

# Ashurst Quarterly Debt Capital Markets Update Q2 2024

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Welcome to the latest edition of the Ashurst Quarterly Debt Capital Markets Update for 2024. In this edition we summarise the key developments in debt capital markets in the second quarter of 2024.

We have a number of different developments to report on in this edition:

- UK Digital Securities Sandbox
- Electronic Global Notes and Electronic Signatures – ICSDs' Initiative
- EU Prospectus Regulation to be Revised
- ECP Documentation - STEP label - New Declaration of Adherence
- UK Sustainability Disclosure Requirements and Sustainability Reporting Standards
- Commercial Paper and Certificates of Deposit – Proposals for Reform
- EU Adopts Corporate Sustainability Due Diligence Directive
- LIBOR Transition – The Final Steps

## UK Digital Securities Sandbox

On 3 April 2024 the Bank of England and the FCA published a joint consultation paper on their proposals to implement and operate what they are calling the Digital Securities Sandbox (DSS). This follows on from the Financial Services and Markets Act 2023 (Digital Securities Sandbox) Regulations 2023 (SI 2023/1398) which came into force on 8 January 2024 and created the framework that will enable the Bank of England and the FCA to operate a DSS.

The closing date for responses to the consultation paper was 29 May 2024. After a review period, the Bank of England and the FCA will issue a formal response to the views submitted as part of the consultation process. Following this, the final guidance and rules will be published and the DSS will open for applications over the autumn of 2024. For more information see this [Ashurst briefing](#).

## Electronic Global Notes and Electronic Signatures – ICSDs' Initiative

On 15 April 2024 Euroclear and Clearstream Luxembourg (the **ICSDs**) launched two related initiatives which took effect on 3 June 2024.

The first initiative relates to what the ICSDs describe as Electronic Global Notes (e-GNs). With effect from 3 June 2024 a limited category of Global Notes are accepted by the ICSDs in a paperless, electronic form (a digital PDF copy) – essentially those: (a) issued by a non-governmental issuer incorporated in England (or a supranational issuer); (b) expressed to be governed by English law; and (c) issued in registered form using the New Safekeeping Structure (NSS). However outside of this limited category, e-GN issuance will not be possible until further notice.

The second initiative is that with effect from 3 June 2024 the ICSDs can accept other issuance documents (other than an e-GN) signed electronically and the ICSDs say they will accept a Single Electronic Signature (SES) as a minimum electronic signature. After this date, for all new issuances (NGN, NSS, CGN) and for all issuers' jurisdictions, whatever the governing law, ICSD CSKs, Commercial CSKs and Common Depositories can in principle accept electronically signed Global Notes and other issuance documentation. However the ICSDs emphasise that it is the responsibility of the transaction parties to ensure the validity of the signature on the relevant documentation including the Global Notes.

## **EU Prospectus Regulation to be Revised**

On 24 April 2024 the European Parliament plenary session formally adopted at first reading:

- A Regulation amending the EU Prospectus Regulation, the EU Market Abuse Regulation and EU MiFIR; and
- A Directive amending MiFID II and repealing Directive 2001/34/EC (the "Combined Admission and Reporting Directive" (CARD), otherwise known as the "Listing Directive").

The European Commission adopted its proposals for the Regulation and Directive on 7 December 2022 as part of a package of proposals in connection with its commitment to simplify EU listing rules, as set out in the Capital Markets Union Action Plan 2020.

The texts adopted by the European Parliament must still undergo partial lawyer-linguist revision, the European Parliament will need to confirm the final texts and the Council of the EU will need formally to adopt the finalised texts, none of which is expected to be completed until Q4 2024. For more information see this [Ashurst briefing](#).

## **ECP Documentation - STEP label - New Declaration of Adherence**

Following its update of the STEP Market Convention in 2023:

- the STEP Secretariat is currently contacting its existing issuers and asking them to execute a new Declaration of Adherence;
- however, existing update timelines are unaffected by the use of this new form, so executing a new Declaration of Adherence does not trigger a need to update the ECP programme.

The Short-Term European Paper (STEP) initiative is a market-based organisation of committees and conventions which aims to foster the integration of the European markets for short-term paper through the convergence of market standards and practices.

## **UK Sustainability Disclosure Requirements and Sustainability Reporting Standards**

On 16 May 2024, the UK government published an update on implementation of the UK's Sustainability Disclosure Requirements (SDR) and a policy paper containing a framework and Terms of Reference (ToR) for developing UK sustainability reporting standards (SRS). These documents follow the government's commitment in its 2023 Green Finance Strategy to establish a framework to assess and decide whether to endorse the International Financial Reporting Standards (IFRS) sustainability disclosure standards (SDS) for use within a UK context. For more information see this [Ashurst briefing](#).

## Commercial Paper and Certificates of Deposit – Proposals for Reform

On 22 May 2024, the Financial Stability Board (FSB) published a [report](#) analysing the functioning of the international markets for commercial paper (CP) and negotiable certificates of deposit (CD) and potential market reforms. Section 1 of the report is a short introduction followed by:

- Section 2 which describes: (i) issuers of CP and CD; (ii) investors in CP and CD; (iii) dealer relationships with issuers and investors; (iv) market microstructure; and (v) transparency (reporting and disclosures);
- Section 3 which summarises the main vulnerabilities in CP and CD markets; and
- Section 4 which provides a high-level assessment of potential market reforms to address the identified vulnerabilities.

## EU Adopts Corporate Sustainability Due Diligence Directive

On 24 May 2024, the Council of the European Union formally adopted the final text of the CSDDD. The CSDDD will introduce a sustainability due diligence duty on large EU companies and non-EU companies with significant EU activity.

Amongst other things, the CSDDD will require in-scope companies to adopt and put into effect transition plans for climate change mitigation which aim to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement.

Once it is in force, there is a two-year timeframe for member states to transpose the CSDDD into national law. Application will then commence on a staggered basis, starting in 2027 for the largest companies. For more information see this [Ashurst briefing](#).

## LIBOR Transition – The Final Steps

On 3 June 2024, the FCA published a [notice of first decision](#) issued to ICE Benchmark Administration Ltd (IBA) under Article 21(3) of the UK Benchmarks Regulation. In the decision, the FCA confirms that it has decided to compel IBA to continue publishing one, three and six-month US dollar LIBOR settings (using the synthetic methodology) for a further three months until 30 September 2024. This decision follows the FCA's previously announced intention to compel IBA to continue to publish these US dollar LIBOR settings for a final period until the end of September 2024, but not beyond that date.

Visit our [Finance Hub](#) for analysis and commentary on developments affecting global financial markets, including the EU Prospectus Regulation, the EU Benchmarks Regulation, PRIIPs/KID and EU EMIR.

## Want to know more?

[Debt Capital Markets Update Q1 2024](#)

The information provided is not intended to be a comprehensive review of all developments in the law and practice, or to cover all aspects of those referred to.

Readers should take legal advice before applying it to specific issues or transactions.