HM Treasury

Financial Services (Implementation of Legislation) Bill

Updated Policy Note

February 2019

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Policy Intent and Safeguards

Policy intent of the Bill

1.1. The Financial Services (Implementation of Legislation) Bill provides the power, in a no-deal scenario, for the UK to implement and make limited changes to a specified list of 'in-flight files.' These are pieces of European Union financial services legislation agreed or in negotiation at the point of exit, with implementation dates falling in the two years after exit. The UK played a leading role in shaping these laws during its membership of the EU. They will bring benefits to UK consumers and businesses once they have been implemented.

1.2. It is the job of a responsible government to continue to prepare for all outcomes of the negotiations with the EU, including 'no deal.'

1.3. HM Treasury is in the process of completing an "onshoring" project, which will see around 53 Statutory Instruments (SIs) made under the European Union (Withdrawal) Act 2018 (EUWA) to ensure a functioning financial services regime at the point where the UK leaves the EU. These SIs amend existing EU financial services legislation that will be transferred onto the UK statute book by the EUWA, and related domestic legislation, to ensure that it continues to function effectively after the UK leaves the EU.

1.4. In the event that the UK leaves the EU without a Withdrawal Agreement or an implementation period, the Government will be unable to update, in an agile way, the body of UK financial services law. A priority for HM Treasury in a no deal scenario will be making necessary updates and additions to this complex and highly detailed body of law, much of which resulted from the legislative response to the financial crisis. An inability to update and add to this legislation in a timely way represents a risk to the reputation, global competitiveness, and efficiency of our financial markets. The Financial Services (Implementation of Legislation) Bill seeks to address this.

1.5. The EUWA does not domesticate all EU financial services law. Direct EU law is only incorporated into UK law where it is "operative" before exit day. This means that it is both in force and applicable throughout the EU before the UK's exit. Legislation that is not yet in force or not yet applicable is not domesticated under the EUWA.

1.6. The Financial Services (Implementation of Legislation) Bill consists of one substantive clause which will allow the Government to implement aspects of key pieces of EU financial services legislation known as 'in-flight files'. These have either i) been published in the Official Journal of the EU, but are not operative immediately before exit day and so are not transferred onto the UK statute book by the EUWA, or are operative but reliant on non-operative clauses, and so have not been transferred onto the UK statute books by the onshoring process, or: ii) are currently in negotiation, and may enter into the Official Journal up to two years after the UK leaves the EU.

1.7. Only those 'in-flight files' considered necessary for UK financial services following exit are within the scope of the power. These are specified on the face of the Bill. In many cases the UK has played a leading role in shaping them over a number of years for the benefit of consumers and industry. For example, the UK strongly supported the Bank Recovery and Resolution Directive II, which will provide regulators an updated resolution framework and enable the UK to meet international commitments, and the Prospectus Regulation, which will cut the cost to businesses of producing a prospectus in the UK.

1.8. In a no-deal scenario, it is important that the Government has the power to both implement these and other files as set out in the Bill. The Bill will therefore provide the Government with the power to i) choose to implement only those EU files, or parts of those files, which are both appropriate and beneficial for the UK, and ii) make limited adjustments to the legislation as it is brought into UK law to reflect, or facilitate the transition to the UK's new position outside the EU, provided those changes do not result in provision whose effect is different, in a major way, from the (original EU) legislation. This adjustment power will only apply to files that have not been agreed prior to the UK's exit from the European Union, as we will not be around the table to advance UK interests when they are concluded. This Bill will be critical to protecting and enhancing the reputation and competitiveness of the UK as a global financial services centre.

Safeguards

1.9. The Bill contains a number of strict legislative safeguards. Following its passage through the House of Lords, these safeguards have been bolstered to include more stringent reporting requirements, and limitations to the Bill's power of adjustment. The safeguards in the Bill now include:

- specifying on the face of the Bill the relevant files, and limiting the powers in the Bill to these files, in order to provide a clear overview to Parliament as to the scope of the powers
- limiting the power to only those files proposed prior to the UK's exit from the European Union
- sunsetting the powers 2 years after exit day, consistent with the EUWA
- requiring the affirmative resolution procedure for every statutory instrument made under the Bill, providing Parliament with a guaranteed opportunity to debate and discuss each file that the Government is implementing
- the powers cannot be used to impose taxation, make retrospective provision, create some criminal offences, establish a public authority, implement a withdrawal agreement, amend the Human Rights Act or the devolution settlements

- requiring the Treasury to publish a report at least one month ahead of laying any SI, outlining any adjustments or omissions and the reasons any adjustments are considered appropriate, alongside a draft of the SI
- limiting the Bill's "adjustment" power to the fixing of deficiencies when implementing those files, listed in Clause 1 of the Bill, which are already agreed at EU level but not yet operative
- being clear, on the face of the Bill, that the Government's ability to make policy adjustments to those files which are yet to be agreed at EU level (as listed in the Schedule) is limited such that the Government will not have the ability to make changes that result in provision whose effect is different in a 'major' way from that of the original EU legislation
- requiring the Treasury to publish six-monthly reports on the exercise of the powers provided by the Bill
- to require the regulators (the Bank of England and the Financial Conduct Authority) to report on their use of any powers sub-delegated to them using the powers in this Bill

1.10. These are accompanied by the following non-legislative assurances:

- committing to only use the powers where there is no alternative means, short of new primary legislation, of implementing the EU file (or part of it)
- committing to adopting a consistent approach to the distribution of roles and responsibilities between government and the regulators to that established for financial services under the EU Withdrawal Act 2018
- committing to undertake extensive engagement and cooperation with key stakeholders throughout the process

Changes to the Bill in House of Lords

1.11. During its passage through the House of Lords, a number of Government amendments to the Bill were tabled and adopted at Report stage. The following changes were therefore made to the Bill:

- In Clause 1 of the Bill, the power to make adjustments to files was clarified, that, for the 4 files in Clause 1 of the Bill that have already been agreed and published in the Official Journal of the European Union, but are not yet operable, the Treasury can only mitigate or remedy deficiencies in the legislation arising from the withdrawal of the United Kingdom from the EU.
- The adjustment power was also clarified in relation to the files that have not yet been agreed (listed in the Schedule to the Bill) through the incorporation of new language. This language ensures that changes to the files may be made to reflect, or facilitate the transition to, the United Kingdom's new position outside the EU, and cannot include changes that result in provision whose effect is different in a major way from that of the original EU legislation.

- To enhance parliamentary scrutiny of the Bill, the reporting requirements under the Bill have been bolstered significantly, with the Bill now requiring the Treasury to i) publish a report at least one month ahead of laying any SI, outlining any adjustments or omissions and the reasons any adjustments are considered appropriate, alongside a draft of the SI; ii) publish six-monthly reports on the exercise of the powers (rather than annually); and, iii) require the regulators (the Bank of England and the FCA) to report on their use of any powers sub-delegated to them using the powers in this Bill.
- To insert two new files to the Schedule of the Bill: Sustainable Finance: Disclosures, and Sustainable Finance: Framework. The two proposals are as follows:
    - The European Commission’s proposal of 24 May 2018 for a Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment.
    - The European Commission’s proposal of 24 May 2018 for a Regulation of the European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341.

Chapter 2
Legislation in the Bill

Files within the scope of the Bill

2.1. The Bill will provide the Government with a delegated power to implement and make changes to 'in-flight' financial services legislation for two years after the UK's withdrawal from the European Union. 'In-flight files' are pieces of European Union legislation that:

- have been published in the Official Journal of the European Union (OJEU) by exit day, but are not yet in force and so are not captured by the European Union (Withdrawal) Act 2018 (EUWA), or are operative but reliant on non-operative clauses, and so have not been transferred onto the UK statute books by the onshoring process. These files are listed in Clause 1 of the Bill; Or,
- are currently in negotiation and may enter into the OJEU up to two years post EU-exit. These files are listed in the Schedule to the Bill.

Financial Services Legislation in Clause 1

2.2. The 4 files contained in Clause 1 of the Bill have entered into the OJEU but have certain provisions that do not take effect until after the UK's departure from the European Union. As such, they are 'non-operative', and so are not implemented under the EUWA. Other provisions were operative prior to the UK's departure from the European Union, but were reliant on non-operative sections to function; as such, they were not domesticated through the onshoring project.

2.3. When implementing these files, the Government will only have the ability to make adjustments required for the purpose of fixing deficiencies.

Articles 6 and 7 of the Central Securities Depositories Regulation and the Delegated Cash Penalties Regulation

2.4. The Central Securities Depositories Regulation (CSDR) is a directly applicable EU regulation governing the operation of central securities depositories (CSDs). CSDs are financial market infrastructures which keep a record of who owns individual securities, such as shares or bonds. They facilitate the transfer of securities between investors and issuers by registering a change of ownership after a trade is agreed ('settlement'). CSDs also provide for the initial recording of new securities.

2.5. Articles 6 and 7 form the CSDR's settlement discipline regime, which was introduced as a measure to improve settlement efficiency and financial stability in European markets. Settlement failure occurs when one counterparty to a trade fails to meet its payments or delivery obligations set out in the transaction, and CSD settlement fails increase the uncertainty and risk for market participants and for the financial system as a whole. The regime sets out provisions for mandatory reporting of settlement fails, the imposing of penalties on failed trades and the requirement for failing participants to be subject to compulsory enforcement.

2.6. The Delegated Cash Penalties Regulation (DCPR) forms part of settlement discipline and would impose a penalty to any counterparty who fails to meet their settlement obligations. The Regulation ensures that cash penalties imposed on failing participants act as an effective and proportional deterrent to settlement fails. The parameters for calculation of the level of cash penalties should be closely related to the value of the financial instrument underlying the transaction.

2.7. Articles 6 and 7 of the CSDR and the DCPR are not fully brought into UK legislation through the EUWA, as certain provisions do not come into force until after the UK has exited the EU. As such, the Government can use the powers under this Bill to bring them into UK law.

2.8. The 'onshoring' policy note covering the domestication of the operative and relevant parts of the CSDR can be read here.

Articles 37 and 38(2) of the Markets in Financial Instruments Regulation (MiFIR)

2.9. These articles form part of MiFIR's benchmark access and transparency provisions. Articles 37(1)-(3) require benchmark owners to share their proprietary data (including the information on the composition, methodology and pricing of that benchmark) with trading venues and central counterparties (CCPs) and to grant licences to their benchmarks to trading venues and CCPs. This facilitates the trading and clearing processes of financial instruments on trading venues and CCPs.

2.10. A 'benchmark' is any index by reference to which the amount payable under, or the value of, a particular financial instrument is determined.

2.11. These articles provide market participants with greater transparency of information than exists currently, and non-implementation could lead to the cost of clearing and trading in the UK market rising relative to other countries that implement the provisions.

2.12. Article 37 is not fully brought into UK legislation through the EUWA, as certain provisions do not come into force until after the UK has exited the EU. Article 38 (2) has no function on a standalone basis in the absence of provisions in Article 37, and as such it was not included in the statutory instrument that domesticates MiFIR. The Government can use the powers under this Bill to bring them into UK law.

2.13. The 'onshoring' policy note covering the domestication of the operative and relevant parts of MiFIR can be read here.

The Provisions of the Prospectus Regulation that apply from 21 July 2019

2.14. The Prospectus Regulation makes significant changes to the existing regulatory regime governing prospectuses, reducing the financial and regulatory burden for companies wishing to fulfil their financing needs on public markets, whilst maintaining high standards of investor protection. It contains the rules governing the content, format, approval and distribution of prospectuses, and replaces the existing regulatory regime as set out in the Prospectus Directive.

2.15. A prospectus is a legal document containing important information used by investors when deciding whether to invest in a company's securities (such as shares and bonds). With a limited number of exceptions, a company is required to produce a prospectus that has been approved by an EEA State's National Competent Authority (such as the FCA in the UK), before securities can be offered to the public or admitted to trading on a regulated market.

2.16. Key changes that the Regulation introduced include: the creation of a lighter 'Growth Prospectus' for SMEs (and certain other issuers) to access public markets; a reduction in the length of the prospectus summary, and; adjustments to how risk factors related to the security being issued must be presented. The UK was a strong supporter of the reform of the Prospectus Directive and engaged closely in the development of this Regulation.

2.17. Failure to implement the Prospectus Regulation will mean that businesses wishing to fulfil their financing needs on public markets will face higher costs and additional regulatory burdens to produce a prospectus in the UK compared with the EU. Industry have explicit expectations that the Regulation will be implemented into UK legislation, as they have had notice of these changes for several years and have been preparing to take advantage of them. Therefore, if the Regulation was not implemented, it would likely result in operational and financial disruption to companies currently raising finance through public markets in the UK, and impact the UK's reputation as an attractive destination for capital.

2.18. Certain provisions of the Regulation have applied since July 2017 and July 2018; however, the majority of its provisions apply from 21 July 2019, and so are not domesticated through the EUWA as they do not yet have effect in EU law.

2.19. The 'onshoring' policy note that covers the implementation of the existing Prospectus Directive into UK legislation can be read here.

Article 4(1) of the Securities Financing Transactions Regulation (SFTR)

2.20. The Securities Financing Transactions Regulation (SFTR) addresses the risks posed by securities financing transactions (SFTs). Examples of SFTs include repurchase agreements (or repos) and securities lending. SFTs can allow for the build-up of excessive leverage and have pro-cyclical effects, increasing financial stability risks.

2.21. This article forms part of the SFTR that helps to assess and mitigate risks posed by SFTs by requiring firms to report transactions to trade repositories. This increases market transparency and helps to mitigate risk. Implementing this article will ensure the UK can meet our Financial Stability Board and G20 commitments to maintain international standards, and can better manage financial stability risks posed by SFTs.

2.22. Article 4(1) of the SFTR does not come into effect until 12 to 21 months following the entry into force of related Regulatory Technical Standards, and so is not domesticated through the EUWA as it does not yet apply as a matter of EU law.

Financial Services Legislation in the Schedule to the Bill

2.23. The schedule to the Bill contains 13 proposals for EU financial services legislation that are currently in negotiation, and could enter into the Official Journal up to two years post-Exit, that the UK may wish to implement. These files represent legislative proposals that are important to maintaining the ongoing reputation, global competitiveness and functionality of the financial sector.

2.24. As negotiations on these files continue, there may be further amendments agreed, proposed, or dropped that the Government may wish to domesticate or remove using the powers under this Bill. This Bill therefore makes provision for the Government to choose to implement only those EU files, or parts of those files, which it deems beneficial to the UK, and to adjust the legislation as it is brought into UK law to ensure that it works best for UK markets.

2.25. When implementing these files, the Government must retain the ability to make limited policy adjustments to ensure a best fit for UK markets. However, as noted above, there will be no ability to make changes that result in provision whose effect is different in a 'major' way from that of the original EU legislation.

2.26. The list below includes two files relating to sustainable finance issues (listed at paragraphs 2.63 onwards), which were added during the Bill's passage through the House of Lords.

Capital Requirements Regulation II (CRR II), Capital Requirements Directive V (CRD V)

2.27. CRR II and CRD V are legislative revisions to the existing EU approach to bank capital and bank supervision. They are primarily concerned with updating rules on minimum capital requirements derived from international Basel standards.

2.28. The files provide regulators with the regulatory framework they must apply, as well as updating their powers where necessary. They are crucial to maintaining a high standard of international financial services regulation.

2.29. Introduction of this file would provide clarity to firms and banks, which make financial decisions years in advance. It is also critical to meet the UK's Financial Stability Board and G20 commitments to maintain international standards and to support the Government's commitment to ensure the UK continues to conform to the highest global standards of financial services regulation.

Bank Recovery and Resolution Directive II (BRRD II)

2.30. BRRD II is a legislative revision to the existing EU approach to bank resolution. The bank resolution framework ensures that authorities can manage the failure of firms in a way that maintains critical economic functions while preserving financial stability and ensuring that the costs of resolution are borne by the firm's creditors and shareholders.

2.31. BRRD II will provide regulators with an updated resolution framework, and modifies several areas of the first BRRD to ensure flexibility for resolution authorities and firms. It is primarily concerned with updating rules on available financial resources in resolution, which are derived from international Financial Stability Board standards.

2.32. Introduction of this file is critical to meet the UK's Financial Stability board / G20 commitments to maintain international standards and to support the Government's commitment to ensure the UK continues to conform to the highest global standards of financial services regulation.

Central Counterparty Recovery and Resolution Regulation (CCP R&R)

2.33. The CCP R&R Regulation aims to ensure that both Central Counterparties (CCPs) and national authorities have the means to act decisively in a crisis scenario to maintain financial stability and ensure that CCPs can continue to function.

2.34. Central Counterparties (CCPs) are financial institutions, considered a type of Financial Market Infrastructure (FMI), that firms use to reduce the risk arising from trades, including derivatives trades. The CCP guarantees that transactions will be honoured if the other party defaults. CCPs do this by standing between the parties of a trade, becoming the buyer to every seller and the seller to every buyer.

2.35. CCPs are central to the UK and global financial system – they reduce risk, and improve the efficiency and resilience of the system as a whole. Furthermore, certain regulations mandate the use of CCPs when trading in certain financial instruments.

2.36. The file helps to ensure that the costs associated with the resolution of failing CCPs do not fall on taxpayers. Under a resolution measure, in the instance of a CCP failure authorities would be able to act swiftly to restructure a CCP, and secure continuity of their critical functions, whilst placing residual parts of the CCP into insolvency. In the process, costs and losses would be imposed as far as possible on the CCP's owners and creditors, not the taxpayer, in line with how they would be treated if the CCP had entered insolvency.

2.37. This file would ensure that the UK's regulatory response to CCP failures is in line with international standards, and supports the Government's commitment to ensure the UK continues to conform to the highest global standards of financial services regulation.

European Market Infrastructure Regulation (Regulatory Fitness and Performance) (EMIR REFIT)

2.38. EMIR REFIT is a proposal that aims to bring in technical changes to EMIR, which ensure the Regulation has more proportionate requirements concerning clearing and reporting.

2.39. EMIR is the EU implementation of the G20 Pittsburgh summit commitment in 2009, which stated that OTC derivatives trades should be cleared through CCPs or subject to higher capital requirements, and reported to trade repositories, to mitigate systemic risk and increase transparency of derivative markets.

2.40. The EMIR REFIT proposal looks to update existing requirements to ensure they are more targeted and proportionate. It also includes an extension to the current pension scheme clearing exemption that will assist pensions schemes in accessing derivatives markets, allowing them to manage risks associated with their liabilities to UK pensioners.

2.41. The file provides a more proportionate approach for UK firms, and domesticating the file will ensure that UK firms do not suffer competitive disadvantage in comparison to EU firms. This file would ensure that the UK's regulatory framework is better aligned with international standards, supporting the Government's commitment to ensure the UK continues to conform to the highest global standards of financial services regulation.

European Market Infrastructure Regulation 2.2

2.42. The EMIR 2.2 proposal updates the supervisory framework for third country CCPs, creating a broad set of tools to manage third country CCPs, helping to manage the financial stability risks posed by systemic third country CCPs.

2.43. The systemic importance of CCPs within the financial system has significantly increased in the period following the implementation of the post-crisis reforms, and they can have a significant impact on countries outside their home jurisdiction.

2.44. Therefore, it is important to ensure that our regulators have the tools available to manage financial stability risks posed by systemic third country CCPs.

2.45. However, there are some tools currently proposed that the UK considers unhelpful should they be included in the final version of the proposal. In particular the so called "location policy" would not be an improvement on the current framework. A "location policy" would cut off links to global liquidity pools, and ultimately raise costs for businesses.

2.46. As with all files within the scope of The Financial Services (Implementation of Legislation) Bill, the Government will evaluate the proposals within each file once negotiations are concluded, and provide further detail on its approach to any parts of the file domesticated using the powers within this Bill.

Investment Firms Review (IFR)

2.47. The IFR reviews the prudential framework for Investment Firms and will deliver a new and more proportionate prudential regime tailored to investment firms.

2.48. 'Investment Firms' are defined as a person or business providing investment services to third parties, and are currently governed by the Capital Requirements Directive and the Capital Requirements Regulation. This regime was developed for banks and is inappropriate for all but the largest and most systemically-important investment firms. The application of banking rules to investment firms has an impact on efficiency, market integrity, and competition. The proposal also includes amendments to the current Markets in Financial Instruments Regulation (MIFIR) regime for granting equivalence for certain cross-border activities carried out by investment firms.

2.49. Introducing the proposed regime represents a more proportionate approach, tailored to the specificities of investment firms, a sector in which the UK has traditionally been a market leader. It is also important that the MIFIR equivalence regime remains an effective framework for third country market access.

Cross-Border Distribution of Funds Regulation & Directive

2.50. The Cross-Border Distribution of Funds Regulation & Directive aim to make it easier to market investment funds between EU member states. They will create greater transparency in the fees charged by regulators, make it easier for fund managers to test investor demand for different types of fund products and harmonise rules across the EU for firms that wish to withdraw marketing funds in a particular country.

2.51. Implementing this file could allow EEA-authorised alternative investment fund managers to benefit from the proposals that allow them to test UK professional investors' appetite for new fund products without having to lodge a formal marketing notification to an EEA National Competent Authority, which can be a costly process.

Covered Bonds Regulation and Directive

2.52. Covered bonds are debt securities issued by firms, which are backed by separate assets (such as mortgages or loans to the public sector). If a firm fails, the bonds will be "covered" by those assets.

2.53. The Covered Bonds file provides principles that ensure the quality of the product and protection for investments in covered bonds. The proposed new framework for covered bonds represents an improvement on the current regime, establishing common rules on the structure and supervision of such bonds which would enhance investor protection.

2.54. This includes new requirements on liquidity, transparency, and the composition and quality of assets backing the covered bond to enhance the robustness and quality of the product. Implementing this file would therefore enable UK firms to compete on the same level playing field as the EU.

Sustainable Finance: Low Carbon Benchmarks

2.55. There are many different types of low carbon benchmark and asset managers use them to reflect clients' desire to make sustainable investments. For example, some low carbon benchmarks take a standard index and remove or reweight the companies with relatively high carbon footprints. The Sustainable Finance: Low Carbon Benchmarks and Positive Carbon Benchmarks proposal aims to enhance the transparency and comparability of low carbon benchmarks to enable investors to make more informed decisions.

SME Growth Markets Regulation

2.56. The SME (Small to Medium Enterprises) Growth Markets Regulation amends the Market Abuse Regulation (MAR) and Prospectus Regulation (PR), and is aimed at promoting the use of SME Growth Markets (such as the Alternative Investment Market (AIM) in the UK).

2.57. SME Growth Markets are a category of multilateral trading venue that were introduced by the Markets in Financial Instruments Directive II in January 2018. SME Growth Markets are designed to cater to the needs of SMEs in accessing capital on public markets through offering a less burdensome regulatory regime for issuers than on traditional markets. Companies listed on an SME Growth Market are required to comply with both MAR and PR.

2.58. These proposals focus on reducing the administrative and financial burdens faced by SMEs in fulfilling their financing needs on public markets, diversifying financing options for SMEs and encouraging overall growth in SME's use of public markets. Specific amendments this Regulation would introduce include reducing certain reporting requirements under MAR, such as extending the timeframe that issuers have to disclose managers' transactions, and amending PR to create a lighter 'transfer prospectus' for issuers wishing to graduate onto a regulated market.

2.59. The Government supports the aims of the proposals, which would support the ability of SMEs to fulfil their financing needs on UK public markets through the reduction of administrative and financial burdens.

European Supervisory Authority Review

2.60. The European Supervisory Authority (ESA) review is an omnibus proposal that makes legislative changes to a number of EU files.

2.61. As well as reforming the governance and funding structure of the European Supervisory Authorities, the ESA proposal gives a number of direct powers to the European Securities and Markets Authority (ESMA). Under the proposal ESMA would be given supervisory competence for benchmarks, prospectuses and data reporting services. It would also become the supervisor of third country benchmarks and prospectuses.

2.62. As proposed, the file also makes changes to the delegation and outsourcing arrangements between the ESAs, NCAs and third countries. These are key functions of the FS sector, particularly in asset management where portfolio delegation from overseas clients to the UK makes up 40% of total assets under management in the UK. If agreed, it is likely that the UK would have to make regulatory changes to allow for the exchange of information and delegation to function smoothly.

Sustainable Finance: Disclosures

2.63. The EU's Sustainable Finance Action Plan is a response to the targets agreed by the Paris Climate Agreement and the UN Sustainable Development Goals, both of which the UK also supports.

2.64. This proposal introduces mandatory disclosure obligations for asset managers and institutional investors on how they incorporate Environmental, Social, and Governance (ESG) considerations into their investment decision making and risk processes. It aims to create more transparent disclosures around sustainable investing.

Sustainable Finance: Framework

2.65. The Sustainable Finance framework looks to put in place a taxonomy or 'classification system' for what can be considered an environmentally sustainable economic activity.

2.66. The primary aim of the taxonomy is to reduce 'green washing' (i.e. products labelled as green or sustainable but have little such substance) and help channel investments into sustainable activities.