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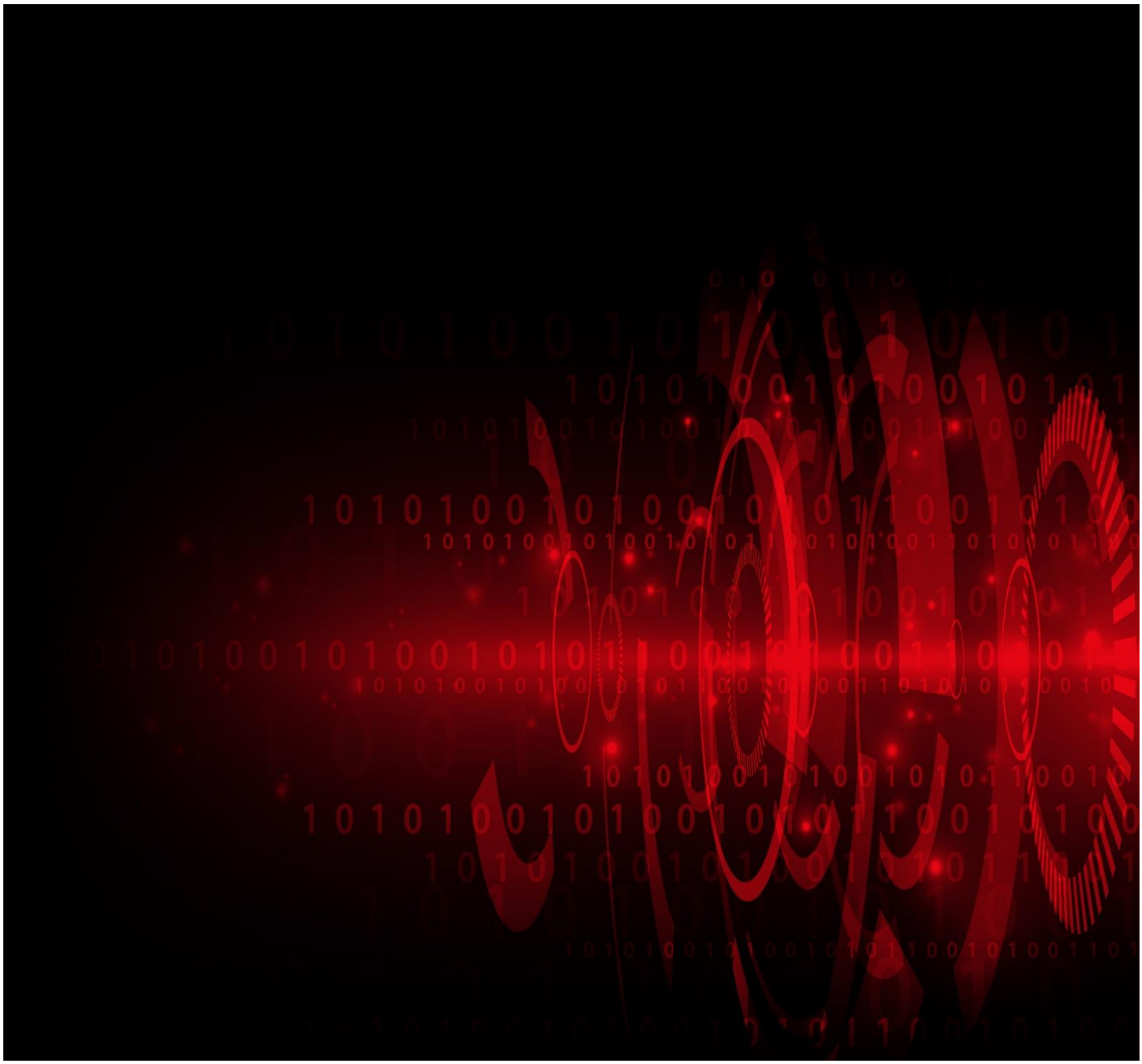
Global Blockchain Business Council

Monthly Fintech Updater

Norton Rose Fulbright LLP – 30 November



Global, EU, UK and US Regulatory Developments

EU	
Swedish regulators call for the EU to ban crypto mining	On 5 November, Erik Thedéen (Director General at the Swedish Financial Supervisory Authority) and Björn Risinger (Director General at the Swedish Environmental Protection Agency) gave a joint statement on crypto-assets titled 'Crypto-assets are a threat to the climate transition – energy-intensive mining should be banned'. The statement provides that if the authorities allow extensive mining of crypto-assets, there is a risk that the renewable energy available in Sweden will be insufficient to cover the required climate transition that it needs to make. The statement calls for policy measures to address the harms caused by the proof of work mining method. The statement calls for: 1. The EU to consider an EU-level ban on the energy-intensive mining method proof of work. There are other methods for mining crypto-assets, which could also be used for Bitcoin and Ethereum, which are estimated to reduce energy consumption by 99.95% with maintained functionality. 2. Sweden to introduce measures that halt the continued establishment of crypto-mining production using energy-intensive methods. 3. Companies who trade and invest in crypto-assets that were mined using the proof of work method, to not be allowed to describe or market themselves or their activities as sustainable. **Published 5 November**
EBA final report – Draft RTS on individual portfolio management of loans offered by crowdfunding service providers	On 9 November, the European Banking Authority (**EBA**) published its final report on draft regulatory technical standards (**RTS)** specifying the information that crowdfunding service providers offering individual portfolio management of loans shall provide to investors in relation to the method to assess credit risk, and on each individual portfolio. The draft RTS also specify the policies, procedures and organisational arrangements that crowdfunding service providers shall have in place in relation to any contingency fund they may offer to investors. These draft RTS are the first of two mandates assigned to the EBA with a view to contributing to a sound prudential and disclosure framework for crowdfunding service providers. The draft RTS have been developed according to Articles 6(7) of the European Crowdfunding Service Providers Regulation (**ECSPR**), which mandates the EBA to develop, in close cooperation with the European Securities and Market Authority (**ESMA**), draft RTS to specify: ● The elements, including the format, that are to be included in the description of the method used for the assessment of credit risk of i) individual crowdfunding projects selected for the investor's portfolio; ii) individual portfolios; iii) the project owners selected for the investor's portfolio as referred in Article 6(2) of ECSPR. ● The information that the crowdfunding service provider should provide to investors on each individual portfolio as referred in Article 6(4) of ECSPR.

	• The policies, procedures and organisational arrangements that crowdfunding service providers are to have in place as regards any contingency funds they might offer as referred to in Articles 6(5) and 6(6) of ECSPR. **Published 9 November.**
ESMA publishes technical standards on crowdfunding	On 10 November, the ESMA published its final report on technical standards (RTS and implementing technical standards (**ITS**)) under the European crowdfunding service providers for business Regulation. The draft technical standards have been amended and improved based on the feedback received during an earlier consultation which was published in February 2021 where ESMA had received 32 responses. This report covers all 12 of ESMA's mandates in this area which are as follows: 1. complaints handling; 2. conflict of interest; 3. business continuity plan; 4. authorisation; 5. information on default rate; 6. entry knowledge test and simulation of the ability to bear loss; 7. key investment information sheet; 8. cooperation between competent authorities; 9. reporting; 10. notification to ESMA of national provisions concerning marketing requirements; 11. cooperation between competent authorities; and 12. cooperation between competent authorities and ESMA. The draft technical standards have been submitted to the European Commission for adoption. The European Commission shall decide whether to adopt the technical standards within 3 months. **Published 10 November.**
Commissioner McGuinness speech "Bank regulation – moving beyond the post-financial crisis agenda"	On 10 November, Mairead McGuinness (Commissioner for Financial Stability, Financial Services and Capital Markets Union, European Commission) gave a pre-recorded speech titled "Bank regulation – moving beyond the post-financial crisis agenda" at the Fourth ECB Forum on Banking Supervision - Tomorrow's banking: navigating change. In a wide ranging speech McGuiness covers digitalisation, climate change and EU Banking Union. In terms of digitalisation McGuinness notes how this will fundamentally change the EU financial services landscape bringing substantial benefits but also making value chains more complex and harder to regulate. McGuiness also focuses on the cyber risk coming from the digitalisation of finance, noting that the European Commission is seeking the mitigate these risks through its proposed regulation on digital operational resilience (DORA) which '*defines common rules for all parts of the financial system to ensure that they can withstand all types of ICT-related threat*'. McGuiness also discusses the progress made towards an EU central bank digital currency (**CBDC**). She again notes that benefits (such as financial inclusion, and a movement toward an EU retail payments market) can be large but also warns that:

	[T]here are big questions to address as well, like what would the impact be on banks? How do we ensure that privacy is protected? How would we keep this digital system secure? **Published 10 November.**
EBA discussion paper on machine learning for IRB models	On 11 November, the EBA published a discussion paper on machine learning for internal ratings-based (**IRB**) models. The discussion paper is a first step to engage the industry and the supervisory community to investigate the possible use of machine learning as IRB models and to build up a common understanding of the general aspects of machine learning and the related challenges in complying with the regulatory requirements. In particular, the discussion paper discusses the relevance of possible obstacles to the implementation of machine learning models in the IRB model space based on certain practical issues including the use of data. The discussion paper is organised as follows: ● Section 2 provides a general definition of machine learning models for the purpose of the discussion paper, discusses the main learning paradigms used to train machine learning models and, finally, discusses the current limited use of machine learning models in the context of IRB models. ● Section 3 analyses the challenges and the benefits related institutions may face in using machine learning to develop compliant IRB models. ● Section 4 provides a set of principle-based recommendations that aim at ensuring machine learning models adhere to the regulatory requirements set out in the Capital Requirements Regulation, should they be used in the context of the IRB framework. The deadline for comments on the discussion paper is 11 February 2022. **Published 11 November.**
Eurosystem publishes new framework for overseeing electronic payments	On 22 November, the European Central Bank's Governing Council approved a new oversight framework for electronic payments. The Eurosystem oversight framework for electronic payment instruments, schemes and arrangements (PISA framework) includes an assessment methodology and an exemption policy. It replaces the current Eurosystem oversight approach for payment instruments and complements the Eurosystem's oversight of payment systems. In addition to the Eurosystem using the new framework to oversee companies enabling or supporting the use of payment cards, credit transfers, e-money transfers, digital payment tokens and direct debits, the PISA framework will also cover crypto-asset-related services, such as the acceptance of crypto-assets by merchants within a card payment scheme and the option to send, receive or pay with crypto-assets via an electronic wallet. **Published 22 November.**
Digital finance package: Council reaches agreement on MiCA and DORA	On 23 November, the Council of the EU announced that it had adopted its position on two important components of the digital finance package – the 'Regulation on Markets in Crypto Assets' (**MiCA**) and the 'Digital Operational Resilience Act' (**DORA**). The purpose of MiCA is to create a regulatory framework for the crypto-assets market that supports innovation and draws on the potential of crypto-assets in a way that preserves financial stability and protects investors.

	DORA aims to create a regulatory framework on digital operational resilience whereby all firms ensure they can withstand all types of ICT-related disruptions and threats, in order to prevent and mitigate cyber threats. The Council and European Parliament will now enter trilogue negotiations on the proposals. Once a provisional political agreement is found between their negotiators, both institutions will formally adopt the regulations. **Published 23 November.**
EU pilot regime on DLT	On 24 November, the European Parliament announced that it had reached agreement with the Council on a pilot scheme based on distributed ledger technology (**DLT**). The project follows the 'sandbox' approach, allowing for temporary derogations from certain requirements under the EU's financial services legislation. Among other things the Parliament's announcement mentions that negotiators have sought to balance innovation whilst preserving financial stability. They have decided that financial instruments services provided using the DLT market should be limited and subject to value thresholds, as follows: • Shares (500 million euro). • Bonds (1 billion euro). • Corporate bonds (200 million euro). • Units of collective investment undertakings (UCITS) (500 million euro). Additionally, operators of DLT can admit new financial instruments only until their total market value reaches 6 billion euro. **Published 24 November.**
UK	
CMA update on the governance of Open Banking	On 5 November, the Competition and Markets Authority (**CMA**) published an update about the governance of Open Banking. The update sets out progress in strengthening corporate governance at the Open Banking Implementation Entity (OBIE) following an independent investigation and the status of the government's consideration on the future governance of Open Banking. **Published 5 November.**
BoE statement on CBDC next steps	On 9 November, the Bank of England (**BoE**) issued a statement concerning the next steps on the exploration of a UK CBDC. The statement provides that: • In 2022, HM Treasury and the BoE will launch a consultation which will set out their assessment of the case for a UK CBDC, including the merits of further work to develop an operational and technology model for a UK CBDC. It will evaluate the main issues at hand, consider the high level design features, possible benefits and implications for users and businesses, and considerations for further work. • The 2022 consultation will inform a decision on whether the authorities are content to move into a 'development' phase which will span several years. A technical specification would follow the consultation explaining the proposed conceptual architecture for any UK

	CBDC. This could involve in-depth testing of the optimal design for, and feasibility of, a UK CBDC. Earlier this year the BoE issued a Discussion Paper that sought to broaden the debate around new forms of digital money that have significant potential to be systemic. The deadline for comments on the Discussion Paper was 7 September 2021. UK Finance has also issued a report on CBDC. **Published 9 November.**
PSR consults on APP scams	On 18 November, the Payment Systems Regulator (**PSR**) issued a consultation paper setting out proposals intended to stop Authorised Push Payment (**APP**) scams. The PSR notes that APP scams are a major and growing problem in the UK. Every year thousands of individuals and businesses fall victim to APP scams where they are tricked into sending money to an account controlled by a fraudster. The PSR expects to see more action being taken by financial institutions to stop these scams and to better protect victims. The PSR's consultation paper sets out proposals including: ● Publication of fraud data by banks: The PSR will require the 12 largest payment service provider (**PSP**) groups in the UK and the two largest banks in Northern Ireland outside those PSP groups to publish a balanced scorecard on a six-monthly basis, setting out their performance in relation to APP scams. This will include sending PSPs' APP scam rates, their rates of reimbursing customers scammed, which of those are members of the CRM Code, as well as comparative data on the wider set of PSPs receiving APP scam payments from the directed PSPs. ● Improve scam prevention: Industry will be tasked with improving intelligence sharing between PSPs about the riskiness of payments in order to improve scam prevention. ● Reimbursing victims: The PSR wants all customers to benefit from reimbursement protections. As this will require legislative change, the PSR is seeking views on the approach it could take to ensure it is ready to implement such change when it has the power to act. The deadline for comments is 14 January 2022. **Published 18 November.**
Anti-money laundering and counter-terrorist financing: Supervision Report 2019-20	On 19 November, HM Treasury published its latest annual report for the period 2019 to 2020 on anti-money laundering and counter-terrorist financing supervision. The report provides information about the performance of UK anti-money laundering / countering the financing of terrorism supervisors between 6 April 2019 – 5 April 2020 and fulfils the Treasury's obligation, under Section 51 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (**MLRs 2017**), to publish an annual report on supervisory activity. Part of the annual report notes that since 10 January 2020, businesses that carry out crypto-asset activity in the UK have needed to comply with the MLRs 2017. On 16 December 2020, the FCA established the Temporary Registration Regime for crypto-asset service providers to enable firms that were trading prior to 10 January 2020, and which had submitted applications for anti-money laundering supervision, to continue trading whilst their applications were assessed. On 3 July 2021, the FCA announced that the regime would be extended until 31 March 2022.

	As part of this process, the FCA has found that a significant number of firms are not meeting the required standards under the MLRs 2017, which has resulted in firms withdrawing their applications or being refused registration. **Published 19 November.**
Carolyn Wilkins speech 'Under the Western Sky: the Crypto Frontier'	On 22 November, Carolyn Wilkins (external member of the Financial Policy Committee) gave a speech on crypto-assets and the 'financial ecosystem'. In particular, she discussed the risks and opportunities decentralised finance may bring and the regulatory response to these. Wilkins notes that crypto markets have been through a period of expansion over the last 5 years, especially focusing on the creation of new markets as well as the challenging of the traditional financial ecosystem. Wilkins also discusses the increase in crypto related crime, predominantly scams, ransomware attacks and darknet markets. She goes on to discuss what she sees as 'three features of the crypto ecosystem that are relevant to those who depend on efficient, stable, and trustworthy financial services': 1. Crypto-assets are the bedrock of the emerging financial ecosystem, so supporting consumer protection and financial soundness is the first order of business for regulators. In this regard, there are important differences between crypto-assets that are backed and those that are not. 2. The opportunities and risks extend well past the crypto-assets themselves to encompass a rapidly expanding range of financial services, from lending to insurance. These crypto-based services are increasingly being enabled by decentralised protocols – or DeFi. 3. The future of this new frontier depends critically on the regulatory response to these new activities and how fast the traditional financial system modernises. This will require major investment in both domestic and cross-border payments, as well as digital governance. Wilkins concludes by emphasising that consumer protection and financial soundness is the first order of business for regulators. She also notes that 'To get the most out of these innovations, we need to modernise our legal and regulatory frameworks so that businesses and investors have clear and predictable rules of the game, and the risks to the financial system are managed.' **Published 22 November.**
BoE speech: Working together to enhance cross-border payments	On 22 November, Victoria Cleland, Executive Director for Banking at the BoE gave a speech at the Central Banks Payments Conference. The speech discusses how central banks and the private sector will work together to improve cost, speed, transparency and access to cross-border payments. Cleland also explains how the BoE upgrade to its real–time gross settlement (**RTGS**) payments system will help. Key points in the speech include: • Many cross-border payments continue to suffer from long-standing challenges of high costs, low speed, limited access and insufficient transparency. These challenges can particularly impact remittances.

	• The frictions underlying cross-border payments are multi-dimensional, meaning solutions must be developed holistically across the whole payments ecosystem, including issues such as data and messaging standards. • A roadmap to enhance cross-border payments was published by the Financial Stability Board (**FSB**) in October 2020. But making the roadmap a reality will require concerted effort and shared expertise from the public and the private sector. The FSB published a report on 13 October 2021 setting out the actions undertaken so far. • A crucial part of this year's work has been the establishment in October, following a public consultation, of quantitative global targets to define the ambition of the roadmap and to gain focus and momentum. The targets have been endorsed by the G20 who reconfirmed their commitment to enhancing cross-border payments when they met last month. • The BoE's multi-year programme to renew its RTGS service will help to enhance cross-border payments. • The first major milestone of the programme will be to move to ISO 20022 messaging on a like-for-like basis in June 2022, followed by enhanced ISO 20022 in February 2023. • The launch of the new platform in late 2023 will be the beginning of the continuous evolution of the service. The BoE will consult industry in early 2022 on a range of proposals for enhanced functionality that will enable market participants to offer faster, cheaper and more efficient payment services. • In April the BoE announced a new policy to enable payment systems to open omnibus accounts in RTGS. The BoE expects this to extend the benefits of settling in risk-free central bank money to a wider range of payment systems. This will allow the industry to develop innovative high-value payment services, whilst having the security of central bank money settlement. **Published 22 November.**
UK Finance sets out strategy for open banking payments	On 22 November, UK Finance published a new report setting out recommendations for the future strategy of open banking payments. UK Finance notes that there are now over 2.5 million open banking payments a month compared to just 320,000 in the whole of 2018, and suggest that the recommendations in the report will help support the development of more products and services for consumers. The key recommendations are: • Governance. There should be further development of open banking payment standards, supported by industry governance and an associated technical group. This should be considered following the Competition and Markets Authority's (CMA's) decision on open banking governance and a successor body to the Open Banking Implementation Entity. • Multi-lateral industry framework. There is a case for exploring a voluntary framework for open banking payments – without which there could be fragmentation in the market. Roles, responsibilities and liabilities of different market participants could be described in such a framework. **Published 22 November.**

USA	
President's Working Group on Financial Markets report on stablecoins'	On 1 November, the President's Working Group on Financial Markets released a report on stablecoins. The report notes that the potential for the increased use of stablecoins as a means of payments raises a range of concerns, related to the potential for destabilizing runs, disruptions in the payment system, and concentration of economic power. The report highlights gaps in the authority of regulators to reduce these risks. The President's Working Group on Financial Markets, along with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency (together, the agencies) recommend that Congress act promptly to enact legislation to ensure that payment stablecoins and payment stablecoin arrangements are subject to a federal framework on a consistent and comprehensive basis. In particular, such legislation would complement existing authorities with respect to market integrity, investor protection, and illicit finance. To address: • Risks to stablecoin users and guard against stablecoin runs, legislation should require stablecoin issuers to be insured depository institutions. • Concerns about payment system risk, in addition to the requirements for stablecoin issuers, legislation should require custodial wallet providers to be subject to appropriate federal oversight. Congress should also provide the federal supervisor of a stablecoin issuer with the authority to require any entity that performs activities that are critical to the functioning of the stablecoin arrangement to meet appropriate risk-management standards. • Additional concerns about systemic risk and concentration of economic power, legislation should require stablecoin issuers to comply with activities restrictions that limit affiliation with commercial entities. Supervisors should have authority to implement standards to promote interoperability among stablecoins. In addition, Congress may wish to consider other standards for custodial wallet providers, such as limits on affiliation with commercial entities or on use of users' transaction data. **Published 1 November.**
OCC calls for regulation of crypto banking	On 3 November, Acting Comptroller of the Currency, Michael J. Hsu, remarked at the American FinTech Council's FinTech Policy Summit 2021 on the growth in the digitalization of banking. His speech titled "Leveling Up Banking and Finance" involved a discussion of the risks that are caused by keeping firms providing crypto-asset services outside of the banking regulatory perimeter. **Published 3 November.**
American FinTech Council Policy Summit	On 3 November, the American FinTech Council hosted a policy summit. Various keynote speeches which may be of interest can be found on the American FinTech Council summit website. **Published 3 November.**
Panel on new technology and old rules: Constructing	On 22 November, the CATO Institute hosted a panel discussion focussing on the Commodity Futures Trading Commission's (**CFTC**) role in regulating cryptocurrencies.

a crypto regulatory framework	The panel addressed the role of the CFTC in regulating crypto-currency, focusing on the current state of regulation and its benefits and limitations. The panel discussion can be viewed on the CATO website. **Published 22 November.**
Christopher J Waller speech 'Reflections on Stablecoins and Payments Innovations'	On 17 November, Christopher J Waller, Member of the Board of Governors of the Federal Reserve System gave a speech titled 'Reflections on Stablecoins and Payments Innovations' at "Planning for Surprises, Learning from Crises" 2021 Financial Stability Conference, co-hosted by the Federal Reserve Bank of Cleveland and the Office of Financial Research. The speech focused on stablecoins (a type of digital asset designed to maintain a stable value relative to a national currency or other reference assets). Waller referenced recent regulatory attention which arose as a result of the growth in usage of stablecoins and their potential use as a retail payment instrument. He cited a new report from the President's Working Group on Financial Markets urging Congress to limit the issuance of "payment stablecoins" to banks and other insured depository institutions. **Published 19 November.**
Agencies issue joint statement on crypto-asset policy initiative and next steps	On 23 November, the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency issued a joint statement on crypto-asset policy initiative and next steps. This statement summarised their interagency "policy sprints" focused on crypto-assets and provided a roadmap of future work related to crypto-assets. The statement summarises the agencies' plan to provide greater clarity throughout 2022 on whether certain crypto-related activities conducted by banking organizations are legally permissible, and related expectations for safety and soundness, consumer protection, and compliance with existing law and regulations. In particular, throughout 2022, the agencies plan to provide greater clarity on: • Crypto-asset safekeeping and traditional custody services. • Ancillary custody services. Facilitation of customer purchases and sales of crypto-assets. • Loans collateralized by crypto-assets. • Issuance and distribution of stablecoins. • Activities involving the holding of crypto-assets on balance sheet. **Published 23 November.**
India	
Indian government set to ban crypto-currencies	On November 23, the Indian Government announced in a government bulletin that it is proposing a motion on the introduction, consideration and passing of The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021. This draft legislation aims to create a facilitative framework for the creation of an official digital currency to be issued by the Reserve Bank of India, and also to prohibit all private cryptocurrencies in India with certain exceptions to promote the underlying technology of cryptocurrency and its uses.

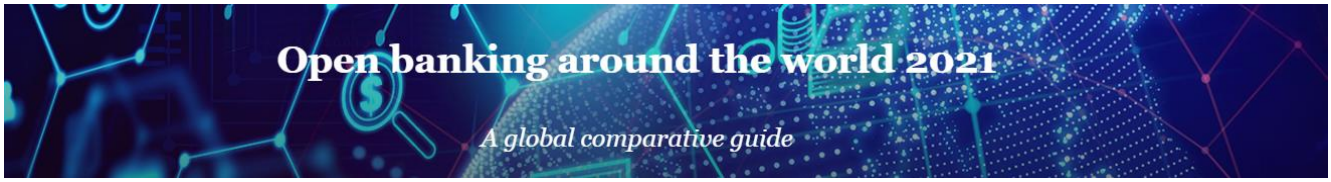
	Published 23 November.
China	
Governor of the PBOC indicates that China will strengthen personal data protection in FinTech sector	On 3 November, Yi Gang (Governor of the People's Bank of China (**PBOC**)) gave a speech stating that China will continue to improve the legal framework for personal data protection in the FinTech sector. This speech was given at the Hong Kong FinTech Week 2021. Yi Gang concludes with three points on data protection: • A sound legal and regulatory framework is the cornerstone of personal data protection. With a legal system up and running, regulation will be carried out by government agencies in China on a level ground in accordance with law. • The ultimate purpose for data protection is to promote its proper usage. On the premise of protecting personal privacy, the Chinese government will try to define data ownership in a more accurate manner, facilitate data transactions and promote fairer use of data, to unleash the vitality and innovation capacity of market players. • Data protection calls for international cooperation. Given the cross-border, cross-sector and cross-regional nature of FinTech, national authorities, including the legislative, judicial and administrative bodies, should join hands to strengthen domestic and international coordination in such fields as anti-trust, data and consumer protection. **Published 3 November.**
Governor of the PBOC gives an update on the progress of e-CNY	On 9 November, Yi Gang gave a speech at the 30th Anniversary Conference of the Bank of Finland Institute for Emerging Economics. In the speech, Yi Gang provides an update on e-CNY (digital yuan) progress: *"The PBOC started to study digital fiat currency in 2014 and developed a Proof of Concept in 2016. From 2017, we cooperated with commercial banks and Internet companies to conduct e-CNY R&D project. Since late 2019, e-CNY pilots have been launched in 10 cities and the 2022 Beijing Winter Olympics. In July this year, we released the e-CNY white paper. As of October 8, pilot scenarios have exceeded 3.5 million, over 123 million personal wallets have been opened, with transaction volume totalling RMB 56 billion. E-CNY scenarios are wide-ranging, including green transportation to support carbon reduction".* Yi Gang also noted that the PBOC will be seeking to improve the e-CNY design and use going forward. The PBOC is also seeking to establish a management model with reference to cash and bank accounts, enhance efficiency, privacy protection and anti-counterfeiting features, increase interoperability with existing payment tools, and improve the e-CNY ecosystem. Yi Gang also provided some commentary on the implications for financial stability and privacy protection of CBDCs. He noted the three steps the PBOC have taken to reduce the potential negative impacts: *"First, e-CNY is positioned as M_0 and bears no interest, to reduce competition with banks for deposits.* *Second, e-CNY adopts a two-tier system, where the central bank is at the core to control the issuance, and commercial banks and payment institutions act as intermediaries to provide exchange and payment services.*

	Third, we have introduced some "frictions" such as upper limit of wallet balance and transaction amount, to minimize the risk of bank runs. We also aim to test e-CNY's impact on monetary policy and financial markets in the pilot." Yi Gang also suggested that a delicate balance needs to be made between privacy protection and crime prevention. He also noted that the cross-border use of CBDC involves more complicated issues such as anti-money laundering and customer due diligence, which is why the e-CNY is currently only focused on domestic retail payments. **Published 9 November.**
Philippines	
BIR and SEC team up to strengthen taxation and regulation of FinTech companies	On 16 November, the Department of Finance released a statement on strengthening taxation and regulation of FinTech companies. The Securities and Exchange Commission and the Bureau of Internal Revenue are working together to ensure that financial technology companies in the Philippines are properly regulated and taxed while encouraging their growth and continued innovation. **Published 16 November.**
Thailand	
Thailand lays groundwork for crypto tourism to revive industry	On 27 November, Bloomberg published an article that suggested that Thailand's Tourism Authority (**TAT**) is working with the country's regulators to make it easier and more convenient for visitors to spend cryptocurrencies in the country. Bloomberg quoted the TAT Governor Yuthasak Supasorn as saying that *"[t]here are people who have become wealthy from holding digital currencies and they may want to use the wealth they have accrued".* The plan is already reportedly being discussed with the Thai Securities and Exchange Commission, the Bank of Thailand, and Bitkub Online Co., the largest crypto-exchange in the country. **Published 27 November.**

International Developments

International Monetary Fund (IMF)	
IMF publishes five observations on Nigeria's CBDC	On 16 November, the IMF published an article on the launch of the Nigerian CBDC (eNaira). It discusses five observations, namely: 1. What is eNaira? 2. Why did Nigeria introduce eNaira? 3. What are the potential risks? 4. What are the authorities doing to mitigate the potential risks? 5. What can the IMF do? **Published 16 November.**
Bank for International Settlements (BIS)	
BIS Innovation Hub and HKMA conclude first green finance project	On 4 November, the BIS Innovation Hub announced the successful conclusion of Project Genesis, two prototype digital platforms that aim to enable investment in green bonds with higher transparency and greater access to retail investors. The platforms combine blockchain, smart contracts, internet-of-things, and digital assets. They allow issuers and other stakeholders to explore innovative approaches to green bond distribution and transparency. Retail investors will be able to continuously track coupon payments and the positive environmental impact that the financed projects achieve in terms of reduced carbon dioxide emissions. The Innovation Hub is publishing technical reports detailing the two prototype platforms: • The first prototype simulates the lifecycle of a typical bond on a permissioned distributed ledger platform, including origination, subscription, settlement and secondary trading. The prototype was able to considerably streamline these processes. • A second prototype tested the same procedures using a public blockchain infrastructure. It also streamlines the investor on-boarding and facilitates the direct payment and settlement between the issuer and investor. **Published 4 November.**
BIS speech 'Multi-CBDC arrangements: transforming words into works'	On 4 November, Agustín Carstens, General Manager of the BIS, gave a speech at Hong Kong FinTech Week titled 'Multi-CBDC arrangements: transforming words into works'. The speech covered the merits of CBDCs as a mechanism for improving cross-border payments and settlements. Carstens highlighted that the current correspondent banking system is slow, opaque and expensive, but also that the development of CBDCs holds the promise to address these problems. This can be done by extending the unique features of central bank money – settlement finality, liquidity and integrity- across borders. **Published 4 November.**
Basel Committee advances work on specifying cryptoassets	On 9 November, the Basel Committee on Banking Supervision (**Basel Committee**) announced updates on its work regarding climate-related financial risks, crypto-assets, the global systemically important bank assessment methodology and disclosure standards. On crypto-assets, the Basel Committee reviewed the comments received regarding its earlier consultation on the prudential treatment of banks' crypto-asset exposures.

prudential treatment	Members reiterated the importance of developing a conservative risk-based global minimum standard to mitigate prospective risks from crypto-assets to the banking system, consistent with the general principles set out in the consultation. Accordingly, the Basel Committee will further specify a proposed prudential treatment, with a view to issuing a further consultation by mid-2022. **Published 9 November.**
BIS speech 'Decentralisation in digital finance: possibilities and limits'	On 17 November, Hyun Song Shin, Economic Adviser and Head of Research of the BIS, gave a speech at the London Business School titled 'Decentralisation in digital finance: possibilities and limits'. The speech draws on the findings of the BIS Working Paper titled 'Distributed ledgers and the governance of money' (published originally in January 2021, but revised in November 2021). It also covers the limits to deploying blockchain to operate at scale. In particular, Shin discusses Buterin's "scalability trilemma" which describes the inherent and intractable tension between maintaining a secure decentralised consensus and operating the system at scale. Shin argues that "*even if the technical capacity could be raised, the economic incentives needed to maintain the blockchain as a self-sustaining arrangement through a robust equilibrium in a game mean that the validators – the insiders – would need to be rewarded sufficiently. They would end up collecting large rents, largely dissipating the underlying economic value*." In conclusion, Shin notes that "*In stark contrast to the stated ideal of democratising finance and levelling the playing field, the decentralised blockchain tends to entrench the position of insiders*." **Published 17 November.**



We are delighted to announce the launch of the 2021 version of 'Open banking around the world: A global comparative guide'.

1. Our guide profiles the latest developments being taken to facilitate open banking throughout key jurisdictions in 2021, covering what open banking means in each jurisdiction, applicable legislation, requirements for third party access and strong customer authentication, and current industry initiatives.
2. You can use the guide to navigate a map to choose the jurisdiction/s you wish to read about and create customized reports. You can also opt to receive email alerts when the laws change in the jurisdictions of interest.
3. Log in, or request access to the open banking guide by registering to join the NRF Institute.

Contact details:

Hannah Meakin

Partner and co-head of FinTech regulation
London
Norton Rose Fulbright LLP
Tel +44 20 7444 2102
Hannah.Meakin@nortonrosefulbright.com

Etelka Bogardi

Partner and head of FinTech SE Asia
Hong Kong SAR
Norton Rose Fulbright Hong Kong
Tel +852 3405 2578
Etelka.Bogardi@nortonrosefulbright.com

Sean Murphy

Partner and global head of FinTech
London
Norton Rose Fulbright LLP
Tel + 44 20 7444 5039
Sean.Murphy@nortonrosefulbright.com

Peter Mulligan

Partner and head of FinTech Australia
Sydney
Norton Rose Fulbright Australia
Tel +61 2 9330 8562
Peter.Mulligan@nortonrosefulbright.com

Caroline Herkströter

Partner
Frankfurt
Norton Rose Fulbright LLP
Tel +49 69 505096 444
caroline.herkstroeter@nortonrosefulbright.com

Floortje Nagelkerke

Partner and head of FinTech regulation
Amsterdam
Norton Rose Fulbright LLP
Tel +31 20 **462** 9426
Floortje.Nagelkerke@nortonrosefulbright.com

Stephen Aschettino

Partner and head of FinTech, US
New York
Norton Rose Fulbright US LLP
Tel +1 212 318 3282
Stephen.Aschettino@nortonrosefulbright.com

Stella Cramer

Partner and head of FinTech NE Asia
Singapore
Norton Rose Fulbright (Asia) LLP
Tel +65 **6309** 5349
Stella.Cramer@nortonrosefulbright.com

Tim Stewart

Of Counsel
Toronto
Norton Rose Fulbright Canada LLP
Tel +1 416 216 3985
Tim.Stewart@nortonrosefulbright.com

Desiree Reddy

Director and head of FinTech
South Africa
Norton Rose Fulbright South Africa Inc
Tel +27 11 685 8673
Desiree.Reddy@nortonrosefulbright.com

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