ELFA Legal & Regulatory Update
05/10/2020 – 09/10/2020

Key Highlights:

- This Legal & Regulatory Update covers the week commencing **05/10/2020**.
- BoE gives update on how Covid Corporate Financing Facility (CCFF) issuers' credit quality will be monitored and reviewed in advance of closure of CCFF.
- FRC publishes its review on virtual corporate AGMs.
- FRC publishes discussion paper on future of corporate reporting
- ESMA publishes updated Q&As on securitisation topics and Guidelines on portability of information between securitisation repositories.
- EIOPA consults on supervision of use of climate change scenarios in ORSA.
- EBA publishes quarterly Risk Dashboard covering Q2 2020.
- European Commission to issue EU SURE bonds of up to €100 billion as social bonds.
- European Commission announces EU foreign investment screening mechanism becomes fully operational.
- CBI publishes fourth Quarterly Bulletin of 2020.
- Autorité des Marchés Financiers (AMF) of France responds to European Commission's consultation on new EU-Green Bond Standard.
- FSB and IMF publish 2020 progress report on G20 Data Gaps Initiative.
- FSB publishes report on use of supervisory (SupTech) and regulatory (RegTech) technology by FSB members and regulated institutions.
- FSB encourages broad and timely adherence to the ISDA IBOR Fallbacks Protocol.
- IOSCO launches its fourth World Investor Week to enhance investor education and protection.
- ICMA announces translations of Sustainability-Linked Bond Principles are now available.
- 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.

Bank of England (BoE)

09 October 2020: BoE gives update on how Covid Corporate Financing Facility (CCFF) issuers' credit quality will be monitored and reviewed in advance of closure of CCFF

The Bank of England (BoE) published a Market Notice that provides an update on how Covid Corporate Financing Facility (CCFF) issuers' credit quality will be monitored and reviewed in advance of the closure of the CCFF. With effect from 9 October 2020, the process of reviewing the credit quality of eligible issuers in the CCFF will be enhanced. Any eligible issuer wanting to issue new Commercial Paper (CP) into the CCFF after that date will be subject to a review to consider whether that issuance remains in line with the purpose of the facility. Where an issuer wanting to issue CP into the CCFF after 9 October has a current credit rating (or equivalent) of investment grade (that is, at or above a short-term rating of A3/P3/F3/R3 or equivalent, or a long-term rating of BBB-/Baa3/BBB-/BBB low or equivalent), it can expect to be able to proceed to issue CP into the CCFF, subject to (i) providing supporting evidence as detailed in this Market Notice, and (ii) the issuer's approved drawing limit. In cases where an issuer's credit rating (or equivalent) has fallen below levels deemed equivalent to investment grade, the issuer will have the option to pursue a review on which HM Treasury, as the ultimate risk-owner of the CCFF, will take the final decision. The review will consider whether the issuer's use of the CCFF remains within the purpose of the facility, which has always been to provide short term liquidity support to fundamentally strong businesses. In addition to the enhanced review process described above, from 9 October any firm, whose long-term credit rating falls to, or below, BBB-/Baa3/BBB (low) or equivalent after 1 March 2020, will have their aggregate drawing limit capped at a maximum of £300 million. This will not affect outstanding drawings if already in excess of £300 million.

05 – 09 October 2020: Speeches, Letters & Publications

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

- PRA consults on calculation of risks not in value at risk and stressed value at risk – proposals to update the PRA's expectations regarding (i) the measurement of risks not in value at risk (RNIV); and (ii) the meaning of 'period of significant financial stress relevant to the institution's portfolio' for stressed value at risk (sVaR) calculation
- Letter from the PRA and FCA 'Final preparations for the end of the transition period' – this is a letter to CEOs of PRA-regulated firms on the importance of being prepared for the end of the transition period, in order to minimise disruption and ensure market stability
- Central banks and BIS publish first central bank digital currency (CBDC) report laying out key requirements – a group of seven central banks together with the Bank for International Settlements (BIS) published a report identifying the foundational principles necessary for any publicly available CBDCs to help central banks meet their public policy objectives
- Financial Policy Summary and Record, October 2020
- Bank of England Weekly Report 7 October 2020
- Banking sector regulatory capital, 2020 Q2
- Minutes of Money Markets Committee meeting, 7 September 2020 – the Committee discussed market conditions and post-Covid changes in sterling money markets, among other items
- The interaction between macroprudential policy and monetary policy: overview – Staff Working Paper
- How persistent will the impact of Covid-19 on unemployment be? – Bank Overground
- Resilience in a time of uncertainty – Speech by Nick Strange

Financial Conduct Authority (FCA)

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, the Financial Conduct Authority (FCA) released the following publications & and announcements that might be of interest to our readers:

- FCA assists innovative companies in tackling coronavirus challenges – the FCA has opened application windows for two 'sandbox' services to support innovative firms tackling challenges caused by the coronavirus (Covid-19) pandemic
- FCA bans the sale of crypto-derivatives to retail consumers – the FCA has published final rules banning the sale of derivatives and exchange traded notes (ETNs) that reference certain types of cryptoassets to retail consumers. The FCA considers these products to be ill-suited for retail consumers due to the harm they pose
- FCA writes joint letter with the BoE to CEOs of UK and international banks – this is a letter to CEOs of UK and international banks on the importance of being prepared for the end of the transition period, in order to minimise disruption and ensure market stability

Financial Reporting Council (FRC)

06 October 2020: FRC publishes its review on virtual corporate AGMs

According to a new review by the Financial Reporting Council (FRC), the disruption caused by the Covid-19 pandemic has forced UK companies to radically change their approach to holding physical AGMs and embrace hybrid and virtual AGMs. However, the FRC explained that it is paramount that any longer lasting changes uphold the rights of shareholders. Therefore, the FRC's review considered the different ways companies held AGMs during the first half of 2020 and whether the approaches taken best served the interests of shareholders. The review found that the best organised and executed virtual and hybrid meetings enabled increased participation from shareholders. Companies that held closed meetings with retail shareholders unable to participate or vote on the day of the AGM disenfranchised those shareholders.

As part of the FRC's review, a sample of 202 FTSE 350 AGMs were analysed. The review found:

- 80.7% of FTSE 350 companies held closed meetings, requiring voting in advance via proxy;
- of the 163 companies that held closed meetings, 81.6% made some arrangements to allow for shareholder Q&As with the board;
- of the 30 companies that held open meetings, 60% were facilitated through webinar or audiocast with live voting capabilities; and
- 30 companies appear to have not made any arrangements for shareholders to ask questions to the board prior to or during the AGM. This is disappointing and has led to concerns that any move to fully digital meetings could disenfranchise retail shareholders.

The FRC's review found that shareholder rights are best served by companies which provide highly effective and clear communication before, during, and after the meeting, and allow full participation from those shareholders that wish to attend, either in person (when this is possible) or virtually. The FRC recommends all efforts should be made to ensure shareholders should have the ability to vote following presentations from the board.

08 October 2020: FRC publishes discussion paper on future of corporate reporting

The FRC released a bold discussion paper proposing a future for corporate reporting based on a principles-based framework. It outlines a blueprint for a more agile approach to corporate reporting which challenges existing thinking about how companies can more effectively meet the information needs of investors and other stakeholders. The paper considers a common criticism that annual reports are too long, and information difficult to access. With companies and society at large facing significant challenges, which have only been heightened by the Covid-19 pandemic, stakeholders are ever more interested in companies' wider actions and the reporting that supports these.

The FRC's proposals include:

- unbundling the existing purpose, content and intended audiences of the current annual report by moving to a network of interconnected reports;
- a new common set of principles that applies to all types of corporate reporting;
- objective-driven reports that accommodate the interests of a wider group of stakeholders, rather than the perceived needs of a single set of users;
- embracing the opportunities available through technology to improve the accessibility of corporate reporting; and
- a model that enables reporting that is flexible and responsive to changing demands and circumstances.

The proposals are designed to be tested with stakeholders and stimulate the conversation about what the future of corporate reporting should look like. Comments are invited by 5 February 2021.

08 October 2020: FRC publishes report on opportunities for companies to increase their use of video in reporting

The FRC published a new report that considers how companies currently use video to communicate with investors and stakeholders. The report includes examples of current practice and concludes that companies are missing an opportunity to engage investors and other stakeholders more effectively through video. It also provides guidance on effective virtual AGMs.

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, the FRC released the following publications & and announcements that might be of interest to our readers:

- FRC gives update on meeting targets of Women in Finance Charter
- Stewardship Code Early Reporting Review – Webinar

European Securities and Markets Authority (ESMA)

05 October 2020: ESMA publishes updated Q&As on securitisation topics and Guidelines on portability of information between securitisation repositories

The European Securities and Markets Authority (ESMA) published its final report on the Guidelines on portability of information between securitisation repositories under the Securitisation Regulation. These Guidelines set out common provisions that a securitisation repository (SR) should follow when transferring securitisation information to another SR. The Guidelines include a set of common provisions that apply to all cases of transfer of securitisation information between SRs, as well as two detailed annexes that cover the specific provisions that SRs should follow in the event of a request by a reporting entity to transfer securitisation information from one SR to another, or in the event of a withdrawal of an SRs registration with ESMA.

ESMA has also published new Q&As on securitisation topics. These Q&As, inter alia, provide guidance on how to report certain underlying exposures which benefit from a COVID-related debt moratorium or payment holiday.

07 October 2020: ESMA issues latest double volume cap data

ESMA updated its public register with the latest set of double volume cap (DVC) data under the Markets in Financial Instruments Directive (MiFID II). The updates include DVC data and calculations for the period 1 September 2019 to 31 August 2020 as well as updates to already published DVC periods.

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, ESMA released the following publications & and announcements that might be of interest to our readers:

- Verena Ross delivers keynote speech at AFME Conference – ESMA Executive Director, Verena Ross, addressed AFME's 4th Annual European Compliance and Legal Conference raising several topics such as the impact of COVID-19 on the financial markets, the review of MiFID, MiFIR and the Market Abuse Regulation, and ESMA's priorities laid down in its 2021 Work Programme

European Insurance and Occupational Pensions Authority (EIOPA)

05 October 2020: EIOPA consults on supervision of use of climate change scenarios in ORSA

The European Insurance and Occupational Pensions Authority (EIOPA) published a consultation on the use of climate change risk scenarios in the Own Risk and Solvency Assessment (ORSA) in the form of a draft supervisory Opinion. In EIOPA's view, it is essential to foster a forward-looking management of climate change-related risks by insurers, also in the long term, and to enhance supervisory convergence across Europe. The draft Opinion sets out EIOPA's expectations to national competent authorities on how to supervise the integration of climate change scenarios by insurers in their ORSA, applying a risk-based and proportionate approach.

In particular, supervisors should expect insurers to subject material climate change risks to at least two long-term climate scenarios, where appropriate:

- a climate change risk scenario where the global temperature increase remains below 2°C, preferably no more than 1.5°C, in line with the EU commitments; and
- a climate change risk scenario where the global temperature increase exceeds 2°C.

The Opinion also provides practical guidance on the selection and implementation of scenarios. The consultation is a follow-up to last year's Opinion on Sustainability within Solvency II, which recommended that (re)insurers consider climate risks beyond the one-year time horizon through the system of governance, risk-management system and their ORSA. EIOPA invites stakeholders to provide their views on the consultation paper by filling in the survey by 5 January 2021.

08 October 2020: EIOPA publishes its approach to supervision of product oversight and governance requirements

EIOPA outlined its approach to the supervision of product oversight and governance (POG) requirements. This should support insurance manufacturers and distributors when implementing their own POG policies as well as to facilitate their engagement with national supervisors. The key objective of the supervision of POG is to ensure consumer-centric approaches are implemented in practice. This covers product approval, distribution, as well as monitoring and review processes. EIOPA's approach to POG supervision is based on the Insurance Distribution Directive (IDD) requirements. By setting out expectations on supervision, EIOPA aims to provide clarity for insurance manufacturers and distributors on what to expect from the supervisory approach to POG requirements.

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, EIOPA released the following publications & and announcements that might be of interest to our readers:

- EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures end September 2020
- Monthly update of the symmetric adjustment of the equity capital charge for Solvency II end September 2020
- Discontinuance of extraordinary RFR/EDA processes – as of September 2020, EIOPA has discontinued producing and publishing extraordinary processes for risk-free interest rate term structures (RFR) and symmetric adjustment to equity risk (EDA)

European Banking Authority (EBA)

05 October 2020: EBA publishes quarterly Risk Dashboard covering Q2 2020

The European Banking Authority (EBA) published its quarterly Risk Dashboard covering Q2 2020 data and summarising the main risks and vulnerabilities in the EU banking sector. According to the report, whereas capital ratios held up well, there are indications that the crisis is starting to have an impact on asset quality. Furthermore, with the increasing costs of risk, profitability continued its declining trend.

Key points from the report include:

- CET1 ratio increased on a fully loaded basis by 30bps to 14.7%, recovering around half of the decline in the former quarter;

- non-performing loans (NPLs) stopped their multi-year declining trend, moving slightly up in the last quarter;
- return on equity (RoE) declined further to 0.5% from 1.3% in Q1; and
- revenues remain under pressure, driven by the prolonged low rate environment and publicly-guaranteed new lending, which is presumably granted at lower rates than similar non-guaranteed loans.

European Central Bank (ECB)

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, the European Central Bank (ECB) released the following speeches, letters and publications that might be of interest to our readers:

- ECB publishes summary of feedback on public consultation on compounded €STR rates
- ECB publishes supervisory banking statistics for the second quarter of 2020
- European economic governance: early lessons from the crisis – Speech by Yves Mersch
- What are the priorities for ECB Banking Supervision amid the pandemic? – Speech by Kerstin af Jochnick
- The ECB's monetary policy in the pandemic: meeting the challenge – Speech by Philip R. Lane
- Green asset pricing – Working Paper Series
- The impact of G-SIB identification on bank lending: evidence from syndicated loans – Working Paper Series
- The (unobservable) value of central bank's refinancing operations – Working Paper Series
- Financial drivers of the euro area business cycle: a DSGE-based approach – Working Paper Series
- The (ir)relevance of the nominal lower bound for real yield curve analysis – Working Paper Series
- Covid-19 and rural landscape: the case of Italy – Working Paper Series
- The case for central bank independence: a review of key issues in the international debate – Occasional Paper Series
- Fostering the cross-border integration of banking groups in the banking union – ECB Blog
- The ECB's independence in times of mounting public debt – Interview with Isabel Schnabel

European Commission (EC)

07 October 2020: European Commission to issue EU SURE bonds of up to €100 billion as social bonds

The European Commission (EC) announced that it will issue its forthcoming EU SURE bonds of up to €100 billion as social bonds. This announcement follows the Council's approval to grant financial support to 16 Member States under the SURE instrument to help protect jobs and people in work. To that end, the Commission has adopted an independently evaluated Social Bond Framework. The Framework demonstrates to the investor community how the funds raised by SURE bond issuance will be used for a clearly identified objective: alleviating the social impact of the coronavirus pandemic and its consequences across the EU. Investors can therefore be confident that their investments in these bonds will be used to finance targeted social policy measures. At the same time, the Commission's Social Bond Framework will contribute to the further development of the social bond market which is one pillar of the European 'Sustainable Finance' market.

In order to guarantee that the funds will be used for social purposes, the Social Bond Framework, underpinned by the SURE Regulation, requires Member States to report on how the borrowed funds have been spent. Under the Framework, Member States are also required to report on the social impact of the EU SURE bonds. Based on the information in these reports, the EC will be able to demonstrate to investors that the EU SURE bonds have been used to finance programmes with a positive social impact. By preparing and presenting a Social Bond Framework, the Commission seeks to appeal to investors who want to put their funds to work for Environmental, Social and Corporate governance (ESG) purposes. Following this announcement, the Commission is moving one step closer towards the issuance of the first SURE bonds. The first transaction will follow in the second half of October.

09 October 2020: European Commission announces EU foreign investment screening mechanism becomes fully operational

The EC announced that the EU framework for screening of foreign direct investment (FDI) will become fully operational as of 11 October 2020. The FDI screening regulation adopted in March 2019 established an EU-wide framework in which the EC and the Member States can coordinate their actions on foreign investments. Following the formal entry into force of the FDI Screening Regulation in April 2019, the Commission and Member States have worked on putting in place the necessary operational requirements for the full application of the Regulation starting 11 October 2020.

To protect EU strategic interest related to foreign investment, the EU regulation of March 2019:

- creates a cooperation mechanism for Member States and the Commission to exchange information and if necessary, raise concerns related to specific investments;

- allows the Commission to issue opinions when an investment poses a threat to the security or public order of more than one Member State, or when an investment could undermine a project or programme of interest to the whole EU, such as Horizon 2020 or Galileo;
- sets deadlines for cooperation between the Commission and Member States, and among Member States, observing non-discrimination and strong confidentiality requirements;
- establishes certain core requirements for Member States who maintain or adopt a screening mechanism at national level on the grounds of security or public order;
- encourages international cooperation on investment screening, including sharing of experience, best practices and information on issues of common concerns.

It is important to mention that, on 25 March 2020, the Commission issued guidance to the Member States, calling inter alia upon all Member States to set up a fully-fledged screening mechanism, and ensuring a strong EU-wide approach to foreign investment screening at a time of public health crisis and related economic vulnerability.

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, the EC released the following speeches, letters and publications that might be of interest to our readers:

- Commission adopts Economic and Investment Plan to support the economic recovery and convergence for the Western Balkans
- Commission approves €1.5 billion Italian scheme to support companies affected by coronavirus outbreak in Southern Italy
- Commission approves PPF's acquisition of CME

Central Bank of Ireland (CBI)

06 October 2020: CBI publishes fourth Quarterly Bulletin of 2020

The Central Bank of Ireland (CBI) published the fourth Quarterly Bulletin of 2020. According to the report, since the trough reached in the April-May period, Irish economic activity has rebounded with the re-opening of economy. However, the recovery has been partial and uneven and, in many cases, levels of domestic-focussed economic activity remain well below pre-pandemic levels. On fiscal policy, the Bulletin notes three areas that deserve careful consideration. First, policy should continue to focus on supporting the productive capacity of the economy and avoid scarring effects, such as long-term unemployment. Second, the rise in the deficit and debt ratios is both warranted and necessary and is currently affordable; however, a path to lower and more sustainable levels will eventually have to be taken. Third, there needs to be a continued focus on building resilience to future shocks, to deal with Brexit, the looming challenges of international tax reform, climate change and, in the longer-term, demographics.

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, the CBI released the following speeches, letters and publications that might be of interest to our readers:

- Inclusion, Diversity, and the Pandemic – Blog
- The economist as weaver: a letter to students of economics – Blog

Commission de Surveillance du Secteur Financie (CSSF)

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, the Commission de Surveillance du Secteur Financier (CSSF) released the following speeches, letters and publications that might be of interest to our readers:

- Circular CSSF-CPDI 20/23 – the aim of this circular is to carry out a survey on deposits, and more particularly on covered deposits, as held by credit institutions incorporated under Luxembourg law
- Questions & Answers related to the CSSF Circular 20/747 – with regards to the technical modalities in view of the application of the law of 25 March 2020 establishing a central electronic data retrieval system related to payment accounts and bank accounts identified by IBAN and safe-deposit boxes held by credit institutions in Luxembourg
- CSSF Regulation No 20-06 of 30 September 2020 – on the setting of the countercyclical buffer rate for the fourth quarter of 2020

Autorité des Marchés Financiers (AMF) of France

09 October 2020: AMF responds to European Commission's consultation on new EU-Green Bond Standard

As part of its Green Deal, the European Commission announced the creation of a European standard for green bonds. In order to enrich its reflections, it launched a public consultation based on the proposals of the Technical Expert Group's report published in

June 2019. The Autorité des Marchés Financiers (AMF) published its response to this consultation, and here are some of the key points made by the AMF:

- the AMF welcomes the draft European standard on green bonds as proposed by the Technical Expert Group, in particular the proposal to align funded green projects with the European taxonomy and the harmonisation of reporting standards. These proposals meet the expectations of investors, who wish to have access to more precise information on the allocation of funds and the environmental impact of the projects;
- according to the AMF, in order to qualify for the EU green bond standard (EU-GBS), the issuer must comply with all the requirements of the standard and therefore ensure that 100% of the use of proceeds are allocated to projects or assets that finance or refinance activities included in the European taxonomy. However, flexibility should be ensured in the use of the European taxonomy in the short term. It is indeed preferable to wait for the finalisation and testing of the technical criteria before imposing a strict use of the taxonomy. Nonetheless, issuers should ensure enough transparency about the nature of the activities that do not comply with the taxonomy;
- in order to strengthen confidence in the green bond market, the AMF supports the mandatory use of accreditation bodies to verify (i) the alignment of green bonds with EU-GBS and (ii) the allocation of the proceeds of the offering. The AMF is in favour of an ESMA's authorisation and supervision of these entities;
- the AMF does not support the Technical Expert Group's proposal to set up a transitional system of voluntary certification for verifiers until the legislative process is completed. The AMF suggests - for the sake of simplicity, consistency and readability - that the European standard and the accreditation regime for verifiers come into force at the same time; and
- in relation to social bonds, while the AMF encourages the development of the social bond market, it also asks issuers to ensure a sufficient level of transparency regarding the use of proceeds. Besides, the AMF invites the European Commission to assess the need for European standards once the social taxonomy is developed.

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, the AMF released the following speeches, letters and publications that might be of interest to our readers:

- AMF published its 2019 Annual Report – 2019 was marked by the following themes: Brexit, sustainable finance with actions launched by the AMF and the support for professionals for a transparent information; the implementation of the Pacte law and its many implications; and the entry into force of the Prospectus Directive
- Financial stability: the perspective of the non-banking financial sector – Speech by Robert Ophèle, AMF Chairman
- Keynote speech by Robert Ophèle, AMF Chairman: AFME's 4th Annual European Compliance and Legal Virtual Conference – Speech
- Artificial intelligence and Big Data are now a reality for the AMF – Blog

Swiss Financial Market Supervisory Authority (FINMA)

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, the Swiss Financial Market Supervisory Authority (FINMA) released the following speeches, letters and publications that might be of interest to our readers:

- FINMA concludes proceedings against Banca Credinvest – FINMA found that Banca Credinvest seriously breached anti-money laundering regulations in its handling of Venezuelan client relationships

Financial Stability Board (FSB)

05 October 2020: FSB and IMF publish 2020 progress report on G20 Data Gaps Initiative

The Financial Stability Board (FSB) and the International Monetary Fund (IMF) published the "Fifth Progress Report – Countdown to 2021 in light of COVID-19" on the implementation of the second phase of the G20 Data Gaps Initiative (DGI-2). The report will be submitted to the G20 Finance Ministers and Central Bank Governors ahead of their meetings in Washington D.C. in mid-October. This report provides an overview of the progress since the previous report in September 2019. It sets out the challenges encountered by participating economies during this pandemic and the remaining steps to implement the DGI-2 recommendations in 2021.

09 October 2020: FSB publishes report on use of supervisory (SupTech) and regulatory (RegTech) technology by FSB members and regulated institutions

The FSB published a report on the use of supervisory (SupTech) and regulatory (RegTech) technology by FSB members and regulated institutions. The report finds that technology and innovation are transforming the global financial landscape, presenting opportunities, risks and challenges for regulated institutions and authorities alike. According to the report, SupTech and RegTech tools could have important benefits for financial stability. For authorities, the use of SupTech could improve oversight, surveillance and analytical capabilities, and generate real-time indicators of risk to support forward looking, judgement based, supervision and policymaking. For regulated institutions, the use of RegTech could improve compliance outcomes, enhance risk management capabilities, and generate new insights into the business for improved decision-making. For both authorities and regulated institutions, the efficiency and effectiveness gains, and possible improvement in quality arising from automation of previously manual processes, is a significant consideration. The report includes 28 case studies giving practical examples on how SupTech and RegTech tools are being used. The report is being delivered to G20 Finance Ministers and Central Bank Governors for their virtual meeting on 14 October.

09 October 2020: FSB encourages broad and timely adherence to the ISDA IBOR Fallbacks Protocol

The FSB welcomed the announcement by the International Swaps and Derivatives Association (ISDA) of the forthcoming launch of its IBOR Fallbacks Protocol (the Protocol) and IBOR Fallbacks Supplement (the Supplement) for IBOR-linked derivative contracts. The FSB explained that it strongly encourages widespread and early adherence to the Protocol – by all affected financial and non-financial firms – which will be a major driver of transition for derivatives in all LIBOR currencies and a critical step in benchmark transition ahead of end-2021. According to the FSB, Widespread adoption of the Protocol will be necessary to ensure it is effective in mitigating risks at a system-wide level. Any market participants who choose not to do so for some or all of their relevant trades will need to take robust alternative steps, such as closing out these positions or appropriate bilateral amendments, to avoid the risk of disruption.

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, the FSB released the following speeches, letters and publications that might be of interest to our readers:

- Public responses to the Evaluation of the effects of too-big-to-fail reforms Consultation Report

International Organization of Securities Commissions (IOSCO)

05 October 2020: IOSCO launches its fourth World Investor Week to enhance investor education and protection

The International Organization of Securities Commissions (IOSCO) launched its fourth annual World Investor Week (WIW) with more organisations participating in the event than ever before. During the event, securities regulators, stock exchanges, international organisations, investor associations and other stakeholders from some 100 countries will offer a variety of activities to raise awareness about the importance of investor education and protection in their own jurisdictions, particularly during the COVID 19 pandemic. A key objective of the WIW is to encourage IOSCO members, international organisations and other relevant parties to coordinate their activities to promote investor education and protection while also delivering key messages for all investors to help them make sound investment decisions. Part of this year's campaign is to warn investors not to be tempted to invest in risky products by misleading information.

International Capital Market Association (ICMA)

06 October 2020: ICMA announces translations of Sustainability-Linked Bond Principles are now available

The International Capital Market Association (ICMA) announced that the Sustainability-Linked Bond Principles (SLBP) has been now been translated into many languages. In June of this year, the Green and Social Bond Principles launched the SLBP voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond (SLB) market by clarifying the approach for issuance of an SLB. Intended for use by market participants and designed to drive the provision of information needed to increase capital allocation to such financial products, the SLBP are applicable to all types of issuers and any type of financial capital market instruments.

05 – 09 October 2020: Speeches, Letters & Other Publications

During the week, ICMA released the following speeches, letters and publications that might be of interest to our readers:

- ICMA publishes its Quarterly Report Fourth Quarter 2020 – the Report highlights three main themes: the first is COVID-19 as a catalyst for change in international capital markets; the second is post-Brexit and the way ahead in international capital markets; and the third is sustainable finance
- ICMA makes amendments to its Primary Market Handbook – content updating for LIBOR cessation, the MiFID II product governance regime and BRRD Article 55; inclusion of drafting notes (notably regarding the EU Blocking Regulation, German Foreign Trade Regulation and the US QFC Stay Rules); and inclusion of other minor practice/drafting changes (notably service by email, LEI placeholders and rating agency / clearing system name changes)
- Green Bond Principles and Social Bond Principles Executive Committee announces 2020/2021 Advisory Council composition – the role of the Advisory Council is to advise the Executive Committee, to increase its market awareness and outreach, and to enable further engagement with specific membership categories and observers
- Post-Brexit: the way ahead in international capital markets – Written by Paul Richard

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

- Johnson heralds UK green investment to meet climate targets
  "Boris Johnson is drawing up a package of green energy policies to help the UK meet its ambitious climate targets — including hydrogen fuel, carbon capture and storage, more wind farms and bringing forward the ban on the sale of new petrol cars"

- UK pub and restaurant bonds sink on new round of Covid-19 curbs
  "Bonds from pubs, clubs and restaurants have dropped in value after the latest measures to slow the spread of coronavirus, underscoring the risk to UK high-yield debt investors from the market's heavy exposure to consumer demand"

- Taxpayers face losses of up to £26bn on loan scheme, says watchdog
  "The taxpayer faces losses of up to £26bn because of fraud and company defaults on the government's coronavirus loan scheme for small businesses, according to a report by parliament's spending watchdog that revealed loopholes have been exploited by criminals"

- Banks not just taxpayers stand to lose from bounce back loan defaults
  "We won't know the full extent of bad debts until repayments fall due after the first 12 months of interest-free credit. Then comes the banks' next big reputational test. No one wants to be the bad guy collecting debts"

- Small businesses face ruin as UK lenders block access to Covid loans
  "Lenders have been accused of endangering the survival of large numbers of small UK businesses by blocking access to cheap state-backed loans, amid a stampede in demand"

- Small businesses slam banks for restricting bounceback loans
  "Small business owners are struggling to access government-backed loans as concerns about fraud and future defaults cause banks to restrict access to the scheme"

- Banks rebuff Boris Johnson's call for low-deposit mortgages
  "However, while banks are cautiously planning to increase lending in the next few months, they are unlikely to offer many of the 95 per cent loan-to-value deals sought by Mr Johnson, according to executives at several of the country's largest banks"

- Plymouth council makes first dive into swaps market 30 years after scandal
  "Plymouth City Council has bought an interest rate swap to try to protect its finances against a rise in borrowing costs, almost 30 years after a scandal that ended with local government barred from the market in these derivatives"

- LSE confirms €4.3bn sale of Borsa Italiana to Euronext
  "The London Stock Exchange Group has agreed to sell the owner of Milan stock exchange to rival Euronext for €4.3bn, in a gambit to secure the EU's regulatory approval of its $27bn acquisition of data and trading group Refinitiv"

- AMC rescue bonds hit in cinema crisis
  "Investors who took a risk lending money to the world's largest cinema operator in April are facing losses after the deepening coronavirus crisis wiped more than $175m from the value of the bond"

- Fashion groups transform back-end systems to aid bounceback
  "A growth in ecommerce during the coronavirus pandemic has helped some fashion houses and clothing retailers continue to do business even under lockdown"

- [Tesco sticks to policy and lifts half-year dividend]
  "New Tesco chief executive Ken Murphy has signalled he will continue his predecessor's dividend policy after declaring a 20 per cent increase in the half-year payout"

- [Finablr is sinking before it has learnt to swim]
  "Finablr, the cross-border payments business, has barely had time to float let alone sink. But it is sinking and within little more than a year of being listed"

- [European business braces for second wave]
  "Europe's business leaders are watching with anxiety. Following a record 9.8 per cent contraction in OECD economies in the second quarter, many were encouraged by the summer bounce in activity as governments loosened lockdowns"

- [EU bows to pressure on anti-greenwashing rules deadline]
  "The EU has agreed to delay implementing a key requirement of new rules designed to make it easier to judge how 'green' asset managers are, bowing to pressure from Europe's €17tn investment industry"

- [Norway's new oil fund chief seeks more ESG-driven divestments]
  "Norway's $1tn oil fund should sell out of more companies that perform badly on environmental, social and governance issues to try to boost its returns, according to its new chief executive"

- [Spain sets out plans to spend share of EU recovery fund]
  "Spain has set out the goal of creating more than 800,000 jobs over the next three years through the use of €72bn in EU funds, even as the country's independent economic authorities warn of the risk of wasting or misallocating the once-in-a generation injection of resources"

- [Vatican sells charitable assets to repay €242m Credit Suisse loan]
  "The Vatican has sold charitable assets to pay down a €242m loan that was partly used to fund a luxury London property development it says caused the Catholic Church huge losses, people with direct knowledge of the loans said"

- [US regulators should prod lenders to help minority communities]
  "Congress and banking regulators should start by expanding the Community Reinvestment Act, which requires banks to lend to their entire community rather than avoiding particular neighbourhoods"

- [Time for the Federal Reserve to step up]
  "I am increasingly convinced that the Federal Reserve will have to break a political logjam and make much larger amounts of short-term credit available to the states on highly concessionary terms. This goes against a century of precedent, but the deadlock within Congress and between Congress and the president will make this necessary"

- [HPS raises $9bn as investors race into direct lending]
  "HPS Investments has raised $9bn for one of the largest-ever funds to supply riskier corporate loans, as struggling companies increasingly turn to private investment groups for debt"

- [Morgan Stanley rebuilds fixed-income division after 2015 cuts]
  "Morgan Stanley has added back hundreds of jobs in its fixed-income division, which was shrunk in a pivotal 2015 restructuring that saw the bank move away from trading bonds, currencies and commodities"

- [BlackRock ETF thrusts climate change into political sphere]
  "BlackRock has launched a sovereign bond ETF designed to weight countries on their level of risk from climate change, thrusting the debate over sustainable investment into the political sphere"

- [How Walmart's UK invasion fizzled out]
  "US retailer's sale of Asda ends its ambitions to conquer European grocery market"

- Investors say recent bond market sell-off may be just the start
  "Investors are waking up to the risk of a decline in long-term US government bond prices, in anticipation of a more robust economic recovery and hefty additional government spending after November's presidential election"

- Private equity-owned companies in 'intensive care' due to pandemic
  "Private equity managers reported that half of the companies they owned were moderately or very affected by the economic disruption caused by the global health crisis, according to an analysis by three finance professors"

- How to make business fix supply chain flaws
  "Covid-19 highlights workers' lack of protection including 24m trapped in forced labour"

- Fossil fuel suppliers face battle for survival as transition builds
  "As the global economy reeled this year from the impact of the coronavirus, the fallout on the energy sector was devastating. But the disruption was not uniform. Demand for oil and gas plummeted causing the prices for the two fossil fuels to plunge — in April the cost of crude even dropped below zero. Renewables were the exception, increasing their share of global electricity demand even as consumers used less power"

- Borrow to fight economic impact of pandemic, says World Bank's chief economist
  "Developing countries should take on new debt to help them fight the economic impact of the coronavirus pandemic — but they will later suffer an unprecedented wave of debt crises and restructurings, World Bank chief economist Carmen Reinhart has warned"

- Emerging economies face rising interest rates as capital flows ebb
  "The vast wave of monetary stimulus that has kept emerging economies afloat since the coronavirus pandemic hit earlier this year has begun to ebb, just as pressure mounts on these countries to finance their recovery and their huge build-up of debt"

- Hedge funds seek out emerging markets as Covid-19 continues to wreak havoc
  "As the Covid-19 pandemic continues to strike countries around the world, hedge funds are preparing for a host of debt restructurings in emerging economies"

- Coronavirus 'calamity far from over', says IMF head
  "The world economy will perform better than feared at the height of the coronavirus pandemic, but the calamity is far from over, according to Kristalina Georgieva, head of the IMF"

- China's Lufax files for US IPO against backdrop of rising tensions
  "Lufax, one of China's biggest online lending platforms, has announced plans for a US initial public offering even as the Trump administration pushes ahead with plans to delist companies from the country"

- Investors hit out at Samsung over $14bn in coal financing
  "South Korea's Samsung has been criticised by investors and environmentalists after research suggested its insurance units financed $14bn of fossil fuel projects and investments over the past 10 years"

Thomson Reuters

- Investors back call for Britain to issue 'Green +' gilts
  "Investors managing more than 10 trillion pounds ($13 trillion) on Wednesday backed a call for Britain to join a growing number of countries issuing sovereign bonds to help fund environmentally friendly projects and bolster social goals"

- Green bond issuance surpasses $200 billion so far this year: research
  "Green bonds worth more than $200 billion have been issued so far this year, taking the cumulative total since the securities were launched in 2007 to over $1 trillion, research by Bloomberg New Energy Finance (BNEF) showed"

- Bank of England's Bailey ready to use policy firepower, sees downside risks
  "Bank of England Governor Andrew Bailey said on Thursday that risks to Britain's economy were very much on the downside and that the central bank was ready to use its policy firepower to limit the impact of a second wave of COVID cases"

- Bank of England's Bailey urges banks to tap capital buffers
  "Banks should not be uneasy about dipping into their capital buffers to keep lending to the coronavirus-hit economy, Bank of England Governor Andrew Bailey said"

- UK watchdog bans Bitcoin-based products for retail investors
  "Britain's financial watchdog said on Tuesday it would ban the sale to retail investors of products tracking the price of cryptoassets like Bitcoin, arguing that most people lost money on them"

- UK watchdog tells markets to prepare for Libor's demise
  "Markets must prepare for announcements that the Libor interest rate benchmark will cease at the end of 2021, Britain's Financial Conduct Authority said"

- Britain's banks turn cyber sleuths to crack $100 billion mortgage mystery
  "Lenders are scouring current account transactions, credit card spending and trends in Internet searches for clues about customer finances as part of a wider effort to understand the damage to their portfolios from the pandemic"

- UK financial services firms turn cautiously optimistic – CBI
  "Financial services firms in Britain turned more optimistic for the first time this year as a drop in business bottomed out, but big uncertainties remained about COVID-19 and a post-Brexit trade deal, according to a survey published"

- NatWest in new Libor transition push as COVID-19 slows customer switch over
  "Britain's NatWest Group NWG.L has kicked off a campaign encouraging customers to dump the discredited Libor lending rate, as the coronavirus pandemic slows the pace at which borrowers are shifting to alternatives"

- Low rates and lending slump threaten HSBC's long-term dividend ambitions
  "HSBC HSBA.L shareholders face a future of paltry payouts when regulators restore its powers to pay dividends as the bank's bosses press on with a costly revamp against a backdrop of a global recession and the threat of negative interest rates"

- Hedge funds make pandemic bet on insurance
  "Five years after London-based hedge fund Toscafund ditched the shares it held in insurance companies, the $3.5 billion firm and its peers are flocking back, drawn by sharp premium increases which are lifting the sector's post-coronavirus prospects"

- EasyJet warns first ever annual loss could top $1 billion
  "British airline easyJet EZJ.L warned on Thursday its first ever annual loss could be as much as 845 million pounds ($1.1 billion) as the pandemic meant it was flying just 25% of planned capacity"

- Exclusive: EU exploring using bond auctions for pandemic-linked debt sales
  "The European Commission is exploring using auctions to sell bonds as it prepares to ramp up debt issuance to finance the European Union's post-pandemic recovery programmes, the EU Commissioner for Budget and Administration said"

- [EU governments, parliament edge closer to deal on recovery plan]
“The European Union edged closer on Wednesday to a deal over the bloc’s budget and recovery package of 1.8 trillion euros after national governments offered concessions, but key differences remained”

- Euro zone bank profitability collapses in second quarter, ECB says
“Profitability among the euro zone’s biggest banks collapsed in the second quarter even as lenders still managed to keep their stock of non performing loans down, the European Central Bank said”

- ECB is watching out for pandemic-induced credit crunch, Schnabel says
“The European Central Bank is watching out for signs of a credit crunch as banks see their profits wiped out by the coronavirus pandemic and brace for a wave of unpaid loans once government support schemes expire, ECB board member Isabel Schnabel said”

- ECB more concerned about growth than earlier feared: minutes
“The European Central Bank may be more concerned about the pandemic-hit economy than analysts had previously thought, based on its September policy meeting minutes issued on Thursday, suggesting it could roll out more stimulus later this year”

- ECB has to use available tools as pandemic hits inflation, de Guindos says
“The European Central Bank has to use the tools at its disposal as the coronavirus pandemic depresses inflation expectations and an incipient recovery loses steam, ECB vice president Luis de Guindos said”

- AMS reports 13% drop in revenue, plans new bond, bridge loan
“Sensor maker AMS on Thursday unexpectedly reported a 13% drop in third-quarter group sales and announced new measures to secure long-term financing after the takeover of Germany’s Osram”

- France’s AccorInvest in debt-restructuring talks: Les Echos
“French hotel real estate group AccorInvest is in talks with its banks over a possible restructuring of more than 4 billion euros ($4.7 billion) of debts, financial daily Les Echos reported on its website”

- Dutch bank ING cuts carbon emissions linked to power industry lending
“Dutch lender ING has sharply cut the carbon emissions linked to its lending to the power industry over the past year after reducing funding to coal-fired power plants and boosting financing for renewable energy, it said”

- Despite shift, energy giants fall short of U.N. climate goals: study
“Europe’s top oil companies are yet to be aligned with U.N.-backed targets to combat climate change even after outlining ambitious plans to slash carbon emissions and pivot to renewable energy, a report backed by a group of major investors said”

- Wall Street firms see Fed tapering bond buys starting next year
“Wall Street firms expect the Federal Reserve to start paring back its bond-buying next year, and phase it out completely by the second half of 2023, the New York Fed’s latest survey of primary dealers shows”

- Citigroup fined $400 million by regulators, agrees to fix ‘longstanding deficiencies’
“Citigroup Inc agreed to pay a $400 million penalty and draw up a sweeping remediation plan after U.S. regulators identified “several longstanding deficiencies” and operational lapses, U.S. regulators said”

- Bank of America to get into small dollar lending
“Bank of America Corp BAC.N said on Thursday it was launching a new low-cost loan product for checking customers who may be pressed for cash”

- JPMorgan pledges $30 billion to address racial wealth gap
“JPMorgan Chase & Co said on Thursday it would commit $30 billion to address racial inequality over the next 5 years, marking one of the largest corporate pledges related to race since the death of George Floyd”

- IMF chief sees $345 billion financing gap for African states
  “Countries and institutions must do more to help African states weather the global pandemic and its economic impact, the International Monetary Fund said on Friday, noting the region faced a projected financing gap of $345 billion through 2023”

- Breakingviews - Evergrande’s debt scares creditors into submission
  “China’s second-largest developer Evergrande has frightened creditors owed nearly $15 billion into converting obligations into unlisted shares. Details are scant, but this marks another miraculous escape for founder Hui Ka Yan regardless. The fact that creditors accepted this deal highlights how real estate has trapped policymakers”

- Qatar National Bank to raise $3.5 billion loan – sources
  “Qatar National Bank (QNB) QNBK.QA, the Gulf’s biggest lender, plans to raise a $3.5 billion loan with a group of banks, said four sources familiar with the matter”

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. BCBS
11. Autorité des Marchés Financiers (AMF) of France
12. CSSF
13. FINMA
14. CBI
15. ICMA
16. IOSCO
17. FSB

Important Information: