

## ELFA Legal & Regulatory Update

01/06/2020 – 05/06/2020

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### Key Highlights:

- This Legal & Regulatory Update covers the week commencing 01/06/2020.
- [PRA](#) sends letter to regulated UK Financial Market Infrastructures and Specified Providers on distribution of profits given demands arising from Covid-19.
- [FCA](#) gives update on its test case of validity of business interruption claims and consults on draft guidance.
- [FCA](#) commences its Coronavirus (Covid-19) Financial Resilience Survey.
- [UK Government](#) publishes Corporate Insolvency and Governance Bill 2020 factsheets.
- [ESMA](#) fines Scope Ratings €640,000 for failings in covered bonds ratings.
- [EBA](#) issues Guidelines to address gaps in reporting data and public information in context of COVID-19.
- [EBA](#) starts delivering on implementation of new regulatory framework for investments firms.
- European Commission consults stakeholders on a possible new antitrust competition tool.
- [CBI](#) reminds lenders must be clear with customers on how payment breaks work and ensure all consumer protection obligations are met in full.
- [ICMA](#) facilitates discussion on auditor's work during COVID-19.
- [ICMA](#) commences its 39th survey of European repo market.
- In this update, we also cover some of the [most important news](#) on leveraged finance published by the [Financial Times](#) and [Thomson Reuters](#) during the week.

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### Bank of England (BoE)

#### 02 June 2020: PRA publishes its statement on the use of electronic signatures to evidence forms and other documents delivered to the PRA

This [PRA statement](#) provides information on the use of electronic signatures in relation to the submission of forms and other regulatory documents. In the context of Covid-19 and increased remote working, the PRA has been asked about the acceptability of electronic rather than 'wet' signatures (ie signing a document by hand using a pen) in relation to the submission of forms and other regulatory documents to the PRA. In the absence of any specific legal provisions to the contrary, the PRA confirms that firms may use electronic signatures for such purposes, although the PRA may in specific instances request a 'wet signature' where it is appropriate to do so. The PRA will review this approach in the light of evolving working practices, while recognising that many forms are already processed on an automated basis. The PRA is unable to comment on the use of electronic signatures more generally, and firms should obtain their own legal advice on the validity of such signatures in specific circumstances. PRA-regulated firms are reminded of Fundamental Rules 1-3 and 5-7 and other parts of the PRA Rulebook concerning the adequacy of systems and controls.

#### 02 June 2020: PRA publishes its Findings from the Post-Trade Technology Market Practitioner Panel

The [PRA published its report](#) that sets out the findings from the Post-Trade Technology Market Practitioner Panel. This report by the Market Practitioner Panel focuses on one part of those trading processes — 'post-trade' — where Panel members see significant scope for improvements in efficiency and resilience. It sets out the Panel's analysis of the underlying issues, highlights some specific action areas, and sets out plans for further work aimed at catalysing reform in post trade.

#### 04 June 2020: PRA sends letter to regulated UK Financial Market Infrastructures and Specified Providers on the distribution of profits given demands arising from Covid-19

The PRA wrote a [letter](#) to all regulated UK Financial Market Infrastructures and Specified Providers ("FMIs") concerning the distribution of profits. According to this letter, when UK FMIs' boards are considering any distributions to shareholders or making decisions on variable remuneration, the PRA expects them to pay close attention to the additional risks and potential financial and operational demands arising from Covid-19. The PRA would expect FMIs to discuss with it in advance of making any distribution to shareholders.

The letter acknowledges that, in the current situation of high uncertainty, FLMs face greater risks to their financial and operational resilience. It is therefore critical that FLMs ensure their financial resources continue to be sufficient to maintain the services they provide to the wider financial system, and to absorb potential losses.

#### **05 June 2020: BoE publishes Market Notice on pricing of CBPS eligible securities**

This [Market Notice](#) describes a particular element in the operation of the Bank of England's Corporate Bond Purchase Scheme (CBPS). The BoE announced that it has updated the list of eligible securities for the CBPS to include additional bonds with 3 months to maturity par call features. Consistent with the scheme's existing pricing approach, the BoE will continue to allocate and settle successful offers on a yield to maturity (YTM) basis. Participants should ensure that offers to sell any eligible security, including callable bonds, are submitted on a YTM basis.

#### **01 – 05 June 2020: Speeches & Other Publications**

During the week, the BoE released the following speeches & other publications that might be of interest to our readers:

- [Informed trading in government bond markets - Staff Working Paper](#)
- [Identification of structural vector autoregressions by stochastic volatility - Staff Working Paper](#)
- [Non-linearities, asymmetries and dollar currency pricing in exchange rate pass-through: evidence from the sectoral level - Staff Working Paper](#)
- [Monetary policy and the management of uncertainty: a narrative approach - Staff Working Paper](#)
- [Seven moments in Spring: Covid-19, financial markets and the Bank of England's operations - Speech by Andrew Hauser](#)
- [Letter to chief executive officers of UK deposit takers, in response to updated FCA guidance on retail mortgage payment deferrals](#)
- [PRA Regulatory Digest - May 2020](#)
- [Money and Credit - April 2020](#)
- [Effective interest rates - April 2020](#)
- [Minutes of the Working Group on Sterling Risk-Free Reference Rates - February 2020](#)
- [Minutes of the Working Group on Sterling Risk-Free Reference Rates - March 2020](#)
- [Minutes of the meeting of the Court of Directors held on 3 April 2020](#)

- [UK International Reserves - May 2020](#)
- [Financial Policy Committee dates for 2020 - updated June 2020](#)
- [Monthly Decision Maker Panel data - May 2020](#)
- [Bank of England Weekly Report 3 June 2020](#)
- [Statistical Notice 2020/05](#)
- [External business of Monetary Financial Institutions operating in the UK - 2020 Q1](#)

#### **Financial Conduct Authority (FCA)**

##### **01 June 2020: FCA gives update on its test case of validity of business interruption claims and consults on draft guidance**

Since the FCA made its last announcement on 1 May, the FCA [announced](#) that it has approached 56 insurers and reviewed over 500 relevant policies from 40 insurers. The FCA has identified a sample of 17 policy wordings that capture the majority of the key issues that could be in dispute. This update gives further detail on the proposed court action, including identifying the representative sample of policy wordings to be examined in the test case, insurers that use those wordings, and which of those insurers the FCA has invited, and have agreed, to participate in the proceedings. This initial list of insurers and the policy wordings is not exhaustive.

The FCA also published a [short consultation](#) on draft guidance asking all insurers to check their policy wordings against those the FCA intends to test to see if theirs will be impacted by the outcome of the case. The FCA expects to publish a list of all the relevant insurers and policies that may have impacted wordings in early July. The consultation on draft guidance also sets out the FCA's expectations of all firms handling BI claims and any related complaints between now and the court decision.

##### **03 June 2020: FCA confirms guidance for insurance firms on assessing product value**

The FCA published its [product value and coronavirus guidance](#) for insurance firms. The guidance sets out what the FCA considers firms should be doing to identify any material issues that affect the value of the general insurance and protection products they offer, and their ability to deliver good customer outcomes, during this unprecedented time. The guidance sets out that firms should focus on reviewing products where benefits cannot be provided (e.g. boiler services due to lockdown measures) or where there has been a fundamental change in risk and products are now

providing little or no utility to customers (e.g. public liability insurance for closed businesses). The guidance is not intended to create an expectation that firms should reassess the value of insurance products where the likelihood of a customer making certain claims may have fallen, but the product continues to provide utility (e.g. motor insurance where, for example, theft or fire can still occur). Firms should review their product lines and decide on any resulting actions within 6 months. This might include changing how benefits are delivered, refunding some premiums or suspending monthly payments for a certain period of time.

### **03 June 2020: FCA commences its Coronavirus (Covid-19) Financial Resilience Survey**

The FCA is asking around 13,000 firms to complete a [short survey](#) to help it obtain a more accurate view of firms' financial resilience as a result of coronavirus (Covid-19). The survey will be sent to firms by the FCA between 4 – 8 June 2020.

### **05 June 2020: FCA sets out next steps to improve defined benefit pension transfer market**

The FCA has set out a [package of measures](#) designed to address weaknesses across the defined benefit (DB) transfer market. It includes steps to reduce conflicts of interest by banning contingent charging, as well as help for advisers who want to do the right thing and provide good quality advice to their customers.

### **05 June 2020: FCA publishes its policy development update**

The [policy development update](#) provides some information on the FCA's recent and upcoming publications but should not be regarded as comprehensive. The FCA usually updates this page on the first Friday of each month – this version is current as of 5 June 2020.

### **01 – 05 June 2020: Speeches, Letters & Other Publications**

During the week, the FCA released the following publications that might be of interest to our readers:

- [PS20/5: Extending the Senior Managers Regime to benchmark administrators - final rules](#)
- [The FCA's response to COVID-19 and expectations for 2020 speech by Megan Butler Executive Director of Supervision – Investment](#)

[Wholesale and Specialists at the FCA, delivered at PIMFA's Virtual Festival](#)

- [Information for firms to use with consumers: dealing with financial difficulties during coronavirus](#)

## **Financial Reporting Council (FRC)**

### **01 June 2020: FRC prepares survey to gauge preparedness for applying ESEF Regulation**

The UK Government [has set out its position](#) on how the ESEF (European Single Electronic Format) Regulation requirements affect the directors' sign-off process for accounts of UK-incorporated issuers. The Government's note also addresses whether directors must consider the Inline eXtensible Business Reporting Language (iXBRL) tagging when confirming the accounts meet the requirements of the Companies Act 2006 and give a true and fair view of the company's financial position.

To help inform the regulatory guidance, the [Financial Reporting Council's Lab](#) has prepared a [short survey](#) that seeks to understand companies preparedness for applying the ESEF Regulation. The survey only takes 10 minutes to complete and will help inform next steps. The closing date for completing the survey is 17 June 2020.

## **UK Government**

### **02 June 2020: UK Government publishes Corporate Insolvency and Governance Bill 2020 factsheets**

The Department for Business, Energy and Industrial Strategy (BEIS) published factsheets with an explanation of each of the measures included in the recently introduced Corporate Insolvency and Governance Bill 2020. A link to the factsheets can be found [here](#).

## **European Securities and Markets Authority (ESMA)**

### **02 June 2020: ESMA publishes final report on FRANDT commercial terms for clearing services**

ESMA published its [final report with technical advice](#) to the European Commission (EC) on the fair, reasonable, non-discriminatory and transparent (FRANDT) commercial terms for the provision of clearing services. ESMA's technical advice details how to specify the conditions under which the commercial terms for the provision of clearing services are to be considered FRANDT. The final report containing ESMA's technical

advice takes into account the feedback received, aiming to strike a balance between improving clearing client's access to clearing services and ensuring such services are provided on FRANDT compliant terms, while ensuring the requirements are proportionate and within the mandate received.

The requirements covered in this technical advice have been carefully designed to address clearing clients and clearing service providers' concerns and aims to:

- facilitate comparability of the information disclosed;
- address the process of onboarding clearing clients;
- standardise the information disclosed to clients bilaterally; and
- encourage further standardisation of contractual terms.

### **03 June 2020: ESMA updates transparency and position limit opinions for 3rd country venues**

ESMA [published](#) updated opinions on post-trade transparency and position limits under MiFID II and MiFIR following its assessment of over 200 third-country trading venues (TCTV) against criteria published in opinions in 2017.

### **03 June 2020: ESMA consults on cloud outsourcing guidelines**

ESMA published a [consultation paper](#) on guidelines on outsourcing to cloud service providers. The guidelines' purpose is to provide guidance on the outsourcing requirements applicable to financial market participants when they outsource to cloud service providers. In particular, they aim to help firms and competent authorities identify, address and monitor the risks and challenges that arise from cloud outsourcing arrangements.

The proposed guidelines set out:

- the governance, documentation, oversight and monitoring mechanisms that firms should have in place;
- the assessment and due diligence which should be undertaken prior to outsourcing;
- the minimum elements that outsourcing and sub-outsourcing agreements should include;
- the exit strategies and the access and audit rights that should be catered for;

- the notification to competent authorities; and
- the supervision by competent authorities.

The consultation is open until 1 September and seeks feedback from both national competent authorities and financial market participants that use cloud services provided by third parties. The consultation is also important for cloud service providers, as the draft guidelines aim to ensure that potential risks firms may face from the use of cloud services are properly addressed. ESMA aims to publish the Final Report on the Guidelines by Q1 2021.

### **04 June 2020: ESMA fines Scope Ratings €640,000 for failings in covered bonds ratings**

ESMA [fined](#) Scope Ratings GmbH (Scope) €640,000, and issued a [public notice](#), for breaches of the Credit Rating Agencies Regulation (CRAR) in relation to the systematic application of its 2015 Covered Bonds Methodology (CBM) and its revision. ESMA found that in both instances Scope committed the infringements negligently and failed to meet the special care expected from a credit rating agency (CRA) as a professional firm in the financial services sector.

### **04 June 2020: ESMA promotes convergence in the supervision of costs in UCITS and AIFs**

ESMA published a [supervisory briefing](#) on the supervision by National Competent Authorities (NCAs) of costs applicable to Undertakings for the Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs). This briefing comes in response to the need to improve convergence across NCAs in the approach to undue costs.

### **04 June 2020: ESMA updates reporting instructions for MMF reporting**

ESMA published [updated reporting instructions](#) to be used for reporting under the Money Market Fund Regulation (MMFR). ESMA has implemented amendments on the XML schema and reporting instructions in a new version, v1.1. As indicated in the announcement published on [31 March](#), this update follows feedback received by market participants after the publication of the first version of the XML schema (v.1.0) and an assessment of the technical committee. Reporting entities should use the version v1.1 to submit reports required under Article 37 of MMF regulation by September 2020. The reference period for the first reporting is Q1 2020, meaning that MMF Managers



shall report in September 2020 quarterly reports for both the Q1 and Q2 reporting periods.

#### **05 June 2020: ESMA announces new methodology for peer reviews**

ESMA published new Peer Review Methodology integrating the improvements to this process that were introduced by the revised ESMA Regulation (ESMAR). The new [Peer Review Methodology](#) provides for the set-up of ad hoc Peer Review Committees chaired by ESMA staff, an enhanced role for the Management Board, and the introduction of fast-track peer reviews to be launched in case of an urgent convergence issue.

#### **05 June 2020: ESMA provides guidance on compliance function under MiFID II**

ESMA published the [final guidelines](#) on the MiFID II compliance function. These guidelines replace the ESMA guidelines on the same topic issued in 2012 and include updates that enhance clarity and foster greater convergence in the implementation, and supervision, of the new MiFID II compliance function requirements.

The guidelines will enhance the value of existing standards by providing additional clarifications on certain specific topics, such as new responsibilities in relation to MiFID II's product governance requirements, by notably detailing further the reporting obligations of the compliance function. The guidelines are addressed to investment firms and credit institutions providing investment services and activities, investment firms and credit institutions selling or advising clients in relation to structured deposits, UCITS management companies and external Alternative Investment Fund Managers (AIFMs) when providing investment services and activities in accordance with the UCITS Directive and the AIFMD. The publication of the translations in all official languages of the EU will trigger a two-month period during which NCAs must notify ESMA whether they comply or intend to comply with the guidelines.

#### **European Insurance and Occupational Pensions Authority (EIOPA)**

#### **04 June 2020: EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures – end-May 2020**

The European Insurance and Occupational Pensions Authority (EIOPA) [published](#) technical information on the relevant risk free interest rate term structures (RFR)

with reference to the end of May 2020. RFR information has been calculated for the first time Using Refinitiv as the main market data source applying the content of the Technical Documentation published on 1 October 2019 and based on RFR coding released on 8 October 2019. 04 June 2020: EIOPA publishes monthly update of symmetric adjustment of equity capital charge for Solvency II – end-May 2020

EIOPA [published](#) the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of May 2020. The symmetric adjustment is regulated mainly in Article 106 of Directive 2009/138/EC (Solvency II Directive); Article 172 of the of the Delegated Regulation of Solvency II as well as in EIOPA's Final report on ITS on the equity index for the symmetric adjustment of the equity capital charge.

#### **European Banking Authority (EBA)**

#### **02 June 2020: EBA issues Guidelines to address gaps in reporting data and public information in context of COVID-19**

The European Banking Authority (EBA) [published](#) its Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis. These [Guidelines](#) follow the implementation of a broad range of measures, such as legislative moratoria on loan repayments and public guarantees in Member States, with the aim to support the operational and liquidity challenges faced by borrowers. The Guidelines have been developed to address data gaps associated with such measures to ensure an appropriate understanding of institutions' risk profile and the asset quality on their balance sheets both for supervisors and the wider public.

#### **02 June 2020: EBA announces timing for publication of its 2020 Spring EU-wide transparency exercise**

The EBA [announced](#) that its 2020 Spring EU-wide transparency exercise with bank by bank data will be released on Monday 8 June at 18:00 CEST.

#### **04 June 2020: EBA publishes Opinion on obstacles to the provision of third-party provider services under Payment Services Directive**

The EBA [published](#) an Opinion on obstacles to the provision of third party provider services (TPPs) under the Regulatory Technical Standards (RTS) on strong

customer authentication (SCA) and common and secure communication (CSC). The Opinion aims to support the objectives of the revised Payment Services Directive (PSD2) of enabling customers to use new and innovative payment services offered by TPPs by addressing a number of issues regarding the interfaces provided by account servicing payment service providers (ASPPs) to TPPs.

#### **04 June 2020: EBA starts delivering on the implementation of the new regulatory framework for investment firms**

The EBA [outlined its roadmap](#) for the implementation of the new regulatory framework for investment firms and launched four public consultation on its first set of regulatory deliverables on prudential, reporting, disclosures and remuneration requirements. The roadmap outlines the EBA's work plan for each of the mandates laid down in the IFR/IFD and clarifies the sequencing and rationale behind their prioritisation. Through these mandates, the EBA will contribute to the implementation of a regulatory framework that is calibrated to the size and nature of investment firms. This will strengthen supervision, which will rely more directly on the risks faced by the clients and the investment firms themselves. The consultations launched today run until 4 September 2020.

1. The first consultation paper on prudential requirements includes three draft Regulatory Technical Standards (RTS) on the reclassification of certain investment firms to credit institutions, five draft RTS on capital requirements for investment firms at solo level, and one draft RTS on the scope and methods of prudential consolidation for investment firms at group level.
2. The second consultation paper on reporting requirements and disclosures, includes draft Implementing Technical Standards (ITS) on the levels of capital, concentration risk, liquidity, the level of activities as well as disclosure of own funds; and draft RTS specifying the information that investment firms have to provide in order to enable the monitoring of the thresholds that determine whether an investment firm has to apply for authorisation as credit institution.
3. The third and fourth consultation papers on remuneration requirements include one draft RTS on the criteria to identify all categories of staff whose

professional activities have a material impact on the firm's risk profile or assets it manages ('risk takers'); and one draft RTS specifying the classes of instruments that adequately reflect the credit quality of the investment firm as a going concern and possible alternative arrangements that are appropriate to be used for the purposes of variable remuneration of risk takers.

Finally, to assess the impact of the provisions proposed in the regulatory deliverables, the EBA also launched a data collection exercise on a voluntary basis. Comments to these consultations can be sent to the EBA by clicking on the 'send your comments' button on the consultation page. Please note that the deadline for the submission of comments is 4 September 2020.

04 June 2020: EBA launches consultation on technical standards on capital requirements of non-modellable risks under the FRTB

The EBA [launched](#) a consultation on draft Regulatory Technical Standards (RTS) on the capitalisation of non-modellable risk factors (NMRFs) for institutions using the new Internal Model Approach (IMA) under the FRTB (Fundamental Review of the Trading Book). These draft RTS are one of the key deliverables included in the roadmap for the new market and counterparty credit risk approaches published on 27 June 2019. The consultation runs until 4 September 2020.

#### **European Central Bank (ECB)**

04 June 2020: ECB publishes monetary policy decisions  
 The Governing Council of the ECB has taken the following [monetary policy decisions](#):

1. the envelope for the pandemic emergency purchase programme (PEPP) will be increased by €600 billion to a total of €1,350 billion;
2. the horizon for net purchases under the PEPP will be extended to at least the end of June 2021;
3. the maturing principal payments from securities purchased under the PEPP will be reinvested until at least the end of 2022;
4. net purchases under the asset purchase programme (APP) will continue at a monthly pace of €20 billion, together with the purchases under the additional €120 billion temporary envelope until the end of the year;

5. reinvestments of the principal payments from maturing securities purchased under the APP will continue, in full, for an extended period of time past the date when the Governing Council starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation; and
6. the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively.

#### **05 June 2020: ECB and National Bank of Romania set up repo line to provide euro liquidity**

The ECB and the Banca Națională a României (National Bank of Romania - BNR) have agreed to set up a [repo line](#) arrangement to provide euro liquidity to the BNR to address possible euro liquidity needs in the presence of market dysfunctions due to the COVID-19 shock. Under a repo line, the ECB provides euro liquidity to a foreign central bank in exchange for high-quality euro-denominated collateral. Under the new repo line, the BNR will be able to borrow up to €4.5 billion from the ECB. The maximum maturity of each drawing will be three months. The repo line will remain in place until 31 December 2020, unless it is extended.

#### **05 June 2020: ECB concludes comprehensive assessment of five Croatian banks**

The ECB [published](#) the results of a comprehensive assessment of five Croatian banks, following Croatia's request to establish close cooperation between the ECB and Hrvatska narodna banka (the central bank of Croatia). A comprehensive assessment is required as part of the process of establishing close cooperation between the ECB and the national competent authority of an EU Member State whose currency is not the euro. The comprehensive assessment shows that the five banks do not face any capital shortfalls as they did not fall below the relevant thresholds used in the asset quality review and the stress test.

#### **05 June 2020: ECB concludes comprehensive assessment of UBS and Bank of America subsidiaries**

The ECB [published](#) the results of a comprehensive assessment of UBS Europe SE and Bank of America

Merrill Lynch International Designated Activity Company. Both banks were required to undergo the assessment following the relocation of business activity to the euro area from the United Kingdom after that country's exit from the European Union. The relocations led to both banks meeting the size criterion for being directly supervised by ECB Banking Supervision. The comprehensive assessment shows that both banks do not face any capital shortfall as they did not fall below the relevant thresholds used in the asset quality review (AQR) and the stress test. However, the banks will be expected to follow up on the outcome of the exercise and undertake actions to address the findings of the AQR.

#### **01 – 05 June 2020: ECB Blogs & Other Publications**

During the week, the ECB published the following blogs, interviews, speeches & publications that might be of interest to our readers:

- [Letter from the ECB President to Mr Sven Giegold, MEP, on monetary policy](#)
- [Eurosystem staff macroeconomic projections for the euro area, June 2020](#)
- [Christine Lagarde: Interview with France 2](#)
- [Fabio Panetta: Interview with Radio anch'io, Rai Radio 1](#)

#### **European Commission (EC)**

#### **02 June 2020: Commission consults stakeholders on a possible new antitrust competition tool**

The European Commission [published](#) an inception impact assessment as well as an open public consultation inviting comments on exploring the need for a possible new competition tool that would allow addressing structural competition problems in a timely and effective manner. The new competition tool should enable the Commission to address gaps in the current competition rules and to intervene against structural competition problems across markets in a timely and effective manner. Stakeholders can submit their views on the inception impact assessment until 30 June 2020 and respond to the open public consultation until 8 September 2020.

## Central Bank of Ireland (CBI)

### 05 June 2020: CBI reminds lenders must be clear with customers on how payment breaks work and ensure all consumer protection obligations are met in full

Speaking at an online ACOI event, Director General, Financial Conduct, Derville Rowland, [discussed the actions](#) taken by the CBI in recent months in response to the ongoing Covid crisis, with a particular focus on consumer and investor protection measures. She noted that the CBI continues to focus on promoting the welfare of the people of Ireland as a whole. In relation to payment breaks, she said that the CBI has set out its expectations to the industry that at the end of the agreed payment break, customers should be given the option to either repay the loan within the remaining term or extend the term of the loan by the length of the payment break. This choice should apply for all loans, including mortgages, and the impact of both options on the overall cost of credit and monthly repayments should be fully explained to the customer. Customers should also be allowed to make reduced payments during the payment break where they wish to do so. If some borrowers continue to experience difficulties when their payment breaks expire, the CBI expects lenders to ensure appropriate solutions, including forbearance, are available.

### 01 – 05 June 2020: CBI Blogs & Other Publications

During the week, the CBI published the following speech that might be of interest to our readers:

- [Protecting Consumers, Investors and SMEs during Covid-19 - Director General Derville Rowland](#)

## Commission de Surveillance du Secteur Financier (CSSF)

### 05 June 2020: ESRB COVID-19 Related Policy Actions: Implications for Investment Funds

The Banque centrale du Luxembourg (BcL) and the Commission de Surveillance du Secteur Financier (CSSF) would like to [inform](#) industry participants that on 6 May 2020 the European Systemic Risk Board (ESRB) [discussed](#) a first set of actions in five priority areas identified to address the impact of COVID-19 on the financial system from a macroprudential perspective.

These actions constitute a comprehensive set of policy measures that apply to different sectors of the financial system as well as across countries, and address the areas of market illiquidity, downgrades of corporate bonds, guarantee schemes and other fiscal measures, dividend payment restraints and margin call induced liquidity risks.

### 01 – 05 June 2020: CSSF Blogs & Other Publications

During the week, the CSSF published the following blogs, interviews, speeches & publications that might be of interest to our readers:

- [Q&A Payment account definition](#)
- [Circular CSSF-CPDI 20/21: Method for calculating the ex-ante contributions pursuant to Article 182 of the Law of 18 December 2015 on the failure of credit institutions and of certain investment firms](#)

## Financial Stability Board (FSB)

### 05 June 2020: FSB Americas group discusses financial vulnerabilities and the impact of COVID-19

The Financial Stability Board (FSB) Regional Consultative Group (RCG) for the Americas [held a conference call](#) to discuss global and regional macroeconomic and financial market developments and their potential impact on economies in the Americas. Members exchanged views on the latest financial stability implications of COVID-19. They considered the effectiveness of the wide range of policy measures authorities have taken to sustain the supply of credit to the real economy, to support financial intermediation, and to preserve the functioning and resilience of the individual and global financial systems.

The group also received an update on the FSB's work programme, which has been re-prioritised to focus on responding to the impact of COVID-19 on the financial system. Members welcomed the FSB's policy work on enhancing global payment systems and discussed payments issues in the Americas. The group received an update on the FSB's work on benchmark rates transition and supported the FSB's initiative to remove remaining dependencies on LIBOR by the end of 2021.

Finally, in light of a forthcoming monitoring report to be published later this month by the RCG, members discussed trends and developments in non-bank financial intermediation (NBFi) in the Americas. The



monitoring report will be the fifth in a series of reports by the RCG since 2012 that assess the size, structure and recent trends of the NBFI sector in the region, in order to identify potential risks to financial stability at the local jurisdiction level, as well as those arising from potential cross-border linkages.

## **International Capital Markets Association (ICMA)**

### **02 June 2020: ICMA facilitates discussion on auditor's work during COVID-19**

The COVID-19 pandemic is likely to have an impact upon the ability of auditors to carry out audits as they normally would. It is also likely to impact upon the comfort letter that is typically provided to underwriters for new bond issues. Early on in the pandemic, audit firms flagged to ICMA the possibility that the COVID-19 pandemic could impact upon the comfort that is usually provided in comfort letters that follow the ICMA standard form set out at Appendix A2 of the [ICMA Primary Market Handbook](#). ICMA has been [facilitating discussions](#) on this topic in order to increase awareness and understanding of the challenges in this area. In addition, there have been several announcements by authorities regarding delays and other aspects relating to financial statements in the context of COVID-19, including, among others, IOSCO, BCBS, the European Commission, ESMA, EBA, CEA OB, the UK FCA, the UK PRA and the UK FRC.

### **03 June 2020: ICMA commences its 39th survey of European repo market**

All European banks dealing in repo are invited to participate in [ICMA's 39th survey of the European repo market](#). Launched in September 2001, the surveys have established the most authoritative picture to date of the size of the repo market in Europe. The survey has continued to give an accurate picture of how the European repo market has responded to turbulent market conditions in the last few years. This survey will provide a 'snapshot' of repo business at close of business on Wednesday, 10 June 2020.

### **03 June 2020: ICMA publishes update memorandum to 2020 ICMA GMRA legal opinion for Russia relating to moratorium measures introduced to Bankruptcy Law**

ICMA has [published an update memorandum](#) to the 2020 ICMA GMRA legal opinion for Russia relating to moratorium measures introduced to the Bankruptcy Law. The document is available alongside the Russian opinion [here](#) (ICMA members only).

## In the News

During the week, the Financial Times & Thomson Reuters published the following news that might be of interest to our readers.

### Financial Times

- [LCF investors made to wait for probe into regulator's role](#)  
"Investors denied compensation for the £236m collapse of London Capital & Finance will have to wait four more months to discover if a report into the regulator's role will provide grounds for any payout"
- [ECB boosts bond-buying stimulus package by €600bn](#)  
"The European Central Bank will buy an extra €600bn of bonds in a bid to revive the eurozone's pandemic-stricken economy, it announced on Thursday, while slashing its forecasts for growth and inflation"
- [Eurozone bond prices jump after ECB move](#)  
"Eurozone bonds rallied and the euro surged on Thursday after the European Central Bank announced a bigger-than-expected boost to its stimulus package to tackle the economic fallout from the coronavirus crisis"
- [Repsol sells €1.5bn of hybrid bonds as risk appetite returns](#)  
"Spanish oil major Repsol sold €1.5bn of bonds with equity-like features on Tuesday, in the latest sign that debt investors are regaining some appetite for riskier instruments"
- [Investors pump record \\$22.5bn into US bond funds](#)  
"Investors pumped a record \$22.5bn into US bond funds in the week to Wednesday as they shifted out of haven money market accounts to riskier but higher paying investments"
- [Stocks rally and bonds drop after 'incredible' US payroll data](#)  
"US stocks rallied and Treasuries slid sharply on Friday after an unexpected rise in American employment stunned investors and fuelled hopes that the world's biggest economy was beginning to recover from its coronavirus shock"
- [Global investors prepare to brave China's green bond minefield](#)  
"China's domestic green bond market has been a minefield for global investors, who worry they might inadvertently buy green debt that does not meet international standards"
- [Brighter outlook prompts banks to move mountains of 'hung' loans](#)  
"But now, such is the strength of the snapback in demand for junk bonds and leveraged loans, the banks are aiming to launch the mega-deal as early as the end of this month, according to people familiar with the plans"
- [Pandemic sparks surge in equity fundraisings](#)  
"The Covid-19 pandemic has triggered a bumper crop of corporate share sales as distressed companies look to shore up their balance sheets and opportunists tap the market to expand or snap up cheap deals"
- [Amazon secures record low borrowing costs](#)  
"The interest on the new three-year note was less than two-tenths of a percentage point above the rate investors charged the US government when it issued debt of a similar maturity in May — a stunning turn for a company whose debt was considered junk as recently as 2009"
- [The junk bond nightmare of hair roots and split ends](#)  
"Covid-19 has reminded the high-yield bond market that we are just one dye job away from au naturel. Sally Beauty, a junk-rated hair-and-nail-product retailer, and a financial parable for our times, feels the pain of our spreading roots"

## Thomson Reuters

- [Investors demand restrictive non-call features on loans](#)  
“Leveraged loan investors are locking borrowers into expensive loans for a longer period of time, adopting more restrictive measures from the bond market to try and get comfortable lending again as the market reopens for business”
- [UK firms cut borrowing again through BoE COVID facility](#)  
“Bank of England lending to businesses affected by the coronavirus outbreak fell for a second week running, as the central bank revealed the list of companies using its facility for the first time since it launched in March”
- [Pandemic raises hard questions for policymakers, Bank of England says](#)  
“Markets have recovered their poise after bouts of extreme volatility in March caused by the coronavirus pandemic that left “hard questions” for policymakers to answer, a senior Bank of England official said”
- [Bank trio reopen LBO market with MasMovil underwrite](#)  
“A trio of banks are lining up around €3.5bn (US\$3.89bn) of debt to back a takeover bid for Spanish telecoms company MasMovil, reopening the leveraged buyout market as the first deal to be underwritten since the March lockdown, banking sources said”
- [Banks take hit to derisk on Boels' €1.6bn acquisition loan](#)  
“The five banks that underwrote a €1.61bn acquisition loan for Dutch equipment rental firm Boels are set to lose money as they seek to sell it cheap and reduce risk, banking sources said”
- [Banks prep €2.2bn debt as eBay classified unit sale proceeds](#)  
“Bankers are preparing debt financings of around €2.2bn to back a potential sale of eBay's classified-ads business as a number of parties make it through to the second round of bidding, banking sources said”
- [ECB has not discussed 'junk' bond buying, but watching situation](#)  
“The European Central Bank will continue to review the eligibility status of the bonds it buys, its president said, amid speculation it might add non-investment grade debt to its asset purchase programmes”
- ['Never say never' on ECB buying shares, Holzmann tells newspaper](#)  
““Never say never” on the European Central Bank one day buying shares rather than government or corporate bonds, but it has not discussed the idea yet, ECB Governing Council member Robert Holzmann”
- [ECB expands, extends bond-buying programme to fight pandemic](#)  
“The European Central Bank beefed up its bond-buying programme on Thursday in its latest effort to support a euro zone economy pummelled by more than two months of shutdowns due to the coronavirus pandemic”
- [German lawmakers see way out of ECB court ruling conundrum: paper](#)  
“A cross-party group of German lawmakers want to work with the European Parliament to resolve a challenge from Germany's top court to the European Central Bank's flagship policy programme, the Frankfurter Allgemeine Sonntagszeitung reported”
- [EU watchdog cracks down on undue asset management fees](#)  
“The European Union's markets watchdog published guidance on Thursday to crack down on undue costs being levied by asset managers on investors in funds”
- [US borrowers shun leveraged loan market as demand wanes](#)  
“Borrowers that have historically turned to the US leveraged loan market are instead looking to high-yield bonds to refinance existing loans as bank debt becomes more costly and hard to access while demand for the asset class drops”

- [U.S. leveraged loan downgrade ratio five times worse than 2008-09](#)  
“The ratio of leveraged loan credit rating downgrades to upgrades has spiked to a record level five times above that hit during the last global financial crisis, reflecting the unprecedented stress in risky assets due to the coronavirus pandemic”
- [US bond funds see near record weekly inflow as money market funds drain](#)  
“U.S. equity mutual funds saw outflows of \$1.6 billion in the latest week, according to Lipper, even as Wall Street indexes rose back towards record highs on growing confidence the worst impact from COVID-19 economic shutdowns was over”
- [Wall Street Week Ahead: Bond investors look for Fed to justify steepening yield curve](#)  
“Expectations that the global economy has dodged the worst-case scenarios for the coronavirus pandemic have led to a dramatic selloff in U.S. government bonds from their record highs, pushing the yield curve to its steepest level since March”
- [Bonds falter as blazing stock rally lures investors](#)  
“Improving U.S. economic data is pushing investors out of U.S. government bonds at the fastest pace in months, the latest sign that risk appetite is returning to broader markets”
- [REFILE-Virtual certainty? Bankers ask if success of remote roadshows will last](#)  
“All over the world, companies and their advisers have given up on the traditional multi-city investor roadshow - lasting up to two weeks - in favour of virtual sessions with investors that only last a few days”



## **Regulators & Associations Monitored**

1. FCA
2. BoE
3. The Pensions Regulator
4. FRC
5. ESMA
6. EBA
7. EIOPA
8. ECB
9. European Commission
10. Autorité des Marchés Financiers (AMF) of France
11. CSSF
12. FINMA
13. CBI
14. ICMA
15. IOSCO
16. FSB

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