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TRANSFORMATION IS INEVITABLE – THE VISTA FOR RISK AND COMPLIANCE

Welcome to the latest article in our 'Transformation is inevitable' series, where we provide insights based on our on-going analysis of the complex, changing and ambitious regulatory policy environment, evolving customer and employee needs, as well as advancing technology.

In earlier articles we have looked at the future of work and sustainable finance,[1] the possible future direction of UK regulation now that the UK is no longer part of the European Union (EU),[2] and the potential risks that may arise from the ever-increasing use of cloud outsourcing.[3]

In this article we review how regulators first adjusted their agendas to tackle the impact of COVID-19 on financial services, pivoted towards post-pandemic course corrections, and what that now means, with a focus on the macro regulatory agenda, for risk and compliance professionals in the asset management industry.

A strengthened foundation

While the comfort may be cold for many market practitioners today, both the economic and financial shocks created by the outbreak of COVID-19 have been tempered by the work undertaken by national and global regulators in response to the global financial crisis of 2007-08.

As Randal K. Quarles, former Chair of the Financial Stability Board (FSB) noted in a speech entitled 'Financial Stability and Coordination in Times of Crisis'[4] on 18 October 2021, "the implementation of the G20-endorsed reforms from the last crisis helped contribute to our shared resilience."

Given the highly interconnected nature of the global financial system, those benefits have been felt more broadly across financial services.

Shifting priorities in response to COVID-19

Over the past two years, if you take a look at any regulator of financial services, one fact holds true: regulators needed to prioritise their immediate short-term responses over some of their longer-term policy work due to COVID-19.

In Europe, back on 24 July 2020, the European Commission (EC) adopted a Capital Markets Recovery Package,[5] containing targeted adjustments to the Prospectus Regulation, MiFID II, and securitisation rules.

Whilst the European Securities and Markets Authority (ESMA) set out, on 2 October 2020, its priorities and areas for focus in 2021, noting its work plan for 2020 had been highly impacted by COVID-19[6] causing a number of deliverables to be delayed until 2021 and beyond.

Similar announcements were seen in Asia and the U.S. too. In Hong Kong, on 27 March 2020, the Securities and Futures Commission (SFC) issued a press release reminding fund industry participants and intermediaries of their obligations to look after the interests of clients,[7] and in the U.S. the Securities and Exchange Commission (SEC) Office of Compliance Inspections and Examinations issued a Risk Alert,[8] on 12 August 2020, looking at select COVID-19 compliance risks and considerations for broker-dealers and investment advisers.

Fast forward to now — regulators' work programmes

24 months on from the outset of COVID-19 we can see, that in addition to recognising the risks still attendant from COVID-19, the focus is now moving to 2022 and beyond.

On 19 October 2021 the EC published its 2022 Work Programme (2022 WP), 'Making Europe stronger together.'[9] The 2022 WP sets out the next steps in the EC's transformative agenda towards a post-COVID-19 Europe that is greener, fairer, more digital, and more resilient. The 2022 WP contains 42 new policy initiatives across all six headline ambitions of the EC President's political guidelines, building on the President's 2021 'State of the Union' speech.[10]

ESMA, too, published its work programme for 2022 on 28 September 2021, setting out its priority work areas for the next 12 months to deliver on its mission to enhance investor protection and promote stable and orderly financial markets. Of particular note are the cross-cutting themes: the Capital Markets Union, Sustainable Finance, innovation and digitalisation.

At a global level, on 17 February 2022, the FSB published a letter[11] from its new Chair (Klaas Knot)[12], noting that transitioning to a post-pandemic world poses its own challenges. The letter lays out the FSB's policy work during 2022 to promote global financial resilience. This includes:

Supporting financial market adjustment to a post-COVID world;

Reinforcing financial system resilience in light of the COVID experience;

Harnessing the benefits of digitalisation while containing its risks; and

Addressing financial risks from climate change.

Continuing at a global level, at its meeting on 9 March 2022 the International Organization of Securities Commissions (IOSCO) adopted a far-reaching 2022 work plan to develop sustainable finance.[13] The IOSCO Board stressed the importance of mitigating greenwashing and doing what is necessary to create reliable information on sustainability impacts for investors.

In the U.S. the past year has seen almost unprecedented activity at the SEC, a period that has coincided with the first anniversary of the appointment of Gary Gensler as the Chair of the SEC.[14]

Most recently the SEC has voted to propose new rules to enhance private fund investor protection, proposals for cybersecurity risk management rules, amendments for registered investment advisers and funds, and, on 21 March 2022, published proposed rules to enhance and standardise climate-related disclosures for investors.[15]

For more details on U.S. regulatory developments, please listen to our Embracing Complexity Podcast: US Financial Services Policy for 2022 and beyond: Accelerate, Reform and Expand.

Operational resilience and remote working

In Hong Kong, on 4 October 2021, the SFC published a report[16] which sets out regulatory standards to promote the operational resilience of intermediaries. The report also discusses measures to manage the major possible risks of remote working arrangements, including working from home.

The report shares examples and lessons learned from the SFC's review of some licenced corporations' operational resilience measures during the pandemic and other disruptive events.

The report introduces five operational resilience standards:

1. Governance;
2. Operational risk management;
3. Information and communication technology including cybersecurity;
4. Third-party dependency risk management; and
5. Business continuity plan and incident management.

The SFC also states that "while there may be alternative ways to achieve operational resilience objectives and mitigate the risks of remote working, intermediaries are encouraged to adopt the suggested techniques and procedures as appropriate to their circumstances."

More recently, on 7 March 2022, the SFC published a circular to licensed corporations on the importance of business continuity planning amidst the latest COVID-19 situation.[17] This emphasises that pandemic considerations are certainly not in the rear-view mirror yet.

A template for consideration?

As employees return to the work (as opposed to home) office, firms have been developing hybrid working policies, each specific to their own circumstances. The approaches that firms are taking to remote working are evolving, but generally firms are starting to expect a greater number of employees to return to the office for two or three days a week.

A requirement for risk and compliance professionals now is to ensure their businesses not only continue to operate optimally, but also continue to adhere to all relevant regulatory requirements.

With that in mind in the UK, on 14 February 2022, the Financial Conduct Authority (FCA) updated its webpage[18] on remote or hybrid working expectations for firms. The FCA states that firms are already familiar with working in a remote environment and adapting their systems and controls due to the ongoing impact of COVID-19.

On its webpage, the FCA states that it is likely that many firms will continue these new ways of working. So that firms can plan and continue to meet their regulatory responsibilities, the FCA has set out its expectations and risk and compliance professionals globally should find much that resonates with their own experiences to date.

A firm must also prove that there is satisfactory planning:

- That there is a plan in place, which has been reviewed before making any temporary arrangements permanent and is reviewed periodically to identify new risks.
- It can meet and continue to meet any specific regulatory requirements, such as call recordings, order and trade surveillance, and consumers being able to access services.
- There is appropriate governance and oversight by senior managers under the Senior Managers regime, and committees such as the Board, and by non-executive directors where applicable, and this governance is capable of being maintained.
- It's considered any data, cyber and security risks, particularly as staff may transport confidential material and laptops more frequently in a hybrid arrangement.
- A firm can cascade policies and procedures to reduce any potential for financial crime arising from its working arrangements.
- It has the systems and controls, including the necessary IT functionality, to support the above factors being in place, and these systems are robust.
- An appropriate culture can be put in place and maintained in a remote working environment.
- It has appropriate record keeping procedures in place.
- Control functions such as risk, compliance and internal audit can carry out their functions unaffected, such as when listening to client calls or reviewing files.
- The firm has considered the effect on staff, including wellbeing, training and diversity and inclusion matters.
- The nature, scale and complexity of its activities, or legislation, does not require the presence of an office location.
- Where any staff will be working from abroad the firm has considered the operational and legal risks.

Source: Financial Conduct Authority.

Amongst the different considerations that the FCA covers, the UK regulator sets out a non-exhaustive list of areas (see above) where a firm must prove satisfactory planning has been undertaken in relation to hybrid working. Additionally, for firms wishing to consider remote or hybrid working, the FCA will consider each request on a case-by-case basis.

The FCA also states it is important any form of remote or hybrid working adopted should not risk or compromise the firm's ability to follow all rules, regulatory standards and obligations, or lead to a failure to meet them.

House calls?

Continuing with the FCA, and contained in the same webpage update, a point all firms should take note of is the FCA's statement that, for both supervisory and enforcement visits, the FCA should be able to access firms' sites, records and employees.

The FCA states "it's important that firms are prepared and take responsibility to ensure employees understand that the FCA has powers to visit any location where work is performed, business is carried out and employees are based (including residential addresses) for any regulatory purposes."

This is perhaps certainly not a consideration risk and compliance professionals in the UK, and firms more generally, would have needed to make pre-COVID-19.

And while this is highly unlikely to happen in practice, it is not a comment firms can ignore.

Macro regulatory agenda

Moving on to current developments, we take a look at the following topics that are important for risk and compliance professionals, not just from the perspective of the regulatory agenda, but also themes, such as digitalisation, that are helping not only to shape that agenda but also accelerate it.

NBFI

Whilst the size of the non-bank financial intermediation (NBFI)[19] market cannot be disputed (see below), an area of concern for global and national regulators is the impact NBFI's can have on the financial system more widely and how, in volatile times, market stresses can be amplified by their activities (particularly around liquidity mismatches).

Most recently, on 16 December 2021, the FSB published the Global Monitoring Report on Non-Bank Financial Intermediation 2021.[20] The report presents the results of the FSB's annual monitoring exercise to assess global trends and risks in NBFI.

The FSB report focuses on those parts of NBFI that may pose bank-like financial stability risks and/or regulatory arbitrage (the so-called narrow measure of NBFI).

The main findings included that the narrow measure of NBFI grew by 7.4% in 2020 to $63.2 trillion, broadly in line with its annual growth rate of 7.3% between 2014 and 2019. This growth was driven mainly by collective investment vehicles with features that make them susceptible to runs, which grew by 9.0% in 2020, remaining by far the largest component of the narrow measure (75.1%).

As part of its work programme to enhance the resilience of the NBFI sector, the FSB will consider further enhancements to the annual monitoring exercise in light of the COVID-19 experience.

Proposals can be expected at both global and national levels in the future. As expressed recently by the Deputy Governor of the Bank of England for Financial Stability, "until we take coordinated international action in the areas identified by the FSB, we remain, in my view, vulnerable to the risk that non-bank financial system amplifies a future major correction to expectations."[21]

MMFs — U.S and Europe

Linked to NBFI activities, on 15 December 2021, the U.S. SEC voted to propose amendments to certain rules that govern Money Market Funds (MMFs).[22] Prime and tax-exempt MMFs, particularly institutional funds, experienced large outflows which contributed to stress on short-term funding markets.

The SEC's proposed amendments are designed, in part, to address concerns about prime and tax-exempt money market funds highlighted by these events.

The proposed amendments would increase liquidity requirements for MMFs to provide a more substantial liquidity buffer in the event of rapid redemptions. The proposed amendments also would remove provisions in the current rule permitting or requiring a MMF to impose liquidity fees or to suspend redemptions through a gate when a fund's liquidity drops below an identified threshold.

Additionally, to address concerns about redemption costs and liquidity, the proposal would require institutional prime and institutional tax-exempt money market funds to implement swing pricing policies and procedures that would require redeeming investors, under certain circumstances, to bear the liquidity costs of their redemptions.

In Europe, the European Systemic Risk Board (ESRB) published its Recommendations on the reform of MMF's on 25 January 2022,[23] which is aimed at increasing their resilience. The ESRB states that, as the financial market turmoil of 2020 showed, the regulatory changes that followed the global financial crisis did not go far enough in terms of mitigating systemic risks in the MMF sector. The policy reforms the ESRB is recommending are aimed at addressing the sources of systemic risk

Then on 16 February 2022, ESMA published an Opinion[24] containing proposed reforms to the regulatory framework for EU MMFs under the Money Market Funds Regulation (MMFR). The proposals aim to improve the resilience of MMFs by addressing, in particular, liquidity issues and the threshold effects for constant net asset value MMFs.

Whether the proposals by ESMA will significantly impact the viability of EU MMF's is a point that is currently being debated.

Digitalisation

A widely recognised outcome of the pandemic has been the acceleration of digitalisation (across all sectors).[25] This view has been supported by the FSB in its latest report on Fintech and Market Structure in the COVID-19 Pandemic,[26] stating that the pandemic has accelerated the trend toward digitalisation of retail financial services.

While comprehensive data on the market shares of Fintechs, Bigtechs and incumbent financial institutions in retail digital financial services are scarce, proxies suggest that Bigtechs and larger Fintechs have further expanded their footprint in financial services.

The FSB report notes that Bigtech and Fintech firms' expansion into financial services can bring benefits such as improved cost efficiencies and wider financial inclusion for previously underserved groups. However, it also cautions over the potential for market dominance.

The growth of Bigtechs in particular underscores the need to address data gaps that currently hamper the assessment of those firms' financial risks and systemic importance. Such data gaps make it difficult for authorities to decide whether and how to regulate Bigtechs.

The report outlines the types of actions authorities have taken during the pandemic that may impact market structure and the role of different firms in providing digital financial services. These actions relate to financial stability, competition, data privacy and governance issues.

The report also stresses the importance of cooperation between financial authorities and, where relevant, with competition and data protection authorities.

Cybersecurity

In October 2021, the FSB published a report calling for greater convergence in cyber incident reporting. This report, Cyber Incident Reporting: Existing Approaches and Next Steps for Broader Convergence,[27] recognises that cyber incidents remain a threat to the financial system and are rapidly growing in frequency and sophistication.

In light of increasing financial stability concerns, especially given the digitalisation of financial services and increased use of third-party service providers, the FSB explored whether harmonisation in cyber incident reporting could be achieved.

The FSB identified three ways that it will take work forward to achieve greater convergence in cyber incident reporting:

Develop best practices;

Identify common types of information to be shared; and

Create common terminologies for cyber incident reporting.

In Europe the European Supervisory Authorities (ESMA, the EBA and EIOPA — the ESAs)[28] have recently issued a public statement,[29] welcoming the ESRB recommendations[30] on a pan-European systemic cyber incident co-ordination framework for relevant authorities.

The Recommendation calls on the ESAs to start preparing for the gradual development of a framework for an effective EU-level coordinated response in the event of a major cross-border cyber incident that could have a systemic impact on the EU's financial sector, as envisaged in the EC's proposed Digital Operational Resilience Act.

In Asia, on 4 March 2022, the Cyber Security Agency of Singapore announced[31] it has embarked on two new initiatives to enhance the cyber resilience of Critical Information Infrastructure (CII) sectors and better secure Singapore's cyberspace.

These initiatives are (a) review of the Cybersecurity Act to update it for the fast-changing digital world — to improve Singapore's cybersecurity posture and support its digital economy and way of life; and (b) update of the Cybersecurity Code of Practice for the 11 CII sectors to better deal with new and emerging threats such as ransomware and domain-specific risks such as 5G.

The Government of Singapore will take the lead and enhance its cybersecurity governance to address new and emerging cyber threats in the wake of strategic and technological shifts.

On 9 February 2022, the U.S. SEC voted to propose rules related to cybersecurity risk management for registered investment advisers, and registered investment companies and business development companies (funds), as well as amendments to certain rules that govern investment adviser and fund disclosures.[32]

The proposed rules would require advisers and funds to adopt and implement written cybersecurity policies and procedures designed to address cybersecurity risks that could harm advisory clients and fund investors. The proposed rules also would require advisers to report significant cybersecurity incidents affecting the adviser or its fund or private fund clients to the SEC on a new confidential form.

eSg – Social steps forward

Risk and compliance professionals globally will be aware of the importance and impact of ESG to their businesses. Here we look at the S in ESG and efforts to promote transparency and help decrease the possibility of greenwashing.

In the development of its Taxonomy Regulation[33] the EU has been recognised globally as a frontrunner, as well as a benchmark setter, in the creation of a lexicon to classify what is and what is not a sustainable economic activity. To date however this has focused on the environmental aspect of ESG and to a lesser extent on governance activities. But that is changing as the social element of ESG is stepping into the regulatory light.

On 28 February 2022 the EU's Platform on Sustainable Finance (the Platform) published its final report on a social taxonomy.[34] In the final report the Platform proposed a structure for a social taxonomy within the present EU legislative environment on sustainable finance and sustainable governance, taking into account the relationship between the social and environmental taxonomies, and other sustainability objectives like governance and the regulatory environment.

The Platform recommends that a future social taxonomy consists of three objectives, each of which addresses a different group of stakeholders:

- Decent work (including for value-chain workers);
- Adequate living standards and wellbeing for end-users; and
- Inclusive and sustainable communities and societies.

Whilst a timeframe has not been set by the EC by which it will review the Platform's social taxonomy proposals, it will be interesting to see how the proposals are taken forward, most keenly in how it will interact with the existing Taxonomy Regulation.

Give ESG credit where ESG credit is due

In an effort to promote greater transparency and trust in the area of ESG investments, on 23 November 2021 the Board of IOSCO issued a set of recommendations applicable to ESG Ratings and Data Product Providers.[35]

IOSCO suggests that regulators could consider focusing greater attention on the use of ESG ratings and data products and the activities of ESG rating and data products providers in their jurisdictions. IOSCO has also set out specific recommendations on what regulators could consider when developing their framework.

IOSCO's call has seen developments in places such as Europe, the U.S., Hong Kong and India. In the U.S., on the 11 February 2022, the U.S. Department of Labor issued a Request for Information (RFI) on Possible Agency Threats to Protect Life Savings and Pensions from Threats of Climate-related Financial Risk.[36]

Specifically, question seven of the RFI, asks in respect of plan investments, "are there difficulties or challenges in obtaining such information or comparing information from different sources? If so, what is the source or sources of those difficulties or challenges, and what are the solutions?"[37]

In Europe too, ESMA published a Call for Evidence (CfE) on ESG ratings,[38] on 3 February 2022, with the aim of gathering information on the market structure for ESG rating providers in the EU.

The CfE mainly addresses three target groups: ESG rating providers; users of ESG ratings; and entities subject to rating assessment of ESG rating providers. The CfE closed on 11 March 2022 and feedback will be shared with the EC.

Also, on 10 February 2022, ESMA published an analysis on trends, risks and vulnerabilities assessing the implementation of ESMA's Guidelines on the disclosure of ESG factors in credit rating agency (CRA) press releases.[39]

ESMA's findings indicate that the overall level of disclosures has increased since the introduction of ESMA's Guidelines, but that a high level of divergence across CRAs means there is still room for further improvement.

The study found that the extent of ESG disclosures differs significantly across both CRAs and ESG factors, especially environmental topics. It also observed divergences in CRAs' disclosures even for rated entities that are highly exposed to ESG factors, relative to their sector peers.

As questions continue on the reliability and availability of ESG data, this is an important area of development.

ESMA's CSA's – valuation, costs and charges

In Europe, in January and February 2022 ESMA launched two Common Supervisory Actions (CSA's) that give risk and compliance professionals an indication of ESMA's future work. These are on the valuation of UCITS and open-ended alternative investment funds (AIFs) across the EU [40] and on the application of MiFID II costs and charges disclosure rules across the EU.[41]

On the valuation CSA, ESMA is aiming to assess compliance of supervised entities with the relevant valuation-related provisions in the UCITS and AIFMD frameworks, in particular the valuation of less liquid assets, and will be conducted throughout 2022.

The CSA will focus on authorised managers of UCITS and open-ended AIFs investing in less liquid assets i.e.: unlisted equities, unrated bonds, corporate debt, real estate, high yield bonds, emerging markets, listed equities that are not actively traded, bank loans.

Throughout 2022, national competent authorities (NCAs) will share knowledge and experiences through ESMA to foster convergence in how they supervise valuation-related issues. One core objective is the consistent and effective supervision of valuation methodologies, policies and procedures of supervised entities to ensure that less-liquid assets are valued fairly both during normal and stressed market conditions, in line with applicable rules.

In relation to the February 2022 CSA, this will allow ESMA and NCAs to assess the application by firms of the MiFID II requirements on costs and charges. The focus of the CSA will be on information provided to retail clients.

In particular, NCAs will review how firms ensure that these disclosures:

- Are provided to clients in a timely manner;
- Are fair, clear and not misleading;
- Are based on accurate data reflecting all explicit and implicit costs and charges; and
- Adequately disclose inducements.

ESMA believes this initiative and the related sharing of practices across NCAs, will help ensure consistent implementation and application of EU rules and enhance the protection of investors in line with ESMA's objectives.

A changing mindset

For risk and compliance professionals in the UK the FCA, on 7 December 2021, published its latest consultation [42] on a new Consumer Duty which it considers will "fundamentally shift the mindset of firms" and establish an appropriate level of care to consumers. The final rules are due to go live in April 2023.

The new rules will impact any firm that offers products and/or services to retail customers and while the industry awaits the FCA's policy statement in July 2022, a key industry response on the proposals has been on the shortness of the implementation period.

It should be noted that the FCA is proposing to amend its Senior Managers & Certification Regime's individual conduct rules in its Code of Conduct sourcebook to reflect the higher standard of the Consumer Duty by adding a new rule requiring all conduct rules staff within firms to "act to deliver good outcomes for retail customers" where their firms' activities fall within scope of the Consumer Duty.

The FCA say that the new rules will raise industry standards by putting the emphasis on firms to get products and services right in the first place. In addition, the FCA will use assertive supervision and its new data led approach to intervene quickly when it identifies practices which do not deliver for consumers.

Financial stability and sanctions

For risk and compliance professionals globally, in the current environment, sanctions are a very important area. And while certainly not a proxy for risk and compliance to follow, ESMA's recent publication of its regulatory response to the war in Ukraine and its impact on EU financial markets [43] gives an insight into the European securities regulators' co-ordination with NCAs and how it is prepared to use its relevant tools to ensure the orderly functioning of markets, financial stability and investor protection.

ESMA provides a forum for supervisors to discuss questions and coordinate responses arising from the current situation. To ensure stakeholders are adequately informed, ESMA has outlined its specific supervisory and coordination activity, as well as recommendations to financial market participants.

Specific to investment management, ESMA has "reinforced its coordination role by monitoring investment funds, organising frequent exchanges with NCAs to analyse market developments and supervisory risks linked to the crisis, focusing on liquidity issues and the use of liquidity management tools and monitoring issues relating to valuation of assets and potential suspension of redemptions." [44]

Among the supervisory and market recommendations ESMA comments on a number of areas for consideration including cybersecurity, risk assessment and in relation to sanctions compliance that "financial market participants should ensure they comply with the relevant EU sanctions and monitor for any further restrictions. The EC will provide clarity and answer queries on the scope and implementation of these and ESMA is supporting the EC in collecting such queries." [45]

The way forward?

For risk and compliance professionals in financial services firms, it would have already been understood before COVID-19 that change, and regulatory change in particular, is endemic. And that each change is accompanied by its own set of risks and opportunities. The success of contingency plans and homeworking is a case in point where two years on increased cyber threats remain and regulatory questions are being posed on how effectively firms are monitoring their staff communications.

As regulators change tack, repositioning their agenda's following COVID-19 and adjusting for newly imposed sanctions, risk and compliance professionals will be taking steps to accommodate within their businesses the changes to the regulatory vista.

Those steps will include ensuring developments are incorporated into firms' business plans, into their business continuity planning, into operational resilience, governance, and control environments.

Indeed, the imperative remains, as it did pre-COVID-19 for financial services firms, to maintain a competitive advantage, but to do so with the interests of clients, investors, and employees strongly in mind.

[1] See Transformation is Inevitable – The Vista for Asset Managers at www.citigroup.com.

[2] See Transformation is Inevitable #2 – Direction of Regulatory Reform in the UK at www.citigroup.com.

[3] See cbs36023_Transformation_is_Inevitable_No3_Nov2021_A4_Article_v5.pdf (citigroup.com).

[4] See https://www.fsb.org/wp-content/uploads/S181021.pdf.

[5] See https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1382.

[6] See https://www.esma.europa.eu/sites/default/files/library/esma20-95-1273_2021_annual_work_programme.pdf.

[7] See https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=20PR25.

[8] See https://www.sec.gov/files/Risk%20Alert%20-%20COVID-19%20Compliance.pdf.

[9] See 2022 Commission work programme (europa.eu).

[10] See soteu_2021_address_en_0.pdf (europa.eu).

[11] See https://www.fsb.org/2022/02/fsb-chairs-letter-to-g20-finance-ministers-and-central-bank-governors-february-2022/.

[12] Appointed in December 2021.

[13] See https://www.iosco.org/news/pdf/IOSCONEWS635.pdf.

[14] See https://www.sec.gov/news/press-release/2021-65.

[15] See https://www.sec.gov/news/press-release/2022-46.

[16] See Report_Operational-resilience-and-remote-working-arrangements_Oct-2021_EN.pdf (sfc.hk).

[17] See Circular to licensed corporations Importance of business continuity planning amidst latest COVID-19 situation | Securities & Futures Commission of Hong Kong (sfc.hk).

[18] See https://www.fca.org.uk/firms/remote-hybrid-working-expectations.

[19] A non-banking financial institution or non-bank financial company is a financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency.

[20] See Global Monitoring Report on Non-Bank Financial Intermediation 2021 - Financial Stability Board (fsb.org).

[21] See Recollections on financial stability (bankofengland.co.uk).

[22] See ic-34441-fact-sheet.pdf (sec.gov).

[23] See Recommendation of the European Systemic Risk Board of 2 December 2021 on reform of money market funds (ESRB/2021/9) (europa.eu).

[24] See esma34-49-437_finalreportmmfreview.pdf (europa.eu).

[25] See The Acceleration of Digitization as Result of COVID-19 (deloitte.com).

[26] See FinTech and Market Structure in the COVID-19 Pandemic: Implications for financial stability (fsb.org).

[27] See Cyber Incident Reporting: Existing Approaches and Next Steps for Broader Convergence - Financial Stability Board (fsb.org).

[28] The European Securities and Markets Authority, the European Banking Authority, the European Insurance and Occupational Pensions Authority – the ESAs.

[29] See JC 2022 02 (ESAs_statement_ESRB_recommendation_cyberincident).pdf (europa.eu).

[30] See Recommendation of the European Systemic Risk Board of 2 December 2021 on a pan-European systemic cyber incident coordination framework for relevant authorities (ESRB/2021/7) (europa.eu).

[31] See Cyber Security Agency of Singapore (csa.gov.sg).

[32] See 33-11028-fact-sheet.pdf (sec.gov).

[33] See EU taxonomy for sustainable activities | European Commission (europa.eu).

[34] See https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/280222-sustainable-finance-platform-finance-report-social-taxonomy.pdf.

[35] See FR09/2021 Environmental, Social and Governance (ESG) Ratings and Data Products Providers (iosco.org).

[36] See US Department of Labor seeking public comment on protecting workers' life savings, pensions from climate-related financial risks | U.S. Department of Labor (dol.gov).

[37] Ibid.

[38] See esma80-416-250_call_for_evidence_on_market_characteristics_for_esg_rating_providers_in_the_eu.pdf (europa.eu).

[39] See esma80-195-1352_cra_esg_disclosures.pdf (europa.eu).

[40] See ESMA launches a Common Supervisory Action with NCAs on valuation of UCITS and open-ended AIFs (europa.eu).

[41] See ESMA launches a Common Supervisory Action with NCAs on MiFID II costs and charges (europa.eu).

[42] See A new Consumer Duty: Feedback to CP21/13 and further consultation (fca.org.uk).

[43] See ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets (europa.eu).

[44] Ibid.

[45] Ibid.

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