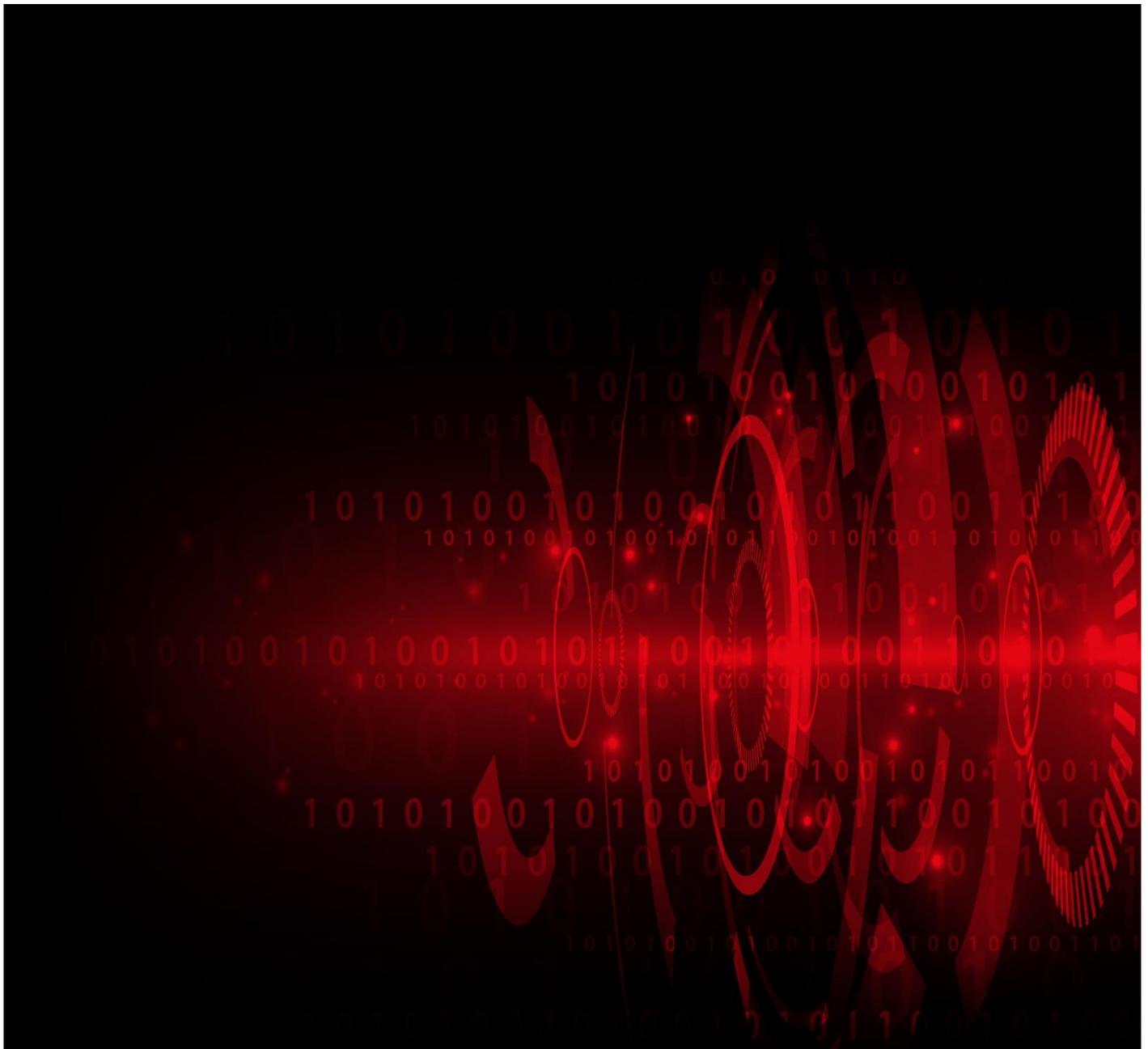


# **Global Blockchain Business Council**

Monthly FinTech Updater

Norton Rose Fulbright LLP – 30 June 2021



## Global, EU, UK and US Regulatory developments

EU	
<b>Council close to adopting general approach on DORA proposal</b>	<p>The Council of the European Union (the <b>Council</b>) is getting closer to reaching a general approach on the proposed regulation on digital operational resilience for the EU financial sector (<b>DORA</b>). The Council, which consists of the EU Member States, has been discussing the proposal since September 2020. In advance of the Council Working Group meeting on 26 May 2021, the Portuguese Presidency circulated a draft compromise proposal. The draft compromise proposal contained a large number of proposed amendments to the Commission's proposal. Set out below is an overview of the Presidency's main proposed amendments.</p> <p><b>1. Scope and definitions</b></p> <p>The scope of DORA is expanded to also include the reporting of major operational or security payment-related incidents to Member State competent authorities by credit institutions, payment institutions and electronic money institutions.</p> <p>In Recital 22, a new paragraph is added to clarify that existing reporting obligations concerning incidents under the Payment Services Directive II (Directive (EU) 2015/2366) (<b>PSD2</b>) are completely transferred to DORA as regards financial entities simultaneously subject to DORA and PSD2.</p> <p>A number of new definitions are included, aimed at clarifying the scope and framework of DORA. This includes the definitions for "major operational or security payment-related incident" and "significant cyber threat". Definitions for "subsidiary", 'group' and 'parent undertaking' are now included in Article 2 as well.</p> <p><b>2. ICT risk management</b></p> <p>A new Article 3a is included at the start of Chapter II (<b>ICT risk management</b>), section I to explicitly include the proportionality principle, providing that "Financial entities other than those referred to in Article 14a shall implement the rules on ICT risk management in this Chapter in accordance with the principle of proportionality, by taking into account the size of their undertaking, the nature, scale and complexity of their services, activities and operations, and their overall risk profile." The proportionality principle was previously embedded in Article 4(1) of the Commission's proposal.</p> <p>In Article 7, there are proposed amendments to the wording in paragraph 1 to take into account the concern that the identification of business functions might be restricted to only those functions that are ICT related, in terms of the organizational structure of the financial entity. This way, all functions that are, to some extent, supported by ICT and therefore relevant for the purpose of this requirement would be taken into account.</p> <p>A new Article 14a is added to provide proportionality for small and non-interconnected firms. They are exempted from Articles 4 to 14 but need to abide by a number of limited standards listed in Article 14a.</p>

	<p><b>3. ICT third-party risk</b></p> <p>The Presidency also proposes to include explicit wording on the proportionality principle in provisions that give powers to the European Supervisory Authorities (<b>ESAs</b>) to draft delegated acts. In Article 27(4), the Presidency adds a subparagraph stating that the ESAs should take into account the size, nature, scale, complexity and overall risk profile of the financial entities when drafting delegated measures detailing the elements financial entities should consider when subcontracting critical or important functions to ICT third-party service providers.</p> <p><b>4. Application</b></p> <p>It is proposed that the date of application be delayed from 12 to 24 months after the entry into force of DORA.</p> <p>The obligations with regard to advanced testing of ICT tools, systems and processes based on threat led penetration testing and the requirements for testers laid down in Articles 23 and 24 would also become applicable after 24 months following the entry into force of DORA. The original proposal stated that these provisions would apply after 36 months following the entry into force of DORA.</p> <p>EU Member States need to provide their comments to the draft compromise proposal by 3 June 2021.</p> <p>The proposed DORA framework is part of the European Commission digital finance package. The package, which was published in September 2020, sets out the EU's ambition on how it can support the digital transformation of finance in the coming years, while regulating its risks. It aims to remove fragmentation in the Digital Single Market, to adapt the EU regulatory framework to facilitate digital innovation, promote data-driven finance and address the challenges and risks with digital transformation, including by enhancing the digital operational resilience of the financial system. Besides the DORA proposal, there are two main legislative initiatives under the digital finance package, being the proposed regulation on markets in crypto-assets (<b>MiCA</b>), and a proposed regulation on a pilot regime for market infrastructures based on distributed ledger technology (<b>DLTR</b>). All three legislative initiatives are at present being discussed by the Council and the European Parliament.</p> <p>On 14 April 2021, the European Parliament rapporteurs discussed their draft reports on these proposals, including DORA, in the European Parliament Economic and Monetary Affairs (<b>ECON</b>) Committee. The ECON Committee intends to vote on the draft reports before the Summer recess.</p> <p><b>Published 3 June</b></p>
<p><b>Greece</b></p>	
<p><b>Bank of Greece launches a regulatory sandbox in collaboration with the European Bank for Reconstruction and Development (EBRD)</b></p>	<p><u>On 2 June</u>, the Bank of Greece held an online event to launch its Regulatory Sandbox. The project was implemented in collaboration with the European Bank for Reconstruction and Development (<b>EBRD</b>) and was funded by the European Union (via the DG REFORM of the European Commission). The Regulatory Sandbox is expected to foster financial technology in Greece, by providing a protected environment, in which firms can test innovative solutions as to their conformity with the applicable regulatory requirements, without risk to financial stability before their potential scale-up. Such testing is conducted in a controlled environment based on predefined parameters and time frames, under the close supervision of the Bank of Greece.</p> <p>On this occasion, Bank of Greece Governor Yannis Stournaras stressed that the Regulatory Sandbox will serve as “a further driver of FinTech and innovation in Greece, in addition to the Innovation Hub” and that “the Bank of Greece attaches great importance to Innovation, all the more so as it expects -</p>

	<p>that the end of the pandemic will shape a new social and economic reality, primarily digital, in which knowledge, scientific research, technology and innovation will be the main drivers of prosperity”.</p> <p>In turn, Ms Andreea Moraru, EBRD Director, Regional Head of Greece &amp; Cyprus, stated: “we are proud to support the launch of the Greek regulatory sandbox today and to have partnered with the Bank of Greece and the European Union to promote financial innovation in the country. Building on the great work the Bank of Greece has already done through its Innovation Hub, this new framework places Greece among the pioneer countries in the European Union that have ventured into regulatory sandboxes in order to foster innovation in financial services. For the EBRD, accelerating digital transition is among our top priorities, and we see the Greek sandbox as an important step forward for the benefit of consumers, society and the Greek economy overall”.</p> <p><b>Published 2 June</b></p>
<p><b>UK</b></p>	
<p><b>The FCA extends the Temporary Registration Regime for cryptoasset businesses</b></p>	<p><u>On 3 June</u>, the UK’s Financial Conduct Authority (<b>FCA</b>) announced that it is extending the end date of the Temporary Registrations Regime (<b>TRR</b>) for existing cryptoasset businesses from 9 July 2021 to 31 March 2022.</p> <p>The TRR was established last year to allow existing cryptoasset firms that applied for registration before 16 December 2020, and whose applications are still being assessed, to continue trading. A significantly high number of businesses are not meeting the required standards under the Money Laundering Regulations. This has resulted in an unprecedented number of businesses withdrawing their applications. The extended date allows cryptoasset firms to continue to carry on business while the FCA continues with its robust assessment.</p> <p>Anti-money laundering and counter terrorist financing legislation are aimed at protecting against enabling the transfer and disguise of funds from criminal activity, or funding of terrorist groups. While this is not the only element that the FCA will assess in relation to an applicant, the FCA will only register firms where it is confident that processes are in place to identify and prevent this activity.</p> <p>Many cryptoassets are highly speculative and can therefore lose value quickly. The FCA does not have consumer protection powers for the cryptoasset activities of firms. Even if a firm is registered with the FCA, it is not responsible for making sure cryptoasset businesses protect client assets (i.e. customers’ money), among other things. Cryptoassets are considered very high risk, speculative investments. If consumers invest in cryptoassets, they should be prepared to lose all their money. It is unlikely that consumers will have access to the Financial Ombudsman Service or Financial Services Compensation Scheme, irrespective of whether a firm has temporary or full registration.</p> <p><b>Published 3 June</b></p>
<p><b>Bank of England Discussion Paper on new forms of digital money</b></p>	<p><u>On 7 June 2021</u>, the Bank of England (<b>BoE</b>) published a <u>Discussion Paper</u> that seeks to broaden the debate around new forms of digital money.</p> <p>The Discussion Paper sets out the BoE’s emerging thoughts on new forms of digital money, which include both systemic stablecoins and a UK central bank digital currency (<b>CBDC</b>). It builds on the BoE’s previous Discussion Paper on CBDC <u>published in March 2020</u> and the Financial Policy Committee’s expectations for stablecoins set out in the December 2019 <u>Financial Stability Report</u>. The BoE has not yet made a decision on its detailed regulatory approach to stablecoins, or on whether to introduce a CBDC in the UK.</p> <p>For the purpose of the Discussion Paper, new forms of digital money are assumed to be denominated in sterling. Unlike crypto-assets such as Bitcoin, which do not have an anchor, they are also assumed</p>

	<p>to be backed by assets that make them stable in value. But, unlike commercial bank money, it is further assumed they would not be created by lending to the real economy.</p> <p>The Discussion Paper focuses on new forms of digital money that have significant potential to be systemic. In the context of new forms of digital money, the precise definition of ‘systemic’ will need to be refined. For the purpose of the Discussion Paper it is taken to mean that new forms of digital money have the potential to scale up and grow rapidly, and to become widely used as a trusted form of sterling-denominated payments by households and non-financial businesses – referred to collectively as ‘retail payments’ – in the UK.</p> <p>The BoE has also summarised the responses to its <a href="#">March 2020 Discussion Paper</a> on CBDC. The BoE states that respondents showed strong agreement that the BoE should, at the very least, be carefully studying CBDC, even if there was a range of views on whether one was ultimately likely to be needed or desirable.</p> <p>The BoE has identified five core principles from the responses which will guide its future exploration of CBDC. These include:</p> <ul style="list-style-type: none"> <li>• Financial inclusion should be a prominent consideration in the design of any CBDC.</li> <li>• A competitive CBDC ecosystem with a diverse set of participants will support innovation and offer the best chance to deliver the benefits of CBDC.</li> <li>• In assessing the case for CBDC, the BoE should assess whether non-CBDC payment innovations could deliver the same benefits.</li> <li>• A CBDC should seek to protect users’ privacy.</li> </ul> <p>While CBDC should “do no harm” to the BoE’s ability to meet monetary and financial stability, opportunities to meet policy objectives more effectively should also be considered in CBDC exploration. The BoE is primarily focused on the possible benefits CBDC might bring for ‘payments’. It is also considering the possible opportunities that CBDC may offer for monetary and financial stability.</p> <p>The deadline for comments on the Discussion Paper is 7 September 2021.</p> <p><b>Published 7 June</b></p>
<p><b>Regulatory sandbox – cohort 7</b></p>	<p><u>On 10 June</u>, the FCA published a new webpage ‘<a href="#">Regulatory sandbox – cohort 7</a>’.</p> <p>The FCA reports that 13 firms have been accepted into cohort 7 of the regulatory sandbox to test innovative products and services.</p> <p>The FCA also reports that the regulatory sandbox is currently run on a cohort basis, with periodic application windows opened throughout the year. However, the FCA’s intention is to move to ‘Always Open’ later in 2021, making the regulatory sandbox available throughout the year. In doing so it will also expand and clarify the scope of qualifying propositions to ensure it supports firms and sandbox tests which will lead to tangible benefits for consumers and markets. The FCA will make further announcements when the regulatory sandbox will be opening for new applications.</p> <p><b>Published 10 June</b></p>

**Bank of England and Bank for International Settlements launch the BIS Innovation Hub London Centre.**

On 11 June, the Bank for International Settlements (**BIS**) and the Bank of England (**BoE**) launched the BIS Innovation Hub London Centre, the fourth Innovation Hub Centre to be opened in the past two years.

Agustín Carstens, General Manager of the BIS, said “The BIS, together with its partners, is taking a leading role in coordinating the work of central banks on technological innovation in the financial sector to pave the way for the future of central banking. This new Centre in London reflects the Bank of England's critical role as an innovator in responding to the challenges and opportunities of the digital world while safeguarding financial stability.”

Andrew Bailey, Governor of the Bank of England, said “as a central bank, we recognise the importance of innovation for the global financial system and look to support its safe deployment wherever possible. This requires collaboration between public authorities in all jurisdictions, and the BIS Innovation Hub is an important global initiative for achieving this.”

The launch is part of a plan to expand the global reach of the BIS Innovation Hub, which also includes the opening of Centres with the Bank of Canada (Toronto), the European Central Bank/Eurosystem (Frankfurt and Paris) and the four Nordic central banks (Danmarks Nationalbank, the Central Bank of Iceland, the Central Bank of Norway and Sveriges Riksbank) in Stockholm. In January 2021, the BIS signed a memorandum of understanding for a strategic collaboration with the Federal Reserve System (New York).

Benoît Cœuré, Head of the BIS Innovation Hub, said “I am delighted to welcome the next phase of the BIS Innovation Hub's expansion with the establishment of the new Centre with the Bank of England in London, where there is such a strong nexus of technology and finance. Through this collaboration, the BIS Innovation Hub will continue to develop key public goods that address financial sector issues of importance to central banks.”

The BIS Innovation Hub's work programme is currently focused on six areas: use of technological innovation in supervision and regulation (**Suptech and Regtech**); next-generation financial market infrastructures; central bank digital currencies; open finance; cyber security; and green finance. Work related to these themes is distributed across the various Hub Centres.

Rishi Sunak, UK Chancellor of the Exchequer, said “the UK is known for pushing the boundaries of digital finance so it's great to have the new Innovation Hub opening here. Its work will help central banks to support safe innovation, and boost our efforts to capture the extraordinary potential of technology.”

**Published 11 June**

<p><b>FCA research reveals increase in cryptoasset ownership</b></p>	<p><u>On June 17</u>, the FCA published research which found that as holding cryptoassets has become more common, attitudes to them have changed. 38% of crypto users regard them as a gamble (down from 47% last year), while increasing numbers see them as either a complement or alternative to mainstream investments. By contrast, the level of overall understanding of cryptocurrencies is declining, suggesting that some people who have heard of crypto may not fully understand, with only 71% correctly identified the definition of cryptocurrency from a list of statements.</p> <p>Enthusiasm for cryptoassets is growing with over half of crypto users saying they have had a positive experience so far and are likely to buy more (rising from 41% to 53%). Fewer people also regret having bought cryptocurrencies, down from 15% to 11%. 1 in 10 who had heard of cryptocurrency said they are aware of consumer warnings on the FCA website. Of these, 43% said they were discouraged from buying crypto. Most consumers recognise that crypto investments are not protected, although 12% of crypto users believe otherwise.</p> <p>Sheldon Mills, FCA's Executive Director, Consumers and Competition said: 'The research highlights increased interest in cryptoassets among UK customers. The market has continued to grow, and some investors have benefitted as prices have risen. However it is important for customers to understand that because these products are largely unregulated that if something goes wrong they are unlikely to have access to the FSCS or the Financial Ombudsman Service. If consumers invest in these types of products, they should be prepared to lose all their money.'</p> <p>The research is the FCA's fourth consumer research publication on cryptoassets ownership. It is part of the FCA's strategy to develop its thinking on the potential harms and benefits to consumers from cryptoassets and help better understand consumers' attitudes and patterns of use. During that period the FCA issued further consumer warnings, stating that investing in cryptoassets is high risk and that investors should be prepared to lose all their money.</p> <p>The FCA will continue working closely with HM Treasury and other regulators, including through the UK Cryptoasset Taskforce.</p> <p>The full report is available <a href="#">here</a>.</p> <p><b>Published 17 June</b></p>
<p><b>UK and Singapore kickstart negotiations on cutting-edge digital trade agreement</b></p>	<p><u>On 28 June</u>, the UK and Singapore launched negotiations on a new ambitious digital trade agreement that could remove barriers to digital trade and enable UK exporters to expand into high-tech markets. International Trade Secretary, Liz Truss, and the Singaporean Minister in charge of Trade Relations, Mr S. Iswaran, will meet by video call to kick start negotiations.</p> <p>The UK is the first European country to start negotiations on a Digital Economy Agreement (<b>DEA</b>). Singapore and the UK are both global leaders in the digital economy and 70% of UK services exports, from financial and legal services to music streaming and e-books, were digitally delivered to Singapore in 2019, worth £3.2 billion.</p> <p>The DEA would open further opportunities for British businesses to deliver their services through digital trade. It would help cut red tape and ensure companies can trade more efficiently through digital technology such as electronic transactions, e-signatures and e-contracts.</p>

	<p>The announcement is part of the Government’s strategy to place the UK at the centre of a network of modern free trade agreements with dynamic countries, and to enhance its status as a global hub for services and digital trade.</p> <p>Negotiations will focus on:</p> <ul style="list-style-type: none"> <li>• Securing open digital markets for exporters, allowing them to expand into new markets and sell traditional products in new ways.</li> <li>• Ensuring free and trusted cross-border data flows, while upholding high standards of personal data protection.</li> <li>• Cutting red tape for UK businesses by promoting digital trading systems such as digital customs and border procedures that will save time and money when exporting.</li> <li>• Upholding consumer rights and protecting businesses’ valuable intellectual property like source code and cryptography.</li> <li>• Deepening cooperation on future growth sectors like FinTech and LawTech, while working with Singapore to strengthen the UK’s collective cybersecurity capabilities.</li> </ul> <p><b>Published 28 June</b></p>
<b>India</b>	
<p><b>Security and Exchange Board of India (SEBI) revises eligibility criteria for regulatory sandbox</b></p>	<p><u>On 14 June</u>, the Security and Exchange Board of India (<b>SEBI</b>) came out with revised eligibility criteria for the regulatory sandbox, laying down requirements to apply for the two stages of sandbox testing. The revision has been done in order to enhance the reach and achieve the desired aim. Besides mentioning that all SEBI-registered entities are eligible for testing in the regulatory sandbox, it added that the entity may apply either on its own or in partnership with any other entity.</p> <p>During the stage-I testing, applicant would use limited and identified set of users; while in the stage-II, there will be a larger set of identified users. In both the stages, there will be a maximum cap on users based on the requirement of the applicant duly approved by SEBI. For stage-II, an applicant will be eligible after completing minimum 90 days in the regulatory sandbox testing. Laying down the detailed eligibility conditions for stage-I, SEBI said there needs to be genuine need to tests and a genuine need for relaxation.</p> <p>The solution should offer identifiable direct or indirect benefits and the solution should either be a new innovative one or should improve the existing processes or facilitate inclusion.</p> <p><b>Published 14 June</b></p>

<b>US</b>	
<p><b>Joint Statement on the US - UK Financial Innovation Partnership meeting</b></p>	<p><u>On 23 and 24 June</u>, U.S and UK participants in the U.S - UK Financial Innovation Partnership (<b>FIP</b>) met virtually for a regulatory and commercial pillar meeting, to exchange views on topics of mutual interest in the U.S. and UK FinTech ecosystems and deepen ties between U.S. and UK financial authorities.</p> <p>Participants exchanged views on the regulatory approaches to cryptoassets and stablecoins, digital payments developments, and regulatory and supervisory technology such as Digital ID. Both sides provided updates on their approaches to central bank digital currencies, including the Bank of England's recent publication titled "<u>New forms of digital money</u>," and discussed the ongoing work at the G7 on the topic. In addition, the UK and U.S. discussed the testing of innovative financial services including, for the UK, the Financial Conduct Authority's <u>TechSprint, Sandbox, and Green FinTech Challenge initiatives</u>, and for the U.S., the priorities of the Securities Exchange Commissions' <u>FinHub</u> and the <u>Office of the Comptroller of the Currency's Office of Innovation</u>.</p> <p>Participants intend to continue to engage on these topics, as well as other financial innovation topics of mutual interest, in support of the next U.S - UK Financial Regulatory Working Group meeting, due to be held in the fall of this year.</p> <p>The Commercial Pillar is intended to bring together stakeholders on both sides of the Atlantic to demonstrate commercial opportunities for FinTech companies. Topics included a moderated discussion on the future of transatlantic FinTech regulatory collaboration, and a discussion on the future of FinTech innovation in both markets, among others. The exchanges intend to deepen FinTech trade and investment ties and understanding between the U.S. and UK.</p> <p>Participants recognized the continued importance of the ongoing partnership on global financial innovation as an integral component of U.S - UK financial services cooperation. The FIP was inaugurated in 2019 at the Financial Regulatory Working Group as a means of boosting U.S - UK engagement in financial innovation issues. The first meeting of the FIP took place in August 2020.</p> <p><b>Published 24 June</b></p>
<p><b>US Securities and Exchange Commission's (SEC) warn on potential risks in bitcoin futures trading highlighting the lack of regulation</b></p>	<p>On June 10, the US Securities and Exchange Commission's (<b>SEC</b>), Office of Investor Education and Advocacy (<b>OIEA</b>) and the Commodity Futures Trading Commission's (<b>CFTC</b>) Office of Customer Education and Outreach (<b>OCEO</b>) <u>issued a warning</u> targeting investors who are looking for funds with exposure to Bitcoin futures. According to the investor bulletin, people should exercise caution and be careful about the investment's potential risks and benefits.</p> <p>"Among other things, investors should understand that Bitcoin, including gaining exposure through the Bitcoin futures market, is a highly speculative investment," the regulatory bureaus commented. Furthermore, they raised concerns once again on the volatility that Bitcoin brings to the crypto sphere and that it is being witnessed on the Bitcoin futures markets.</p> <p>In fact, they cited the lack of regulation and "potential for fraud or manipulation" of the market. The bulletin provides guidance on which elements the investors should pay attention to, such as the risk tolerance, the fund's disclosure of its risks, potential loss of the investment and the difference in investment outcome. "A rise in Bitcoin prices may not result in a similar increase in the value of a fund holding positions in Bitcoin futures contracts. This is in part because funds that trade commodity futures contracts may not have direct exposure to the contracts' underlying assets. Futures contract prices can vary by delivery months and differ from the underlying commodity's spot price," the regulators said.</p> <p><b>Published 10 June</b></p>

El Salvador	
<p><b>El Salvador becomes first country in the world to recognize Bitcoin as legal tender</b></p>	<p><u>On 9 June</u>, the Legislative Assembly of El Salvador approved the Bitcoin Law which recognises the digital currency as a legal tender in the country. The aims of the new law include generating employment opportunities, promoting true financial inclusion and generating economic dynamism.</p> <p>President Nayib Bukele indicated that El Salvador will partner with Strike, a digital payments company. The Bitcoin Act was passed with a strong majority with a total of 62 out of 84 members in favour of the new law.</p> <p>The State will guarantee, through the creation of a trust in the Development Bank of El Salvador (<b>BANDESAL</b>), the automatic convertibility of bitcoin to the dollar. The exchange value of this cryptocurrency to dollar will be set by the market, in accordance with the Law. This does not mean that bitcoin comes to replace the currency currently used (US dollars).</p> <p>According to President Nayib Bukele, creating a modern bitcoin-based financial infrastructure will create jobs in the short term. In addition, he believes that there will be financial inclusion, since there are currently thousands of people who are outside the formal economy: Specifically, 70% of the Salvadoran population do not have bank support. The reasons for this arise for various reasons, among them is the fact that many have an informal job and are asked for various requirements which they cannot satisfy.</p> <p>The president has also said that he would work with state-owned geothermal electric firm LaGeo to harness the power of renewable energy from the country's volcanoes to provide Bitcoin mining facilities.</p> <p>The law is expected to take effect on 7 September.</p> <p><b>Published 9 June</b></p>
Canada	
<p><b>Canadian securities regulators sign FinTech Co-operation Agreement with the Financial Services Commission, Mauritius</b></p>	<p><u>On 25 June</u>, members of the Canadian Securities Administrators (<b>CSA</b>) have signed a FinTech co-operation <u>agreement</u> with the Financial Services Commission, Mauritius (<b>FSC Mauritius</b>).</p> <p>The agreement extends the work of the CSA Regulatory Sandbox Initiative and the efforts made by FSC Mauritius with innovative financial players. Notably, it includes a referral mechanism for innovative businesses, and enhances and clearly defines information-sharing between these jurisdictions.</p> <p>"This agreement with FSC Mauritius will provide a solid framework for co-operation and referrals between our jurisdictions," said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. "As the FinTech industry evolves rapidly, we must ensure that we put in place a regulatory framework that gives businesses the flexibility to grow while maintaining investor protection."</p> <p>"The FSC Mauritius is proud to partner with the CSA through this FinTech cooperation agreement and to work together to support current and future innovation in our respective financial jurisdictions," according to the Chief Executive of the FSC Mauritius, Dhanesswurnath Thakoor.</p> <p>"We have signed bilateral MOUs on FinTech with regulatory counterparts in several key jurisdictions including France and also joined the Global Financial Innovation Network (<b>GFIN</b>). These MOUs, together with this latest cooperation agreement with the CSA, will ease the ability of FinTech entrepreneurs and innovators to receive regulatory guidance and thrive in terms of cross-border innovation from Mauritius to other continents."</p> <p><b>Published 25 June</b></p>

Nigeria	
<b>Securities and Exchange Commission (SEC) of Nigeria launches Regulatory Incubation Program</b>	<p><u>On 16 June</u>, the Securities and Exchange Commission (<b>SEC</b>) issued a notice announcing the imminent roll-out of the SEC Regulatory Incubation (<b>RI</b>) program for FinTechs operating or seeking to operate in the Nigerian Capital Market.</p> <p>The Regulatory Incubation program is designed to address the needs of new business models and processes that require regulatory authorisation to continue carrying out full or ancillary technology-driven Capital Market activities. The RI Program has thus been conceived as an interim measure to aid the evolution of effective regulation which accommodates the innovation by FinTechs without compromising market integrity and within limits that ensure investor protection.</p> <p>The RI Program will be launched in the third quarter of 2021 and will operate by admitting identified FinTech business models and processes in cohorts for a one-year period. Participation in the RI program will encompass an Initial Assessment Phase and the Regulatory Incubation Phase. The categories to be admitted into each cohort will be determined based on submissions received through the FinTech Assessment Form and communicated ahead of each take-off date.</p> <p>Review of completed FinTech Assessment Forms will continue on an ongoing basis. FinTechs who consider that there is no specific regulation governing their business models or who require clarity on the appropriate regulatory regime for seeking the authorisation of the Commission, are encouraged to complete the FinTech Assessment Form.</p> <p>For more information on the Regulatory Incubation Program, a copy of the Regulatory Incubation Guidelines can be downloaded from the <a href="#">SEC Innovation and FinTech Portal</a>.</p> <p><b>Published 16 June</b></p>

## International developments

### Bank for International Settlements (BIS)

#### Basel Committee consults on prudential treatment of cryptoasset exposures

On 10 June, the Basel Committee on Banking Supervision (the **Committee**) issued a public consultation on preliminary proposals for the prudential treatment of banks' cryptoasset exposures. While banks' exposures to cryptoassets are currently limited, the continued growth and innovation in cryptoassets and related services, coupled with the heightened interest of some banks, could increase global financial stability concerns and risks to the banking system in the absence of a specified prudential treatment.

Given the rapidly evolving nature of this asset class, the Committee believes that policy development for cryptoasset exposures is likely to involve more than one consultation. This initial public consultation, which follows a [discussion paper](#) published in December 2019, will allow further work to continue with the additional benefit of incorporating feedback from external stakeholders.

The proposed prudential treatment outlined in the consultation divides cryptoassets into two broad groups:

- Group 1 cryptoassets - these fulfil a set of classification conditions and as such are eligible for treatment under the existing Basel Framework (with some modifications and additional guidance). These include certain tokenised traditional assets and stablecoins.
- Group 2 cryptoassets - are those, such as bitcoin, that do not fulfil the classification conditions. Since these pose additional and higher risks, they would be subject to a new conservative prudential treatment.

Central bank digital currencies are not within the scope of the consultation.

The Committee welcomes comments on the proposals, which should be submitted [here](#) by 10 September 2021. All submissions will be published on the BIS website unless a respondent specifically requests confidential treatment.

**Published 10 June**

#### Bank for International Settlements Innovation Hub, Swiss National Bank and Bank of France collaborate for experiment in cross-border wCBDC

On 10 June, the BIS Innovation Hub, the Bank of France and the Swiss National Bank announced that, together with a private sector consortium led by Accenture, they will conduct an experiment using wCBDC for cross-border settlement. The private sector consortium includes Credit Suisse, Natixis, R3, SIX Digital Exchange and UBS.

Benoît Cœuré, Head of the BIS Innovation Hub, said, "The G20 has made enhancing cross-border payments a priority and laid out a multi-year roadmap to coordinate efforts. The experiment contributes to this work by exploring how wCBDC could enhance speed, efficiency and transparency in cross-border use cases. The BIS Innovation Hub facilitates central bank experimentation into technological public goods. We are excited to join this project, which complements other CBDC experiments that we are working on."

Known as Project Jura, the experiment will explore cross-border settlement with two wCBDCs and a French digital financial instrument on a distributed ledger technology (**DLT**) platform. It will involve the exchange of the financial instrument against a euro wCBDC through a delivery versus payment (**DvP**) settlement mechanism and the exchange of a euro wCBDC against a Swiss franc wCBDC through a payment versus payment (**PvP**) settlement mechanism. These transactions will be settled between banks domiciled in France and in Switzerland, respectively.

Sylvie Goulard, Deputy Governor of the Banque de France, said “The Eurosystem is engaging in innovation and adapting its actions to the strong trend towards the digitalisation of payments. The Banque de France is convinced of the potential benefits of wholesale central bank digital currency to provide maximum security and efficiency in financial transactions, and opened last year an experimental programme to make progress in this area. In this perspective, we are delighted to be able to conduct an important experiment – called Jura – on cross-border settlement in partnership with the Swiss National Bank and the BIS Innovation Hub.”

Andréa M Maechler, Member of the Governing Board, Swiss National Bank, said “It is essential for central banks to stay on top of technological developments. The Swiss National Bank is already investigating the settlement of tokenised assets with wCBDC as part of Project Helvetia. We are looking forward to expanding this analysis to a cross-border context by participating in this exciting initiative.”

Project Jura expands on central bank experimentation investigating the effectiveness of wCBDC for cross-border settlement. It is of exploratory nature and should not be interpreted as an indication that the Bank of France or the Swiss National Bank plan to issue wCBDCs.

**Published 10 June**

### **Central bank digital currencies herald a new chapter for the monetary system**

Press release from [23 June](#) as follows

Central bank digital currencies are moving from concept to practical design and renew the institution of money in a new form designed for the digital age, writes the Bank for International Settlements in its [Annual Economic Report 2021](#). The Report lays out the design choices for CBDCs, which, alongside cash, would be issued and backed by a central bank. It offers an economic analysis of their implications for consumers, financial institutions and the central bank itself.

CBDCs would build on the central bank's traditional roles in the payment system, to ensure that payments are final and certain; that there is enough liquidity for the payment system to function; and that the playing field is level, by making central bank money available on an equal basis to all parties. Hyun Song Shin, Economic Adviser and Head of Research of the BIS, said “CBDCs are a concept whose time has come. They open a new chapter for the monetary system by providing a technologically advanced representation of central bank money. In doing so, they preserve the core features of money that only the central bank can provide, anchored in the foundation of trust in the central bank.”

BIS analysis finds that CBDCs would best function as part of a two-tier system where the central bank and the private sector work together to do what each does well. The central bank would operate the core of the system and ensure its safety and efficiency, while the private sector, such as banks and payment service providers, would use its innovative capacity to serve customers. From a practical perspective, the BIS says the most promising CBDC design would be one tied to a digital identity, requiring users to identify themselves to access funds. A careful design would balance protecting users against the abuse of personal data with protecting the payment system against money laundering and financial crime.

Benoît Cœuré, Head of the BIS Innovation Hub, “CBDCs could form the backbone of a new digital payment system by enabling broad access and providing strong data governance and privacy standards. They are the best way to promote the public interest case for digital money.” In addition, the BIS says international cooperation on design will be vital if central banks are to harness the full benefits of CBDCs, and to improve cross-border payments while countering foreign currency substitution.

The special chapter also includes analyses on:

- The architecture of CBDCs and how they would fit into the financial ecosystem;
- The international dimension of CBDC issuance and the implications for cross-border payments;
- Project Helvetia, which demonstrated the feasibility of integrating tokenised assets and central bank money;
- Application programming interfaces and how they could act as a bridge between different providers and simplify transactions.

The full report is available to read [here](#).

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### **Financial Action Task Force (FATF)**

#### **The fourth Plenary of the FATF under the German Presidency of Dr. Marcus Pleyer took place on 21-25 June**

Between 21 - 25 June, delegates representing the 205 members of the Global Network and observer organisations, such as the IMF, the United Nations and the World Bank met virtually. Delegates finalised work on a number of important areas including the 12 month review of the progress within the FATF Global Network on implementing the FATF's revised Standards on virtual assets and virtual asset service providers (**VASPs**).

A report, due to be published on 5 July, found that many jurisdictions have continued to make progress in implementing these revisions, finalised in 2019. So far, 58 out of 128 reporting jurisdictions advised that they have now implemented the revised FATF Standards, with 52 of these regulating VASPs and six of these prohibiting the operation of VASPs. The private sector have made progress in developing technological solutions to enable the implementation of the 'travel rule'. However, the majority of jurisdictions have not yet implemented the FATF's requirements, including the "travel rule". This disincentivises further investment in the necessary technology solutions and compliance infrastructure. These gaps in implementation also mean that there are no global safeguards to prevent the misuse of VASPs for money laundering or terrorist financing. The lack of regulation or implementation of regulation in jurisdictions can enable continued misuse of virtual assets through jurisdictional arbitrage.

The report highlights the need for all jurisdictions to implement the revised FATF Standards, as quickly as possible. The Report also identifies potential future FATF actions to prevent the misuse of virtual assets for criminal activities, including by placing emphasis on actions to help mitigate the risk of ransomware-related virtual asset use. The Plenary also agreed to finalise the FATF's revised Guidance on virtual assets and VASPs in October 2021. This revised Guidance will help assist jurisdictions and the private sector to implement the revised Standards as a priority.

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