivatives clearing threshold, ESMA recommended raising the threshold for the commodity derivative asset class from €3bn to €4bn. Following the approval by the Commission, Council and Parliament, this change could enter into force several months after the publication.
CMU workstreams (incl. ESAP)	**24 Sep 2020:** Capital Markets Union action plan **25 Nov 2021:** Proposal on single Electronic Access Point (ESAP) for company information **2024:** Earliest operationalisation of the ESAP	With the aim to deepen EU capital markets, the European Commission laid out a new Capital Markets Union (CMU) action plan with a list of 16 actions to be taken over the course of current legislative mandate. This includes: • Reduce the complexity of listing rules on regulated markets (EU Listing Act) • Measures to facilitate equity investment by insurance companies and banks. • Potential creation of harmonised minimum rules for non-banks insolvency law and harmonised definition of shareholder • Creation of harmonised EU system for withholding tax relief at source • Creation of the European Single Access Point (ESAP), a single electronic access portal for EU-wide company information.

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Securities Financing Transactions Regulation (SFTR)	**13 Jul 2020:** Phase-in of the reporting obligations by category of counterparties **10 Nov 2020:** ESMA issued clarifications on SFTR reporting in the context of Brexit **06 Jan 2020:** ESMA statement delaying the integration of LEIs in the SFTR reporting standard **H1 2023 (tbc):** Review report on SFTR	The Securities Financing Transactions Regulation (SFTR) introduced a reporting regime for securities lending, margin lending, buy-back, and repo transactions. Specifically, the Regulation creates a mandatory reporting regime of sec lending/ repo/ security financing transactions to a registered trade repository. The review of the SFTR could cover issues such as the functioning of the reporting framework as well as the application of mandatory haircuts to uncleared SFTs. In SFTR there is currently a dual- sided reporting requirement for corporates.
FX markets	**Aug 2018:** Global code for Foreign Exchange (FX) Markets established **26 Mar 2020:** Statement from the Global FX Committee urging continued compliance with the code in times of market volatility caused by Covid 19 **Jul 2021:** Updated FX Global Code	This is a non-legislative initiative meant to some conduct issues arising in FX markets in the past year. Whether this approach is going to be follow by concrete legislative action in Europe remains to be seen. The Global Foreign Exchange Committee (GFXC) updated its FX Global Code addressing the benchmarks transition, the operational challenges induced by the covid-19 crisis and FX settlement risks.
Money Market Fund Regulation	**26 Mar 2021:** ESMA consulted on review of EU MMF rules **01 Jul 2021**: ESRB's preliminary recommendations on MMFR review **01 Oct 2021:** ESRB working paper calling for capital buffers **11 Oct 2021:** FSB report on MMF reforms **25 Jan 2022**: ESRB to publish final recommendations on EU MMF reforms **16 Feb 2022**: ESMA published final recommendations on EU MMF reforms **12 Apr 2022**: Commission consultation on the MMFR (deadline: 13 May) **H1 2023 (tbc):** Possible proposal to review EU MMFR	The current EU Money Market Fund Regulation (MMFR) is scheduled for a review in the second half of 2022 by the European Commission. Following the March 2020 turmoil, the **Financial Stability Board (FSB)** set out a range of policy options to enhance financial stability of the MMF sector. These notably explore the option to limit MMFs to public debt only and effectively eliminating MMF's exposure to Commercial Papers. The FSB report also calls for review of the Commercial Paper market structure regarding additional reporting requirements and for electronic publication. On the European level, the **European System Risk Board (ESRB)** is one of the first in a series of actors to issue its recommendations which will inform the review of the EU MMF framework. The set of recommendations is extremely hawkish including proposals to: • **LVNAVs** – will be effectively forced to remove their stable NAV by removing current collar of 20 basis points of the NAV for LVNAVs which equals a conversion of LVNAV to VNAV MMFs, • **Adding new liquidity requirements** – for both VNAV and LVNAV MMFs – including on daily maturing assets, weekly maturing assets and minimum public debt assets. • **Increase availability and usability of liquidity management tools (LMTs)** – that impose costs on investors for redeeming/subscribing with at one of three tools (anti-dilution levels, liquidity fees, or swing pricing). Shortly after, **ESMA** published its opinion to the review of Money Market Funds which is slightly less hawkish than the ESRB report. While ESMA also recommends a de facto forced conversion of LVNAVs to VNAVs (through the removal of amortised cost for LVNAVs), it does not suggest minimum requirements on public debt holdings but rather proposes the inclusion of a maximum percentage in public debt assets able to contribute to WLA.

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		• **LVNAVs** – will be de facto forced to convert to VNAVs by removing amortised costs. In addition, ESMA raised questions on whether the reasoning behind keeping LVNAVs that was used in the MMFR debate 10 years ago is still valid. • **Liquidity requirements** – include increased DLA and WLA for VNAVs with considerations on a maximum portion of public debt to meet WLA. • **LMTs** – ESMA proposes to decouple gates and fees from liquidity thresholds alongside new LMTs for each MMF, including at least one LMT among swing prices, anti-dilution levies, and liquidity fees. Temporary liquidity buffers were proposed for certain crisis situations are to be made available to funds. While a possible Commission proposal would be expected to balance the MMF reform between the recommendations by ESMA and the ESRB. In an extremely wide-ranging consultation, the Commission sought to collect feedback on the functioning of the MMFR as well as the use of MMFs throughout the EU. We understand that the Commission has not yet taken the final decision on whether to proceed with a legislative proposal to review the MMF Regulation – options remain open as the discussion is moving from the regulatory into the political sphere.
2. Prudential framework		
2021 Banking Package	**30 Sep 2021:** Application of FRTB Standardised Approach reporting requirement **27 Oct 2021:** Proposal for a CRD6/CRR3 package implementing the Dec 2017 agreement **New deadline Jan 2023:** Basel Committee for Banking Supervision (BCBS) delays implementation deadline for Basel IV package by one year due to the covid crisis. **8 Nov 2022**: Member States agreed on common negotiating position **24 Jan 2023**: European Parliament agrees on common negotiating position **H2 2023 (tbc): Expected EU political agreement on banking package** **01 Jan 2025:** Application of most new requirements	This banking package is the implementation in the EU of the post-2008 international reform of prudential/banking rules, which resulted in the global Basel III standards. These rules directly impact the capital that banks must hold against certain assets which can impact the cost charged to clients. The Commission's proposal includes several deviations from the international Basel agreement to reduce the capital increase for banks, for example it does not suggest a removal of the Credit Valuation Adjustment (CVA) exemption for non-financial corporates, however, some Member States are pushing for a stricter alignment with the Basel rules including advocating for the removal of the CVA exemption. However, as foreseen by Basel, it proposes a stricter treatment of trade finance instruments such as performance bonds, which would likely increase the price charged to corporates. Other points of interest in the proposal include a deviation in the treatment of unrated corporates in favour of a more lenient treatment with a risk weight of 65% to 'investment grade' (with a probability of default no higher than 0.5%), as opposed to the 100% risk weight foreseen by the Basel rules. This approach would however be temporary until end 2032, with the Commission encouraging initiatives to promote a greater rating coverage in the EU by then. The Commission is equally suggesting deviating from Basel to introduce a preferential capital treatment for EU active banks to provide financing to 'high quality' projects related to large physical assets ('object finance'). On 8 November, Member States agreed on their common negotiating position. On 24 January, the European Parliament adopted its negotiating position. This means that interinstitutional ('trilogue') negotiations can begin shortly and are likely to be concluded in 2023. On issues of key relevance for EACT: • **Preferential treatment of derivatives under the Standardised Approach for Counterparty Credit Risk (SA-CCR)** – under the output floor is maintained until end-2029 by both the Council and European Parliament. This is in line with the original Commission proposal. • **Lenient treatment of exposures to unrated corporates** – regardless of size to be upheld with a 65% until end-2030 and 70% until end-2032 as agreed on by the European Parliament. In turn, the Council aligns with the

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		original Commission proposal to suggest a 65% preferential risk weight until end-2032 for exposures to corporates with annual sales of EUR 500 million or more. • **Preferential 80% risk weight for the financing of physical assets** – such as ships and aircrafts is maintained by the European Parliament in line with the EC proposal. Meanwhile, the Council has deleted this preferential treatment, instead calling for a 100% risk weight. • **Treatment of trade finance instruments** – the Parliament and the Council suggest maintaining the more lenient 20% credit conversation factor (CCF) for trade guarantees. Meanwhile, the Commission originally suggested this CCF to lie at 50%.
3. Payments		
Cross-border payments	**23 Mar 2019:** Publication of Cross-Border Payments Regulation **15 Dec 2019:** Application of equalisation of charges in Euro **19 Apr 2020**: Application of transparency requirements for card-based transactions **19 Apr 2021**: Application of information requirements for non-DCC transactions **By 19 Apr 2022 (tbc):** Commission report (delayed)	This regulation ensures that payment service providers levy the same charges for cross-border payments as for national payments. In 2019, transparency requirements were applied to currency conversion charges related to card-based transactions and credit transfers as well as transactions not using dynamic currency conversion (DCC).
SEPA & instant payments initiatives	**Mar 2012:** SEPA Regulation **24 Sep 2020:** Publication of EU Retail Payments Strategy **26 Nov 2020:** EPC publication of 2021 SEPA payment scheme rulebook **30 Nov 2020:** EPC publication of first SEPA Request to pay rulebook **31 Mar 2021:** Consultation on instant payment in EU (deadline 23 Jun 2021) **13 Sep 2021:** EPC consultation on 2023 SEPA rulebook (deadline 11 Dec 2021) **26 Oct 2022:** Commission proposal on Instant Payments **Late Feb / Early Mar 2023 (tbc)**: European Parliament draft report on Instant Payments **H1 2023 (tbc)**: Common Member State position on Instant Payments	The SEPA Regulation created a binding framework for standardised SEPA transactions in the Euro area. The ECB's TARGET Instant Payment Settlement (TIPS) enables instant clearing and settlement of retail payments. The Commission and the ECB are monitoring voluntary take-up of the scheme. On 26 October 2022, the Commission published its legislative proposal on Instant Payments, which consists of targeted amendments to existing EU payments rules on credit transfers with the aim of increasing the uptake of instant payments in the EU. Notably, the proposal is based on four pillars: • **Mandatory uptake** of instant payments by banks that offer regular credit transfers, • **Capping the price** of instant payments in euro, • **IBAN-name matching** to reduce fraud • **Daily sanctions screening** for users instead of transaction screening. Member State discussions in Council began on 16 November 2022 whereby it is understood that Member States seek to swiftly close negotiations on this file. In the Parliament, the Dutch conservative MEP Michiel Hoogeveen has been appointed as the lead negotiator (rapporteur) for the file and it is our understanding that he will aim to publish a draft report on the file in late February/ early March 2023.

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	Q3 2022 (tbc): Potential review of the SEPA Regulation to mandate instant payments	
Consumer Credit Review	**20 Jun 2021:** Review of Consumer Credit Directive (CCD) **02 Dec 2022:** Provisional Trilogue deal on CCD	The review of Consumer Credit Directive (CCD) includes: • Significant expansion of the scope by removing the €200 threshold and several exemptions • More prescriptive credit worthiness assessment (CWA) requirements • Restrictions on using personal data and automated processing • Caps on cost of credit • New forbearance requirements requiring creditors to take reasonable measures prior to enforcement • Additional pre-contractual information • Registration and supervisory arrangements for non-bank lenders The final Council and Parliament positions both suggest extending the scope of the admission, registration, and supervision requirements – the Council however suggests greater national discretion in the application of these rules to suppliers of goods and services acting as credit intermediaries in an ancillary capacity. In the Parliament, priorities include stricter requirements on the use of data for the creditworthiness assessment (CWA) and stronger rules to prevent over indebtedness. Both Council and Parliament suggest giving Member States the flexibility to apply a proportionate regime for some types of credits, including loans below €200. Both texts distinguish between Buy-Now-Pay-Later (BNPL) schemes, which remain in scope as per the European Commission (EC)'s proposal, and deferred payments which are excluded under specific conditions. Despite reaching a political agreement in December 2022, Member States remain reluctant to endorse the final agreement due to outstanding disagreements on the types of services and entities that would be covered under deferred payments, introduction of mandatory forbearance on credit, as well as the application of the Right to be Forgotten (RTBF) to insurance policies related to credit agreements. The Swedish Council Presidency is reportedly trying to tackle these issues at the technical level. While difficult, reopening the political agreement equally seems to be a potential option.
Payment Services (PSD2) Implementation & upcoming review	**Jan 2016:** Entry into force of Payment Services Directive (PSD2) **14 Sep 2019:** Application of technical standards (RTS) on strong customer authentication (SCA) **01 Jan 2021:** Implementation of SCA requirements **10 May 2022**: EC consultation on the review of PSD2 (*here*, *here* and *here*) (deadline: 5 July 2022). See here for the contribution summary. **28 Jun 2023 (tbc):** Review and expansion of PSD2	The Payment Services Directive (PSD2) is the EU's payment rulebook and exempts corporate payment factories from the classification as payment service providers, excluding them from the scope of PSD2. However, the current exemption is only mentioned in a recital of the rulebook and not a proper article which reduces legal certainty, ensuring that this exemption is including as a fully-fledged article during the upcoming review in 2023 would be beneficial. As part of its Retail Payment Strategy, the Commission is planning to table a review of PSD2 by June 2023. This includes a potential review of the Settlements Finality Directive (SFD) which regulated systems used to transfer financial instruments and payments. Ahead of this review, the Commission conducted a public consultation on which it published the responses on 19 October 2022. Among the questions in the consultation, the EC notably raised: • **Additional identification of payees** – the consultation explored the need to add further information in transactions beyond the IBAN, such as the name of payees, to prevent against frauds. • **Questions on the scope of the exemption** – which could be relevant in the context of the uneven implementation payments/collection factories in different Member States.

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4. Taxation		
Debt-Equity Bias Reduction Allowance (DEBRA)	**14 Jun 2021:** Roadmap on debt-equity bias reduction (DEBRA) **11 May 2022:** DEBRA proposal **11 May 2022**: Consultation seeking feedback on proposal (deadline: **12 Jul 2022**)	The debt-equity bias reduction allowance (DEBRA) addresses the current tax bias favouring funding through debt rather than equity, thereby trying to ensure that equity financing receives a similar tax treatment as debt financing. In particular, the proposal would introduce the tax deductibility of newly issued equity (including for SMEs) and set a maximum limit to the current tax deductibility of debt repayments (interest limitation to 85% in first year of debt being taken out). While similar proposals have failed to gain the unanimous support of all Member States in the past, the objectives of strengthening European equity markets enjoy strong support in light of the pandemic recovery. We understand that Member State negotiations have been temporarily halted as the proposal is being deprioritised – with possible resumption later in 2023.
Public Country by Country Reporting	**12 Apr 2016:** Proposal on public Country-by-Country Reporting (pCbCR) **21 Dec 2021:** Entry into force **22 June 2023:** Deadline for transposition into national law **2024:** Publication of first public CbCR reports for the 2021 financial year	Public Country-by-Country Reporting (pCbCR) Requires all companies operating in the EU with annual global revenues above EUR 750 million to publish on a country-by-country basis information on their profits, turnover, taxes paid, business activities, and number of employees. The information must be disclosed per EU country, per tax haven (countries included on the EU's list of uncooperative tax jurisdictions), and in aggregated form for the rest of the world. A deferral clause allows companies to defer disclosure of information in specific circumstances for a period of a maximum of five years to protect commercially sensitive information. The first reporting requirements are expected to apply in May/June 2023, 18 months after the entry into force.
Business in Europe: Framework for Income Taxation (BEFIT)	**18 May 2021:** Commission communication on business taxation for the 21st century **13 Oct 2022:** Consultation seeking feedback on proposal (deadline 26 Jan 2023) **Q3 2023 (tbc):** Proposal on Business in Europe: Framework for Income Taxation (BEFIT) **By mid-2024:** Proposal of EU Single Market levy	Since the proposal on an EU-wide common consolidated corporate tax base (CCCTB) has been stalled by Member States and is now unlikely to proceed further the Commission is now focusing on alternative proposals. Instead, the Commission is expected to publish its new Business in Europe: Framework for Income Taxation (BEFIT) proposal in 2023 to provide a single corporate tax rulebook for the EU. So far, the proposal is set to: • Establish a common rulebook for groups of companies to facilitate cross-border investment • Reduce administrative burdens and cut compliance cost • Combat tax avoidance and ensure predictable tax revenues • Reallocate taxing rights more effectively between EU Member States As part of the BEFIT framework, the Commission is to propose a new levy linked to the EU corporate sector, the so-called EU Single Market levy, by mid-2024 with the aim to repay the debts incurred by EU recovery package Next Generation EU. This proposal will be accompanied by a Financial Transaction Tax (FTT) created for the same aim.
OECD tax reform	**Nov 2019:** OECD consultation on Global Anti-Base Erosion ('GloBE') **05 Jun 2021:** G7 agreement on establishment of global minimum corporate tax rate **01 Jul 2021:** OECD endorsement of Pillar 1 and 2 deal	The proposal from the OECD looks at establishing a minimum effective tax rate on foreign income of multinational companies by providing the possibility for jurisdictions to 'tax back' the companies where other jurisdictions have low or no minimum effective tax and were discussing a reform of the global tax regime to align it with the digitalisation of the economy and to address the challenges of tax avoidance by multinational enterprises (MNEs). 136 countries signed up to the OECD agreement based on the 'two-pillar' approach: • **Pillar 1 (reallocation of taxing rights to market jurisdictions):** covers in MNEs with global sales above EUR 20 billion and profitability above 10%, where 25% of profit above the 10% threshold will be reallocated to market jurisdictions.

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	10 Jul 2021: G20 endorsement of Pillar 1 and 2 deal **08 Oct 2021:** OECD agreement on global minimum tax rate **22 Dec 2021:** EU proposal on implementing Pillar 2 of the OECD agreement **22 Dec 2022:** Publication of the Pillar 2 Directive into OJEU **31 Dec 2023:** Latest date for Pillar 2 Directive rules to become applicable	• **Pillar 2 (introduction of a minimum global effective tax rate):** global minimum corporate tax rate set at 15% for companies with global turnover above EUR 750 million. In the EU, this global tax framework will be implemented through EU legislation to be transcribed by each Member State. The European Commission (EC) proposal for a Directive implementing Pillar 2 (P2 Directive) closely reflects the international agreement, with the only notable divergence of extending the application of the top-up tax (i.e. difference to 15%) on a parent entities to 'purely domestic groups' located inside the EU to avoid discriminatory treatment within the Single Market. The P2 Directive was published in the Official Journal of the EU (OJEU) on 22 December 2022. The Directive now needs to be transposed into national law in 2023, with deadline for it to become applicable on 31 Dec 2023 at the latest.
Shell companies	**22 Dec 2021:** EU proposal on Shell companies **2022:** New proposal on non-EU shell companies **01 Jan 2024 (tbc):** Application of new shell company rules **By 31 Dec 2028:** Commission evaluation report on misused shell companies	The European Commission has proposed new legislation to limit the abuse of shell entities in the EU. The new framework includes a set of specific exemptions, notably scoping-out a wide range of financial services entities that already have an adequate level of transparency, such as credit institutions, insurance undertakings, asset managers, payment and crypto-service providers.
FTT/FAT	**By 2023 (tbc):** New proposal on EU-wide Financial Activity Tax (replacing the EU-wide FTT)	The proposal of an EU-wide Financial Transaction Tax (FTT) as a potential new own resource revenue stream for the EU to raise funds to service the debt raised under the EU pandemic recovery plan (Next Generation EU). The debate over an EU FTT have been longstanding among a coalition of the willing composed of 10 Member States, the so-called FTT-10. The Commission set a deadline for this FTT-10 to land on an agreement before the end of 2022, beyond which time the Commission will publish a new proposal for an EU-wide FTT by 2024. In December 2021, Commission confirmed the mid-2024 proposal with the aim to repay the debts incurred by EU recovery package Next Generation EU. This proposal will accompany new EU tax revenues linked to the corporate sector, the so-called Single Market levy. The EC is understood to be currently working on an EU-wide Financial Activity Tax (FAT) – replacing the plans for an EU-wide FTT – although details are still missing.
5. Sustainable Finance		
EU Taxonomy	**Delegated Acts (next steps):** **NFRD-entity reporting:** • **19 Dec 2022**: Publication Q&A on interpretation and implementation **Climate Change:**	**EU level** The EU Taxonomy defines environmentally sustainable economic activities that must be used as a reporting tool by all financial market participants offering financial products presented as environmentally sustainable. Non-financial corporates that report under the NFRD are also required to report on their share of Taxonomy-eligible and non-eligible activities accompanied by qualitative information on their activities since 1 Jan 2022, and in detail on

FILE NAME	POLITICAL TIMELINE	CONTENT AND LATEST DEVELOPMENTS
	• **19 Dec 2022**: Publication Q&A on interpretation and implementation **Nuclear and gas:** • **01 Jan 2023**: Application of delegated acts (DA) on nuclear/gas **Water use, circular economy, pollution, and biodiversity:** • **30 Mar**: First batch of PSF draft criteria • **22 Nov 2022**: Second batch of PSF draft criteria • **Q3 2023 (tbc)**: Commission adoption of first DA on 4 remaining objectives • **2024 (tbc)**: Commission adoption of second DA on 4 remaining objectives • **Q1 2024**: delayed application of the DA on 4 remaining objectives **TIMELINE:** **22 Jun 2020:** Publication of Taxonomy Regulation **10 Dec 2021:** Delegated Act for NFRD-entity reporting published in official journal (entry into force: **1 Jan 2022**) **01 Jan 2022:** Starting date for application of reporting obligation for corporate disclosures on climate change mitigation and adaptation (only "eligibility" & qualitative reporting) **28 Feb 2022:** Final PSF report on the Social taxonomy **29 Mar 2022:** First PSF report on NSI/LEI and SH activities **2023 (tbc)**: Commission report on Taxonomy expansion (incl. to social & negative impact activities)	Taxonomy-alignment across their total turnover, CapEx and OpEx from 1 Jan 2023. These reporting requirements are specified in detail by the following delegated act (DA): • **NFRD-entity reporting under Article 8 of the Taxonomy** – Prior to application, authorities published documents to help reporting, including involuntary reporting, and a sector classification, followed by further specific answers to private sector questions. The requirements and thresholds for specific economic activities to be considered Taxonomy aligned are set out in a series of delegated acts (DAs): • DA covering **Technical Screening criteria for Climate change mitigation and adaptation** – the first 2 objectives of the Taxonomy. In December 2022, the EC published an FAQ on the interpretation and implementation of the Climate Change Delegated Act (DA) and includes clarifications on the Do-No-Significant-Harm criteria. • DA covering **Nuclear, gas** – these politically contentious activities have been separated from the first DA. The Commission consulted experts ahead of publication, and the advisory Platform on Sustainable Finance (PSF) gave a negative opinion on their inclusion. Still, the Commission went ahead, and included them as transitional activities, conditional on requirements like thresholds on CO2 emissions/kWh, and granular reporting. The DA was officially entered into force on 1 January 2023. • DAs covering **water, circular economy, pollution, and biodiversity** – The PSF has published two technical screening criteria reports, one end March and a second end November. In December 2022, the Commission published an FAQ on entity-reporting under Art. 8, which confirms that reporting requirements on the four remaining environmental objectives cannot apply in the absence of a DA. The Commission is expected to adopt the DAs on these activities in two batches, first with activities judged as non-controversial, and a second with remaining activities. The first DA is expected to be adopted by Q3 2023. The Taxonomy is also set to serve as the basis for other labelling frameworks such as the proposed EU Green Bond Standard and EU Ecolabel for retail financial products. Looking at parallel developments in this area, the PSF has recommended an expansion of the framework to a traffic light model: 'significant harm' (SH, red), 'intermediate Performance (IP, orange)', complementing the 'Significant Contribution' (SC, green) level. A category for 'Low Environmental Impact' activities could also be considered. Overall, the approach taken by the PSF on significant contribution is more flexible than under the climate change objectives, moving away from a gold-standard approach by using relative rather than absolute metrics. The Commission is also mandated to explore the extension of the Taxonomy to social objectives. The PSF published its final report on it, recommending a framework like the environmental Taxonomies. It maintains an objectives-based (promoting decent work, adequate living standards, inclusive and sustainable communities) approach. Activities would also have to comply with 'Do-No-Significant-Harm' (DNSH) criteria. Although non-binding, the PSF report is meant to serve as a basis for the Commission's work on the expansion of the framework. **International Level** The EU, together with 18 international partners, including China, India, Japan, and Canada, established an International Platform on Sustainable Finance (IPSF). Within the platform, the EU is advancing on the "Common Ground Taxonomy" mapping the EU Taxonomy and the Chinese Green Bond Catalogue. The relevant table and report have been published.

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	01 Jan 2023: Full disclosure of KPIs on Taxonomy-alignment and accompanying information for corporates **Q3 2023 (tbc):** Adoption covering water, circular economy, pollution, and biodiversity. **Q2 2024:** Commission comprehensive review of Taxonomy level-2 legislation.	

Corporate Sustainable Reporting Directive/ Review of NFRD	**18 Jun 2019:** Publication of climate-related reporting guidelines under the Non-Financial Reporting Directive (NFRD)
	21 Apr 2021: Proposal on sustainability reporting for corporates (CSRD)
	31 Mar 2022: ISSB published sustainability and climate-related standards, including sector-specific standards (deadline: 29 Jul 2022)
	30 Apr 2022: EFRAG launches consultation on its first draft for European Sustainability Reporting Standards (ESRS) (deadline: 8 Aug 2022)
	Nov 2022: EFRAG published final sector agnostic ESRS
	04 Jan 2023: Entry into force of Corporate Sustainability Reporting Directive (CSRD)
	Q1 2023 (tbc): Publication of IFRS/EFRAG interoperability framework
	June 2023: Commission to adopt sector agnostic ESRS
	November 2023: EFRAG to submit first draft sector specific ESRS
	30 June 2024 (tbc): Commission to adopt first sector specific ESRS
	01 Jan 2024: Application date of CSRD to companies under scope of NFRD
	01 Jan 2025: Application date of CSRD to companies newly under scope
		Member States and Parliament have found an agreement on the review proposal of the Non-Financial Reporting Directive (NFRD), renaming the legislation into the Corporate Sustainability Reporting Directive (CSRD) which entered into force on 3 January 2023. The agreement includes:
		• **Expanded scope** – to all large companies as defined by the Accounting Directive. This covers all listed companies and non-listed companies fulfilling at least 2 of the following thresholds:
		    ○ a balance sheet total of 20 million euro,
		    ○ a net turnover of 40 million euro, and
		    ○ 250 employees
		• **Subsidiary exemption** – subsidiaries do not have to report at the individual level if they are included in the parent company's reporting against EU standards or standards deemed equivalent by the EC. The parent needs to report significant differences between the group and one or more of its subsidiaries.
		• **Mandatory sustainability reporting standards** – covering environmental, social and governance topics with a double materiality approach, covering the impact of sustainability factors on a company's balance sheet and the other way around. The agreement tasks the European Financial Reporting Advisory Group (EFRAG) with developing these. EFRAG submitted its first final draft sector-agnostic standards to the Commission in November 2022. The Commission is required to adopt these by end-June 2023. In the meantime, EFRAG is also developing the second set of draft standards, which will cover sector-specific sustainability reporting standards, as well as standards for non-EU companies. The first sectors for which sector-specific reporting standards will be developed are Agriculture, Farming and Fishing; Coal Mining & Mining; Energy and Utilities; Food and Beverages; Motor Vehicles; Oil and Gas Mid to Downstream & Oil and Gas Upstream; Road Transport; and Textiles, Accessories, Jewellery and Footwear These standards should be submitted by EFRAG in November 2023 and adopted by the Commission by 30 June 2024.
		• **Treatment of non-EU companies** – non-EU companies fall under scope where they generate a net EU turnover of over EUR 150 million (for at least two consecutive years), where they have (1) a subsidiary that is listed, or is a large company, (2) or a branch with a net turnover of EUR 40 million. They will have to report at consolidated level against specific non-EU standards to be developed by the EC.
		• **Application timeline** – the years indicated is the first year of reference, with reporting due the year after:
		    ○ **2024** – Entities already scoped into the current legislation (NFRD)
		    ○ **2025** – Newly scoped-in large entities.
		    ○ **2026** – SMEs (with an opt-out until 2028) small & non-complex banks and captive (re)insurance companies.
		At the international level, the International Financial Reporting Standards Foundation announced the creation of an International Sustainability Standards Board (ISSB) to sit alongside the already existing International Accounting Standards Board (IASB). In late March, the ISSB published in late March its exposure drafts on sustainability, climate-related and sector-specific climate-related standards. The EFRAG and IFRS aim to make their standards largely

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	01 Jan 2026: Application date of CSRD for listed SMEs **01 Jan 2028:** Application date of CSRD to third-country companies	interoperable. The IFRS shared that reporting according to the EFRAG standards would mean compliance with the IFRS', while the two organisations are developing an interoperability mapping table, to help companies reporting across both sets of standards.
Sustainable Finance Disclosure	**11 Mar 2021:** Entry into force of Sustainable Finance Disclosure Regulation (SFDR) **01 Jan 2022:** Level-1 application requirements on Taxonomy-alignment of certain financial products **06 Apr 2022:** EC adoption of RTS on entity and product-level PAI disclosure and Taxonomy-related disclosures (Scrutiny period until 6 July) **31 Oct 2022:** Commission adoption of RTS on nuclear/gas disclosures **Feb 2023 (tbc)**: Entry into force of RTS on nuclear/gas disclosures **30 Sep 2022**: Deadline for ESAs to submit RTS on nuclear/gas disclosures **01 Jan 2023:** Delayed application of technical product-level RTS measures under SFDR/Taxonomy (first PAI reporting under RTS **due 30 Jun 2023**) **H1 2023:** EC to publish new SFDR Q&As **30 Sep 2023:** Deadline for ESAs to submit revised RTS	The Sustainable Finance Disclosure Regulation (SFDR) introduces new disclosure requirements for investment management firms related to sustainability risks and their integration in investment decision and remuneration policies. It also requires publishing due diligence statements on the adverse impacts of investment decisions on ESG factors. It sets out additional product-level disclosure requirements, with more stringent disclosures required for those dubbed 'sustainable' (i.e., that have sustainable investment as their objective or that promote E or S characteristics). The application of new disclosure requirements which investment management firms will ask from their corporate investee companies include: • **Pre-contractual and periodic reporting disclosure** – all products will have to explain how they integrate sustainability risks (and if not, why), while products offered as sustainable will also have to justify their claims in more detail. • **Extent of Taxonomy-alignment** – for products that promote environmental or social characteristics (so-called Article 8 and 9 products). This applies from 01 January 2022 while the application of the details (RTS on product-level disclosures) on what this entails has been delayed to 1 January 2023. • **Principal Adverse Impact (PAI) indicators** – a list of 18 mandatory metrics (and several voluntary) that investment firms must disclose against at entity level, across all their funds/investee companies. The EC has issued a mandate to the European Supervisory Authorities (ESAs) to review the RTS on the PAIs and Taxonomy-related disclosures (pre-contractual, period, and website). In December, Commissioner McGuinness clarified there will not be a review of the SFDR until at least 2024, reiterating that the focus should lie on ensuring the SFDR's implementation. To this end, the Commission will publish a new set of SFDR Q&As in early 2023 together with an assessment of the regulation's implementation.
Sustainable Benchmarks	**Dec 2019:** Publication of EU Sustainable Benchmark Regulation **20 May 2022:** Commission consultation ahead of Benchmark Regulation (BMR) review (deadline: **12 Aug 2022**) - along with survey on ESG label (deadline **06 Aug 2022**) **20 Aug 2022** – EC launch of consultation (**Deadline: 12 Aug 2022**)	The agreed regulatory framework creates two new benchmark categories: • **Climate Transition Benchmarks** that are based on assets of companies that follow a decarbonisation trajectory, and • **Paris-aligned Benchmarks** where the portfolio's carbon emissions are aligned with the Paris-agreement. The Low Carbon Benchmark Amendment in the BMR included a review clause setting 31 December 2022 as a deadline for the EC to submit a report calling – if needed for a review of the BMR. The EC mandated a study on the merits of introducing a new EU ESG benchmarks label, focusing on the challenges in setting up ESG benchmarks, whether an EU wide standard is necessary, interactions with benchmark administrators and data providers, as well as the levels of users' satisfaction with ESG benchmarks. It launched a further consultation ahead of the review of the BMR, including questions on the creation of an EU ESG benchmarks label.

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	By 31 Dec 2022 (tbc): Review of Climate Transition and EU Paris-aligned benchmarks **Q2 2023 (tbc):** BMR review and potential proposal on ESG benchmark label	The BMR review, expected in the first half of this year may include the development of an ESG benchmarks label. While there is support for such a label among national authorities, at least one pointed out that the Commission should first look at minimum requirements for Article 8 & 9 products under the SFDR.
EU Green Bond Standard (GBS)	**Jun 2019:** Recommendations on creating EU Green Bond Standard (EU GBS) by Technical Expert Group (TEG) **Mar 2020:** Supplementary EU GBS report **06 Jul 2021:** Renewed Sustainable Finance Strategy **06 Jul 2021:** Proposal on EU Green Bond Standard **13 Apr 2022:** Council agrees on negotiating position **07 Jun 2022**: Parliament agrees on negotiating position **Jul 2022:** Start of interinstitutional negotiations between Member States and Parliament (trilogue) **End-February 2023 (tbc):** Next political trilogue	The EU Green Bond Standard (GBS) proposes a voluntary framework for the issuance of EU Green Bonds and is linked to the EU Taxonomy. The EU GBS may be used by EU and non-EU issuers, including corporates, financial entities, public and private sector, and includes issuance of covered bonds and securitisations. The main aspects of the proposal include: • **Proceeds must be used for Taxonomy-aligned economic activities**. The Taxonomy criteria for use of proceeds will be applied at issuance, however, the final text adds a provision specifying that where the Taxonomy criteria are amended, the issuer must amend the use of proceeds to comply within a period of 5 years (grandfathering). • **Several reporting requirements for issuers**, including a green bond factsheet, pre- and post-issuance reviews, yearly allocation reports, and an environmental impact report, all to be disclosed on the issuer's website and externally reviewed. The proposal also envisages a centralised registration and supervision regime for external reviewers of green bonds, which will be coordinated by ESMA. Member States reached an agreement on the 'flexibility pocket', which would allow 20% of proceeds to be used for activities that are not covered by the Taxonomy. The high figure and the potential inclusion of nuclear and gas activities in the Taxonomy led to several Member States (including Germany) to vote against the position. This may have implications for the Council's negotiation position in interinstitutional ('trilogue') negotiations. The Parliament has agreed on its negotiating position, maintaining 100% Taxonomy-alignment of the use of proceeds while falling short of prohibiting the use of proceeds on nuclear energy and gas activities, going against lead negotiator Tang's position. In addition, the Parliament's position introduces requirements on issuers, asking for the publication of 2050 net zero plans, expands the scope of disclosures to all sustainability-linked bonds, and introduces new provisions on the mandatory nature of the standard by proposing: • **A 2-year review clause** – by the EC to make the EU Green Bond standard mandatory for any issuance of bonds that seek to use the designation European green bond for their environmentally sustainable bonds. This would raise the stakes, as any EU issuers would be subject to the GBS if they wanted to issue sustainable bonds with the EU label. • **Minimum sustainability disclosure requirements for all green bonds** – which are marketed in the EU as "environmentally sustainable or as sustainability-linked bonds" (i.e., even for bonds not following the EU GBS label). These disclosures would include the expected Taxonomy-alignment of bond proceeds, annual periodic reports, as well as a statement on due diligence policies of issuers. Trilogue negotiations have faced difficulties with Member States opposing the Parliament's demands on minimum sustainability disclosure requirements for all sustainability-linked bonds. In turn, the Parliament is opposing the Council-proposed 20% flexibility pocket while negotiators are equally divided over the allowed grandfathering period. Under the auspices of the Swedish Council Presidency, negotiators are currently working to find a breakthrough. The next political trilogue is expected to take place late February 2023.

FILE NAME	POLITICAL TIMELINE	CONTENT AND LATEST DEVELOPMENTS
Corporate Sustainability Due Diligence (CSDD)	**23 Feb 2022:** EC publishes proposal (+ annex) on Corporate Sustainability Due Diligence (CSDD) **01 Dec 2022**: Council agrees on negotiating position **May 2023**: Expected agreement on European Parliament negotiating position **Q3 2023 (tbc)**: Start of interinstitutional negotiations (trilogue)	The EC's proposal on a Corporate Sustainability Due Diligence (CSDD) Directive would require companies to conduct human rights and environmental due diligence practices. Specifically, companies would have to identify actual and potential adverse impacts, with the aim to end and minimise these. Moreover, companies would have to monitor the effectiveness of their policies and publicly communicate on their due diligence practices. The proposal scopes-in a very broad swath of undertakings subject to the following thresholds: • very large EU companies (i.e., companies with 500 and more employees and a net turnover of 150 million euros or more, generated worldwide) in all sectors; • large EU companies deriving more than 50% of their net turnover from high-impact sectors, that also have more than 250 employees and more than 40 million EUR net turnover – high-impact sectors encompass clothing-, agrifood-, and mineral-related industries; • very large non-EU companies with revenues in the EU greater than 150 million EUR; and • large non-EU companies with more than 40 million EUR of turnover generated in the EU and 50% of net worldwide turnover coming from high-impact sectors. Where a violation of due diligence obligations results in damages, undertakings could be held liable for these. They are expected to ensure that their policies are respected throughout their value chain through contractual clauses with a cascading effect. In addition, companies would have to adopt a plan to ensure that the company's business model and strategy are compatible with the Paris Agreement's goals. Finally, where variable remuneration is linked to a director's contribution to the company's strategy and long-term interests and sustainability, these plans need to be taken into consideration. Member States have adopted their negotiating position on 30 November 2022. Importantly, the agreed text: • **Limits value chain to 'chain of activities'** – as a compromise between the value chain and full supply chain approach, the 'chain of activities' would still include some downstream activities but notably excludes the use and disposal of products/services by end consumers. • **Introduces risk prioritisation** – where companies are allowed to prioritise adverse impacts based on severity and likelihood. • **Removes link between climate change and remuneration** • **Maintains contractual cascading** – but companies are not per definition exempt from liability if having put in place such cascading. • **Maintains financial undertakings under scope** – while excluding investment activities from the 'chain of activities'. However, individual Member States may decide to include them. Meanwhile, the European Parliament is developing its negotiating position, with key issues at the centre of the debate being the Directive's scope, definition of value chain, liability and damages, and climate transition plans. On 24 January, the Parliament's Economic and Monetary Affairs (ECON) Committee adopted its final opinion report. The ECON Committee, whose amendments on financial services provisions can be taken over by the leading Legal Affairs (JURI) Committee, agreed on a broad value chain definition, introducing risk prioritisation, and not rendering companies liable when an adverse impact was accurately not prioritised. Meanwhile, the lead JURI Committee is in the process of negotiating its final draft report. Importantly, the latest drafts that serve as a basis for compromise negotiations by MEPs cover the following provisions:

FILE NAME	POLITICAL TIMELINE	CONTENT AND LATEST DEVELOPMENTS
		• **Expansion of scope** – with the general threshold being lowered to 250 employees and a €40m worldwide turnover for all companies, and 50 employees and €8m worldwide turnover for those in high-risk sectors, along with the addition of 9 sectors to the high-risk list. • **Broad definition of value chain** – covering all up- and downstream activities while downstream impact identification is limited to activities with known or foreseeable impacts. • **Allowing for impact prioritisation** – based on severity and likelihood of impact. • **Expanding disclosure requirements** – requiring companies to publish their prioritisation strategy and assessment. Additionally, companies that are not in scope of the CSRD but are in-scope of the CSDD are to report against the CSRD standards relevant to CSDD. • **Making climate transition plans mandatory** – expanded to all companies in scope, and to include greenhouse gas emission reduction targets for 2030, to be revised every five years until 2050. • **Introducing criminal liability for directors** – for acts or omissions leading to severe damage, along with expanded duty of care and strengthened link between bonuses and sustainability. • **Reversing burden of proof** – when a claimant provides preliminary evidence on that the defendant violated the CSDD obligations, the burden of proof will be with the company to demonstrate that they complied with their due diligence obligations. Importantly, **these amendments should be understood as an initial negotiating position**, with changes likely to be needed across several provisions to bring liberal and centre-right MEPs on board. The JURI Committee is scheduled to vote on its final report in March, with a plenary vote in May 2023. Given the impact of the CSDD proposal and the internal division between Member States and Parliamentary political groups, interinstitutional negotiations (trilogue) are expected to be difficult and continue well into the second part of 2023 and potentially start of 2024.
6. Financial Crime & Digital Finance		
Cyber-resilience & hybrid threats	**DORA** **24 Sep 2020:** Proposal on Digital Operational Resilience for financial services (DORA) **10 May 2022:** Political agreement on DORA reached **14 Dec 2022:** DORA published in OJEU **17 Jan 2025:** General application of DORA **NIS2** **16 Dec 2020:** Proposal on review of framework for Network and Information Security (NIS2) **28 Oct 2021**: Parliament position carving out the requirement to report potential threats	**DORA** On 10 May 2022, European Parliament and the Council have found a political agreement on the European Commission's proposal for a Digital Operational Resilience Act (DORA). The proposal sets new digital resilience standards across the financial sector by introducing the rules on managing, testing, and reporting Information and Communications Technology (ICT) provider risks. It also introduces rules to address third-party ICT risks by notably extending financial supervisors' oversight to 'critical' third-party ICT providers. **NIS2** The EU framework for security of network and information systems (NIS Directive) required Member States to establish National Cybersecurity strategies, Computer Security Incident Response Teams (CSIRTs) and national NIS authorities. However, this first directive did not produce a satisfactory level of harmonisation. With a broadened scope, the fragmented NIS framework (so-called NIS2), addresses security of supply chains, streamlines reporting obligations for entities in scope, introduces more stringent supervisory measures and stricter enforcement requirements including harmonised sanctions regimes across the EU.

FILE NAME	POLITICAL TIMELINE	CONTENT AND LATEST DEVELOPMENTS
	12 May 2022: Political agreement on NIS2 reached **14 Dec 2022:** NIS2 published in OJEU **18 Oct 2024:** General application of NIS2	
AML & KYC requirements	**10 Jan 2020:** Deadline for transposition of last EU AML framework (AMLD5) into national law **7 May 2020:** New EU AML Action Plan and consultation **20 Jul 2021:** EU AML package (AMLD6, AMLR, AMLA, TFR) **07 Dec 2022:** Member State position agreed **Q1 2023 (tbc):** Expected agreement on European Parliament position **Q3 2023 (tbc):** Start of negotiations between Member States and the Parliament (trilogue) **1 Jan 2026:** Direct supervision of new EU-level AML Agency	The previous review of the EU anti-money laundering (AML) framework (AMLD5) enhanced due diligence measures for customers in high-risk third countries and for the first time included virtual assets and wallet providers. In July 2021, the Commission published its AML package, aiming to streamline the framework by switching all obliged entities rules from National to EU level and thereby harmonising the patchwork of customer due diligence and KYC requirements across the EU. Certain actors in the Parliament and among Member States have called to extend the scope of obliged entities to the non-financial sector – particularly focusing of Designated Non-Financial Services Businesses and Professions (DNFBPs) i.e auditors, external accountants, and tax advisers. This extension of scope was echoed by Emil Radev (Conservative, Bulgaria) who are the Parliament's lead negotiators on the new EU Anti-Money Laundering Authority (AMLA). The co-rapporteurs suggest AMLA to select entities for direct supervision among credit, financial institutions and crypto asset service providers operating in at least four Member States. In December 2022, Member States finalised their negotiating position on both the AMLR and the AMLD6 proposals, which was one of the priorities set out by the Czech Presidency. On the Council position for the AML Regulation (AMLR), Member States notably introduce new clarifications on the outsourcing of customer due diligence requirements, which establishes safeguards for personal data processing. Member States also proposed to expand the scope of beneficial ownership to include different legal arrangements (i.e., express trusts, collective investment undertakings). Lastly, and after several discussions on this issue, Member States opted for maintaining the EUR 10,000 limit to large cash transfers, with assurances that they can introduce lower limits in their respective jurisdictions. In the European Parliament, negotiations are still in ongoing, with MEPs aiming to converge the negotiation timeline for all three files, with the negotiation position expected by late March 2023.
Digital Finance	**24 Sep 2020:** Publication of Digital Finance Strategy **19 Oct 2020:** European Systemic Risk Board (ESRB) recommendations on LEI implementations **02 Sep 2021:** ESRB report on LEI	**Digital Finance strategy** In September 2020, the Commission published a long-term strategy on digital finance, including: • Two legislative proposals regulating crypto-assets (MiCA) and establishing a pilot regime for market infrastructure based on distributed ledger technology (DLT) • Removing barriers to cross-border digital financial services, • Creating a framework for interoperable digital identity solutions by 2024, • Leveraging an open finance approach, and

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	07 Sep 2021: ECB report on the Central Securities Depositories Regulation (CSDR) supporting the use of LEI **07 Feb 2022:** ESAs joint report on digital finance and related issues	• Facilitating the conditions for increased data sharing between businesses and between supervised entities and regulators through digital solutions. **LEI adoption** The European Systemic Risk Board (ESRB) recommends that the European Commission integrate the Legal Entity Identifier (LEI) more broadly throughout financial regulation and potentially create an EU-wide regulatory framework for implementation of the LEI. In September 2021, the ESRB published a report stressing the crucial contribution by the LEI in monitoring the interconnectedness of legal entities involved in global financial transactions and its support to financial stability. As a result, the ESRB called for a broader use of the LEI, particularly for non-financial companies and sets out potential ways to promote such a broader use.
Crypto-Assets (MiCA)	**24 Sep 2020:** Proposals for a framework on crypto-assets (MiCA) and a pilot regime for DLT-based market infrastructure **30 June 2022**: Political agreement reached **April 2023 (tbc):** Political ratification vote and publication in OJEU **Q3 2024 (tbc):** Expected general application of MiCA	On 24 September 2020, as part of the Digital Finance Package, the Commission published a legislative proposal on a proposed framework for crypto-assets, including a bespoke regime for crypto-assets (MiCA) and a pilot regime for market infrastructure based on Distributed Ledger Technology (DLT) market infrastructures. The Markets in Crypto-Assets (MiCA) regulation is set out to regulate these digital assets to avoid foreign dominance in the crypto-asset market while ensuring financial stability and consumer/investor protection. Particularly, it establishes concrete requirements for crypto-asset (CA) issuers, for stablecoins (especially those deemed “significant”) which cover disclosure, governance, capital or own fund requirements. The text also lays down a harmonised framework around crypto-asset service providers (CASPs) such as wallets who will be required to seek an authorisation in the EU before providing their services and follow bespoke governance and market abuse requirements. Importantly, the scope of the regulation applies to entities engaged in the issuance of crypto-assets, including stablecoins (ARTs and EMTs), and services related to crypto-assets in the EU, but does not cover crypto-assets qualifying as financial instruments under MiFID regardless of the technology used for their issuance. The Regulation is expected to be published in the official journal of the EU (OJEU) in Q2 2023, with the rules on stablecoins to apply 12 months after its entry into force.
7. Horizontal		
International role of the Euro & Digital Euro	**05 Dec 2018:** Commission communication on stronger international role of the euro **02 Oct 2020:** ECB publication of report on the creation of a digital Euro **Oct 2021:** Establishment of Digital Euro Advisory Group **24 May 2023:** Expected Commission legislative proposal on digital euro **2027:** Expected final development of a digital euro	In October 2020, the ECB raised the prospect of establishing a digital euro, a so-called Central Bank Digital Currency (CBDC). The ECB’s report highlights the of a digital euro, including keeping up with a rapidly evolving and digitalising payments landscape in the EU. The first phase of the project would be dedicated to identifying whether a viable digital euro product can be created in a manner consistent with the necessary design features in a cost-efficient manner. In October 2021, the Digital Euro Market Advisory Group officially assumed its function. This industry expert group will assist the ECB in developing the digital Euro, which would be established by the ECB within the legislative framework proposed by the European Commission. The legislative proposal will be subject to negotiations by the European Parliament and Member States and will outline the operational framework for the ECB’s development on the digital Euro.

FILE NAME	POLITICAL TIMELINE	CONTENT AND LATEST DEVELOPMENTS
Brexit	**24 Dec 2020:** EU-UK trade and cooperation agreement 21 Oct 2020: UK publication of financial services bill **31 Dec 2020:** UK leaves EU **31 Dec 2020:** UK FCA allows UK firms to execute trades on behalf of EU clients in EU venues by modifying UK Derivatives Trading Obligation **2022 (tbc):** EU-UK regulatory forum on financial services to be established **End 2024:** Review of EU-UK trade and cooperation agreement **28 Jun 2025:** Expiry of EU-UK data adequacy decision **30 Jun 2025:** End of EU temporary equivalence granted to UK Central Counterparties (CCPs)	The UK and the EU reached an agreement on trade and cooperation on 24 December 2020, which provisionally entered into force on 01 January 2021. The agreement does not cover the provision of cross-border financial services. UK and EU authorities intended to work towards agreeing a Memorandum of Understanding on cooperation which has not yet been signed-off. This however would also not have the same effect as mutual market access or equivalence arrangements. On 31 December, the UK FCA limited the application of the UK Derivatives Trading Obligation to allow UK firms to execute orders on behalf of EU clients on EU-based venues, even in the absence of regulatory equivalence. ESMA has not taken the same approach, meaning that EU firms cannot execute on UK venues. On 13 Jan 2021 the UK Parliament reviewed the UK STO equivalence decision for Swiss trading venues allowing UK shares to be traded on Swiss venues. The statutory instrument entered into force on 3 February 2021, which was reciprocated by Swiss authorities. Until the signature of the EU-UK Memorandum of Understanding on Financial Services Regulatory Cooperation, any timeframe for the establishment of the forum on financial services remains uncertain. This body, when established, would be similar to that in place between the EU and the US and would serve as a platform for an exchange at political and regulatory level on issues related to financial services. It is, however, not a body that will decide on market access arrangements.
International economic sanctions	**09 Sep 2021:** Consultation on the prevention of unlawful extra-territorial sanctions (deadline 4 Nov 2021) **18 Jan 2022:** EU extends sanctions on Russia **28 Feb 2022**: EU sanctions against Russian aggression in Ukraine **02 Mar 2022**: EU introduces a SWIFT ban for certain Russian banks **09 Mar 2022**: Extension of sanctions against Belarus and Russia **03 Jun 2022**: Extension of sanctions, including oil embargo and extension of SWIFT ban **21 Jul 2022**: 'Maintenance and alignment' sanctions package **06 Oct 2022:** Extension of sanctions against Russia **03 Dec 2022:** Russian crude oil export price cap	On 09 September 2021, the EU launched a consultation reviewing its rules meant to protect EU individuals and companies from having to comply with the extra-territorial application of third-country laws and measures. The consultation covers: • The so-called "Blocking Statute" which bans compliance with unlawful third-countries' measures, prevents the rulings of non-EU courts from having effect in the EU, and enables EU persons and legal entities to recover damages in EU courts. • In particular, possible amendments to enhance the capacity of the Blocking Statute to deter/counteract the extra-territorial application of third country sanctions, as well as to reduce the compliance costs. Following Russia's aggression in Ukraine, the EU has imposed a series of far-reaching sanctions against Russia (beyond those in place since the unlawful annexation of Crimea in 2014): The economic and financial sanctions notably cover measures including: • Disconnecting 10 Russian and 3 Belarussian banks from SWIFT, including Sberbank, Credit Bank of Moscow, the Russian Agricultural Bank, Russian Regional Development Bank, and the Belarusian Bank for Development and Reconstruction • Ban EU nationals from holding posts on governing bodies of all Russian State-owned or controlled entities • Bans on provision of services including accounting, consultancy, cloud services, engineering, IT consultancy, advertising, legal advisory, and crypto-asset wallets • Ban on insurance and financing of oil shipments as well as a ban on seaborne crude oil imports from Russia • Suspension of Russian-owned media outlets as well as advertising of products and services on sanctioned broadcasters • Freezing the Russian central bank's foreign reserves

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	16 Dec 2022: Extension of sanctions against Russia	• Bituminous substances and gaseous hydrocarbon products, • Import bans for coal, potassium chloride products, wood products, cement products, iron and steel products and rubber products • Exports of dual-use goods and technology, and certain advanced goods In addition, in December 2022 the EU in cooperation with the G7 and Australia have implemented a price cap on Russian crude oil and petroleum products, set at USD 60 per barrel.