

## ELFA Legal & Regulatory Update 13/07/2020 – 17/07/2020

### Key Highlights:

- This Legal & Regulatory Update covers the week commencing 13/07/2020.
- [FCA](#) confirms MoUs with ESMA and EU securities regulators.
- [FRC](#) publishes results of its audit inspections.
- [ESMA](#) announces that reporting under the EU's SFT Regulation (SFTR) has started.
- [ESMA](#) publishes its final guidelines on disclosure requirements under Prospectus Regulation.
- [ESMA](#) to assess German financial reporting system following Wirecard collapse.
- [EIOPA](#) publishes report on impact of ultra-low yields on insurance sector.
- [EBA](#) supports EU Commission's actions towards more sustainable European economy.
- [ECB](#) releases monetary policy decisions.
- [European Commission](#) welcomes list of 'Best Practices' to provide relief for consumers and businesses.
- [Autorité des Marchés Financiers \(AMF\) of France](#) updates its policy on collective investments incorporating non-financial criteria.
- [FSB](#) sets out action to maintain financial stability during COVID.
- [IOSCO's](#) Monitoring Group publishes its recommendations to strengthen international audit and ethics standard-setting system.
- 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)

#### 13 – 17 July 2020: Speeches, Letters & Publications

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

- [Strengthening Accountability: SM&CR Forms update](#)
- [Bank of England Weekly Report 15 July 2020](#)
- [Bank Liabilities Survey - 2020 Q2](#)
- [Credit Conditions Survey - 2020 Q2](#)
- [Statistical Notice 2020/06](#)
- [Real-Time Gross Settlement \(RTGS\) system and CHAPS Annual Report 2020](#)
- [LIBOR: entering the endgame - Speech by Andrew Bailey](#)
- [Covid 19 and the economy: what are the lessons so far? - Speech by Silvana Tenreiro](#)
- [Everyday economics: the importance of financial education post-Covid - Speech by Andrew Bailey](#)
- [PRA Annual Conference for Chairs of the Non-Systemic UK Banks and Building Societies, Webinar](#)

### Financial Conduct Authority (FCA)

#### 17 July 2020: FCA confirms MoUs with ESMA and EU securities regulators

On [1 February 2019](#), the Financial Conduct Authority (FCA) announced the agreement of Memoranda of Understanding (MoUs) with the European Securities and Markets Authority (ESMA) and EU regulators covering cooperation and exchange of information in the event the UK left the EU without a withdrawal agreement. The UK has since left the EU with the Withdrawal Agreement in place on 31 January and the UK entered into a transition period. As EU law continues to apply in the transition period, these MoUs were not required to take effect. The FCA, ESMA, and EU national securities regulators, [have confirmed](#) that these MoUs remain relevant and appropriate to ensure continued good cooperation and exchange of information. The MoUs will come into effect at the end of the transition period, which is set to expire on 31 December 2020.

### **17 July 2020: FCA seeks views on extending the implementation deadlines for the Certification Regime and Conduct Rules**

The FCA has published a [consultation paper](#) on making changes to its rules following the extension to the deadline by which FCA solo-regulated firms need to have implemented the Certification Regime. In June, the Treasury [announced](#) that the deadline by which firms must have first assessed the fitness and propriety of their Certified Staff will be delayed until 31 March 2021. This delay will give firms, who have been significantly affected by the coronavirus pandemic (Covid-19), time to make the changes they need.

To ensure other SM&CR deadlines remain consistent and to provide extra time for firms that need it, the FCA is consulting on extending the deadline for the following requirements from 9 December 2020 to 31 March 2021:

- the date the Conduct Rules come into force;
- the deadline for submission of information about Directory Persons to the FS Register; and
- changing references in the rules to the deadline for assessing Certified Persons as fit and proper (which has been announced by the Treasury)

As the Certification Regime and reporting of Directory Persons do not apply to benchmark administrators, the FCA does not intend to consult to move the deadline for benchmark administrators. Benchmark administrators have until December 2021 to train non-Senior Manager staff in the Conduct Rules. The FCA is asking for comments on the consultation by 14 August 2020.

### **13 – 17 July 2020: Speeches, Letters & Other Publications**

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

- [FCA and City Corporation collaborate to help innovative companies drive recovery from coronavirus](#)
- [FCA confirms further support for motor finance and high-cost credit customers](#)
- [FCA provides guidance to firms on maintaining access to cash for customers](#)
- [FCA commences civil proceedings in relation to alleged unauthorised regulated mortgage contracts and sale & rent back agreements](#)

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

#### **14 July 2020: FRC publishes results of its audit inspections**

The Financial Reporting Council (FRC) has released its [latest audit inspection results](#). Each year, the FRC reports publicly on the findings of its inspection activity at the seven largest firms. Together with an assessment of each firm's quality control systems, the Audit Quality Review (AQR) team reviewed 88 audits across these firms and concluded that only two thirds of the audits were of a good standard or required limited improvement.

#### **17 July 2020: FRC responds to IASB's Exposure Draft General Presentation and Disclosures**

The FRC [published](#) a draft of its response to the IASB's Exposure Draft ED/2019/7 General Presentation and Disclosures. The draft response can be accessed [here](#). The response outlines the FRC's tentative views on the Exposure Draft. The FRC welcomes stakeholders' views to inform its final response to the IASB's ED. Please provide comments no later than 4 September 2020 to Alison Stiles at [GPD@frc.org.uk](mailto:GPD@frc.org.uk). To assist stakeholders, the FRC has published accompanying [educational webinars](#) which can be accessed [here](#). A survey seeking stakeholders' views on the IASB's proposals in the Exposure Draft has also been published and can be accessed [here](#). The survey is open until 4 September 2020.

#### **13 – 17 July 2020: Speeches, Letters & Other Publications**

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

- [FRC publishes annual report following transformative year](#)
- [Closure of investigation into the financial statements of Mitie Group plc](#)
- [Podcast in conversation with ... Claire Lindridge on the operational separation of the big four](#)

### **The Pensions Regulator (TPR)**

#### **16 July 2020: TPR publishes its Annual Report and Accounts for 2019-20**

The Pensions Regulator (TPR) published its [Annual Report and Accounts for 2019-20 \(ARA\)](#). The report shows that TPR has driven up industry standards

and safeguarded more schemes than ever. The ARA highlights TPR's chief successes over the past financial year, including:

- completing the national roll out of auto enrolment (AE) duties to employers with 98% of eligible job holders - more than 10.2 million people - now in a qualifying scheme;
- 38 master trusts (MT) have been authorised meaning 16 million members and £38.5 billion are in better-protected schemes;
- direct contact with more schemes than ever through our supervisory approach - covering about two-thirds of UK memberships;
- deficit repair contributions up £11.4 billion and average length of recovery plans re-submitted to TPR falling from 7.5 years to 7.1 years;
- initiating four regulatory initiatives, driving up standards in record-keeping, reducing recovery plan lengths and balancing deficit repair contributions and investment governance;
- a rapid and controlled response to the COVID-19 pandemic, ensuring our staff's safety, continuation of our strategic recovery objectives and providing quick and clear guidance to the pensions industry and stakeholders to enable them to deal with the crisis; and
- use of powers: former charity chairman Patrick McLarry received a five-year jail sentence - the longest prison term TPR has secured - for a £250,000 fraud, and a firm was fined £350,000 for failing to fully comply with AE duties.

## European Securities and Markets Authority (ESMA)

### 13 July 2020: ESMA's third EU-wide CCP stress test finds system resilient to shocks

The European Securities and Markets Authority (ESMA) has published the [results of its third stress test](#) exercise regarding Central Counterparties (CCPs) in the European Union (EU) which confirm the overall resilience of EU CCPs to common shocks and multiple defaults for credit, liquidity and concentration stress risks. The credit stress test highlighted differences in resilience between CCPs under the selected market stress scenario, although no systemic risk has been identified. Similarly, the liquidity stress test showed EU CCPs to be resilient under the considered scenarios and did not reveal any systemic risk. Finally, the new concentration component added a new dimension to the exercise and highlighted the need for EU CCPs to accurately account for liquidation cost within their risk frameworks.

### 13 July 2020: ESMA issues second report on sanctions under MiFID II

ESMA has published its [second report on sanctions and measures](#) imposed under the Markets in Financial Instruments Directive (MiFID II) by National Competent Authorities (NCAs) Overall, in 15 (out of 30) EEA Member States, NCAs imposed a total of 371 sanctions and measures in 2019 of an aggregated value of about €1.8 million.

### 13 July 2020: ESMA - SFTR reporting regime sees successful first day

ESMA [has received reports](#) from trade repositories (TRs) indicating that the first day of reporting by financial and non-financial market participants under the Securities Financing Transactions Regulation (SFTR), has gone smoothly.

### 15 July 2020: ESMA publishes its final Guidelines on disclosure requirements under Prospectus Regulation

ESMA has published its final [Guidelines on disclosure requirements under the Prospectus Regulation](#). The Guidelines provide guidance to financial market participants regarding the disclosure of financial and non-financial information in the prospectus.

The Guidelines cover a variety of financial and non-financial topics, including:

- pro Forma information;
- working capital statements;
- capitalisation and indebtedness;
- profit forecasts and estimates;
- historical financial information;
- operating and financial review;
- options agreements; and
- collective investment undertakings.

### 15 July 2020: ESMA to assess German financial reporting system following Wirecard collapse

ESMA [announced](#) that it will launch an assessment of the supervisory response in the financial reporting area by BaFin and the Financial Reporting Enforcement Panel (FREP) to the events leading to the collapse of Wirecard AG. It will be completed by 30 October 2020. The assessment will focus on the application of the Guidelines on the Enforcement of Financial Information (GLEFI) by BaFin and FREP, the designated competent authorities for the supervision and enforcement of financial information in the Federal Republic of Germany under the Transparency Directive (TD).

**15 July 2020: ESMA begins recruitment process for new Chair of the Authority**

ESMA [published](#) a vacancy notice to fill the position of Chair of the Authority. The current Chair, Steven Maijoor, having served the maximum number of ten years allowed under the ESMA Regulation, will leave the post on 31 March 2021, and ESMA has now started the process of finding his successor.

**15 July 2020: ESMA publishes results of annual transparency calculations for non-equity instruments**

ESMA [has made available](#) the results of the annual transparency calculations for non-equity instruments, which will apply from 15 September 2020. These calculations include the liquidity assessment and the determination of the pre- and post-trade size specific to the instruments and large in scale thresholds.

**16 July 2020: ESMA publishes its first Review Reports on MiFIR transparency regime**

ESMA has [published](#) two final reports reviewing key provisions of the MiFID II/MiFIR transparency regime. The [first report](#) reviews the MiFIR transparency regime for equity instruments and contains proposals for targeted amendments regarding the transparency obligations for trading venues and specifically the double volume cap mechanism. It also includes recommendations on other key transparency provisions, in particular the trading obligation for shares and the transparency provisions applicable to systematic internalisers in equity instruments. The [second report](#) reviews the pre-trade transparency obligations applicable to systematic internalisers in non-equity instruments.

**16 July 2020: ESMA responds to European Commission's consultation on renewed sustainable finance strategy**

ESMA has [submitted a response](#) to the European Commission's (EC) consultation on the renewed sustainable finance strategy. The response covers a broad range of topics from strengthening the foundations for sustainable finance, increasing opportunities for citizens, financial institutions and corporates to have a positive impact on sustainability, to managing and reducing risks relating to environmental, social and governance (ESG) factors. In ESMA's view, the future strategy on sustainable finance should aim to set up a robust and proportionate European regulatory framework that adequately supports the shift towards a more sustainable financial system. ESMA believes that

facilitating access to sustainability data would constitute an essential contribution to putting sustainability at the forefront of the financial sector.

**16 July 2020: ESMA publishes translations for Guidelines on liquidity stress testing in UCITS and AIFs**

ESMA [has issued](#) the official translations of its guidelines on standardised procedures and messaging protocols.

**17 July 2020: ESMA provides guidance on waivers from pre-trade transparency**

ESMA [published an opinion](#) providing guidance on pre-trade transparency waivers for equity and non-equity instruments. The document replaces the guidance of the Committee of European Securities Regulators and ESMA's opinions on waivers from pre-trade transparency under the Market in Financial Instruments Directive (MiFID) I. The guidance published provides stakeholders with information on ESMA's assessment of features frequently encountered in the context of issuing opinions on waivers from pre-trade transparency over the last three years. The opinion aims to contribute to the consistent application of waivers from pre-trade transparency across the Union. The document will be updated should ESMA encounter further frequent issues in the context of assessing waiver notifications.

**17 July 2020: ESMA tells market participants to continue preparations for end of UK transition period**

ESMA [has urged](#) financial market participants to finalise preparations and implement suitable contingency plans in advance of the end of the United Kingdom's transition period on 31 December 2020. ESMA also confirmed that previously agreed Memoranda of Understandings (MoUs) on cooperation and information exchange concluded with the UK's Financial Conduct Authority (FCA) remain valid and will come into effect at the end of the transition period.

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

**16 July 2020: EIOPA responds to European Commission's consultation on renewed sustainable finance strategy**

The European Insurance and Occupational Pensions Authority (EIOPA) [submitted its response](#) to the consultation of the European Commission on a renewed sustainable finance strategy. The aim of the



European Commission's strategy is to increase private investment in sustainable projects and activities to support the different actions set out in the European Green Deal and to manage and integrate climate and environmental risks into our financial system. EIOPA strongly supports the work that is being undertaken by the European Commission to promote a sustainable financial environment. In particular, EIOPA is of the view that insurance and pensions sector can play an important role as stewards for environmental and social sustainability on account of their long-term interests and business models. As part of its sustainable finance action plan, EIOPA will continue contributing to work of the European Commission on the various initiatives, including the climate protection gap and measures to address resilience gaps.

### **17 July 2020: EIOPA publishes report on impact of ultra-low yields on insurance sector**

EIOPA published the [report on the Impact of ultra-low yields on the insurance sector](#), including first effects of the COVID-19 crisis. According to the report, the ultra-low interest rate environment remains a key concern for the insurance market. It constitutes one of the most important sources of systemic risk for insurers for the future. In addition to the low interest rate environment, the COVID-19 outbreak has severely affected macroeconomic and market conditions worldwide, increasing the likelihood of a "low for long" scenario with adverse implications for the insurance sector. As a result, insurers are significantly challenged in terms of asset allocations, profitability, solvency and business model adaptation.

### **13 – 17 July 2020: Speeches, Letters & Other Publications**

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

- [EIOPA publishes the Ultimate forward rate \(UFR\) for 2021](#)
- [EIOPA publishes bi-weekly information for Relevant Risk-Free Interest Rate Term Structures and Symmetric Adjustment to Equity Risk with reference to 14 July 2020](#)

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

### **16 July 2020: EBA supports EU Commission's actions towards a more sustainable European economy**

The European Banking Authority (EBA) [published its response](#) to the European Commission's consultation on a Renewed Sustainable Finance Strategy. The EBA is committed to ensuring the resilience and long-term sustainability of banking sector activities and welcomes the Commission's efforts to support the transition towards a more sustainable, and resilient EU economy. The EBA looks forward to the adoption of the Commission's Renewed Sustainable Finance Strategy and stands ready to contribute to its objectives set out in the European Green Deal. In its response, the EBA agrees with a wide range of possible EU-level actions to support financing of the transition to a more sustainable European economy while appropriately managing the ESG risks in the financial sector and ensuring high standards of consumer protection.

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

### **16 July 2020: ECB releases monetary policy decisions**

The Governing Council of the European Central Bank (ECB) has taken the [following monetary policy decisions](#):

1. 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;
2. the Governing Council will continue its purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of €1,350 billion;
3. 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; and
4. the Governing Council will also continue to provide ample liquidity through its refinancing operations. In particular, the latest operation in the third series of targeted longer-term refinancing operations (TLTRO III) has registered a very high take-up of funds, supporting bank lending to firms and households.

The Governing Council continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.

### 13 – 17 July 2020: Speeches, Letters & Other Publications

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

- [July 2020 euro area bank lending survey](#)
- [Results of the Q3 2020 ECB Survey of Professional Forecasters](#)
- [ECB and Bank of Albania set up repo line to provide euro liquidity](#)
- [ECB and National Bank of Serbia set up repo line to provide euro liquidity](#)
- [Euro central and compulsory intervention rates for Bulgarian lev and Croatian kuna in ERM II](#)
- [Never waste a crisis: COVID-19, climate change and monetary policy, Speech by Isabel Schnabel](#)
- [Pursuing a successful path towards euro area accession, Speech by Fabio Panetta](#)
- [Interest rate setting and communication at the ECB, Working Paper Series](#)
- [Monetary policy and intangible investment, Working Paper Series](#)
- [Letter from Andrea Enria, Chair of the Supervisory Board, to Ms Ponsatí Obiols, MEP, on banking supervision](#)
- [Letter from Andrea Enria, Chair of the Supervisory Board, to Mr Schäffler, Member of the German Bundestag, on possible policy responses to the crisis](#)

### European Commission (EC)

#### 13 July 2020: EC publishes updated Brexit stakeholder preparedness notice for area of statutory audit

The European Commission (EC) published an updated Brexit stakeholder preparedness notice for the area of statutory audit. This replaces the first notice published on this topic on 8 February 2018.

#### 14 July 2020: EC welcomes list of 'Best Practices' to provide relief for consumers and businesses

The EC [has welcomed a list of 'best practices'](#) agreed by the financial sector, and consumer and business organisations, to help further mitigate the impact of the coronavirus pandemic. The list sets out concretely how different market participants can support citizens and businesses throughout the crisis. The best practices cover several issues, including:

- payment moratoria for consumer and business loans, and for insurance contributions: these measures can help those facing financial difficulties by deferring payments;
- enabling safer cashless payments while ensuring cash payments remain available for those who need them;
- ensuring loans aimed at mitigating the impact of coronavirus are provided swiftly, and that the fees and interest rates incurred are fair; and
- legitimate insurance claims are processed and paid out as quickly as possible.

### 13 – 17 July 2020: Speeches, Letters & Other Publications

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

- [Commission recommends not granting financial support to companies with links to tax havens](#)
- [Commission proposes new tax package of measures to contribute to Europe's recovery and growth](#)
- [Commission approves Dutch plans to provide €3.4 billion in urgent liquidity support to KLM](#)
- [Boosting the EU's Green Recovery: EU invests over €2 billion in 140 key transport projects to jump-start the economy](#)
- [Commission fines ethylene purchasers €260 million in cartel settlement](#)
- [Commission clears Lotos' acquisition by PKN Orlen, subject to conditions](#)

### Autorité des Marchés Financiers (AMF) of France

#### 15 July 2020: AMF publishes its guide to asset freezing

The Autorité des Marchés Financiers (AMF) has published a [guide on asset freezing](#) to help professionals understand the different regimes, clarify the scope of these regimes and remind professionals of their obligations. Asset-freezing measures are part of economic or financial sanctions regimes. This document aims to help professionals understand the various asset freezing regimes applicable in France. Several regimes coexist, including UN and European regimes, in the form of directly applicable European regulations, and a French regime provided under the Monetary and Financial Code.

### 16 July 2020: AMF updates its policy on collective investments incorporating non-financial criteria

Following the publication of Position-Recommendation DOC-2020-03 which sets out information related to the consideration of non-financial criteria that may be disclosed by French collective investments and foreign UCITS authorised for marketing in France, the AMF [has created](#) specific forms for the authorisation processes, for preparing Key Investor Information Document (KIID/KID) or prospectuses, and for publishing periodic information. The AMF has amended each of the instructions relating to products by adding annexes with forms to be filled out in the event of changes entailing the consideration or a change to the consideration of non-financial criteria as a key aspect of the management of the product in the KIID/KID or marketing materials of collective investments. There is also a form to be filled out when filing applications for the marketing in France of a foreign UCITS or UCITS sub-fund that wishes to make non-financial criteria a key aspect of communication or to change its non-financial criteria. It is added to Instruction DOC-2011-19 on authorisation processes, preparation of a KIID and a prospectus and periodic reporting for French and foreign UCITS marketed in France.

### 13 – 17 July 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 Examination: Test of Minimum Knowledge](#)
- [Overview and inventory of French funds' liquidity management tools](#)

### Commission de Surveillance du Secteur Financier (CSSF)

### 13 – 17 July 2020: Speeches, Letters & Other Publications

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

- [Ministerial Regulation of 17 July 2020](#): Regulation implementing United Nations Security Council resolutions as well as acts adopted by the European Union concerning prohibitions and restrictive measures in financial matters in respect of certain persons, entities and groups in the context of the combat against terrorist financing

- [Law of 10 July 2020](#): Transposing Article 31 of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing

### Financial Stability Board (FSB)

### 13 July 2020: FSB welcomes CPMI's report on enhancing cross-border payments

The Financial Stability Board (FSB) published a [letter to the G20](#) from the FSB Chair, Randal K. Quarles, welcoming the [report](#) published by the Committee on Payments and Market Infrastructures (CPMI), which sets out building blocks for a roadmap to enhance cross-border payments. The publication of the CPMI report marks the second of a three-stage process, coordinated by the FSB at the request of the G20, to develop a roadmap to enhance cross-border payments. It sets out the necessary elements to address the challenges of high costs, low speed, limited access and insufficient transparency of cross-border payments, highlighted by the [first-stage FSB report published in April](#). The CPMI report was delivered to G20 Finance Ministers and Central Bank Governors ahead of their virtual meeting on 18 July. The FSB will publish the roadmap, as the third and final stage of this deliverable, in October.

### 15 July 2020: FSB sets out action to maintain financial stability during COVID

The FSB published a [letter](#) from the FSB Chair, Randal K. Quarles, to G20 Finance Ministers and Central Bank Governors, ahead of their virtual meeting on 18 July 2020. The FSB also delivered to the G20 a [report on the financial stability implications](#) of, and policy measures taken in response to, the COVID-19 pandemic.

the Chair's letter sets out a number of areas of focus for the FSB during the COVID Event:

- assessing vulnerabilities during the current crisis;
- reinforcing resilient non-bank financial intermediation (NBFI);
- identifying and assessing policy responses;
- monitoring consistency with standards; and
- using flexibility in standards and buffer use.

The report to the G20 details COVID-related financial stability developments, policy measures taken and work to assess their effectiveness. It draws on the significant FSB work undertaken to assess vulnerabilities, consider

policy responses under different recovery scenarios, and note where additional work may be necessary. This report also consolidates the extraordinary policy measures taken across the FSB's national membership and SSBs to address the financial fallout of the pandemic.

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

### **13 July 2020: SFTR goes live**

Reporting under the EU's SFT Regulation (SFTR) has started. Banks and investment firms, as well as CCPs and CSDs have an obligation to report all SFTs executed from the 13th of July to authorised trade repositories, who in turn will validate and reconcile the reports and pass the data on to regulators. Reporting by banks and investment firms was due to go live on 13 April, but this was postponed by ESMA in March in response to the global COVID-19 pandemic. As a result, phases 1 and 2 of the SFTR reporting regime both went live on the 13th of July.

Based on extensive input from Task Force members, ICMA has put together detailed best practice recommendations for the industry which complement and supplement the regulatory framework and aim to ensure consistency in firms' implementation efforts. The [ICMA recommendations for reporting under SFTR](#) were initially published in February 2020 and continue to evolve. A third version of the document was issued on 30 June, ahead of the go-live, but this is not the end of the journey. The implementation of the highly complex SFTR reporting regime will be an iterative process as not all aspects of SFTR have been finalised and the quality and consistency of the reported data is expected to gradually improve over time. Discussions in the SFTR Task Force will continue as firms learn the lessons from the first weeks of reporting. The ICMA recommendations will be updated to reflect those discussions, but of course also to incorporate any additional guidance expected from ESMA, e.g. in the form of Q&As.

### **15 July 2020: ICMA responds to European Commission's consultation on renewed sustainable finance strategy**

ICMA [has responded](#) to the European Commission's consultation on the Renewed Sustainable Finance Strategy. ICMA has not sought to answer all 102 questions in this comprehensive survey but only focused on the ones which seemed most directly relevant to ICMA's membership.

## **13 – 17 July 2020: ICMA Podcasts and Other Publications**

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

- [COVID-19 and future trends in the repo market](#)  
James Upton, Commercial Services Director, LCH and co-Chair of the ERCC Operations Group and ICMA's Alexander Westphal talk about how the repo market performed under pressure earlier this year, the regulatory agenda for the rest of 2020 and the main trends in the market, including the expansion of repo clearing, electronification of securities finance and standardisation of the securities post trade process

## **International Organization of Securities Commissions (IOSCO)**

### **14 July 2020: Monitoring Group publishes its recommendations to strengthen international audit and ethics standard-setting system**

The Monitoring Group (MG), which is made up of IOSCO (Chair), BCBS, European Commission, FSB, International Association of Insurance Supervisors, World Bank Group and International Forum of Independent Audit Regulators, [published its recommendations](#) to strengthen the International Audit and Ethics Standard-Setting System. The MG is responsible for the overall governance of the international audit and ethics standard-setting process and the review of its effectiveness. The set of recommendations fulfils the overall objective that the MG set out when the effectiveness review began in 2015 - to strengthen international audit and ethics standard-setting to enhance its responsiveness to the public interest and improve audit quality.

Specifically, the recommendations are designed to achieve the following objectives:

- achieve an independent and inclusive, multi-stakeholder standard-setting system;
- reinforce the consideration of the public interest within the standard-setting process and throughout the full cycle of standards' development, with enhanced independent oversight and standard-setting guided by the Public Interest Framework; and
- foster the development of timely, high quality standards that respond to an accelerating pace of change.



The MG envisages that a transition plan will be established within the next nine months and that these recommendations will be implemented within three years thereafter.

## **Other Updates**

We would like to bring to our ELFA readers' attention the following regulatory updates from regulators & associations we are not currently monitoring.

### **15 July 2020: Bank of Japan releases statement on Monetary Policy**

The Bank of Japan [released its latest statement](#) on Monetary Policy following its meeting held on 15 July 2020. The Bank will maintain a negative short-term policy interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank, among other decisions.

### **17 July 2020: Republic of Korea starts purchasing corporate bonds and CP**

The Government of the Republic of Korea [announced](#) the official launching of the special purpose vehicle intended to support businesses facing liquidity problems by purchasing corporate bonds and CP on July 17th. The SPV's bond purchasing program will be up to KRW10 trillion, made up of KRW 1 trillion (10%) in equity capital from KDB, KRW1 trillion (10%) in subordinated loans from KDB and KRW 8 trillion (80%) in primary loans from BOK with the possibility of expanding the size up to KRW20 trillion. The bond purchasing program will be operated on a temporary basis for six months from July 14, 2020 until January 13, 2021, with the possibility of extension afterwards.

## 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

- [UK on track to sell £533bn of debt this year](#)  
“The UK government is on course to sell more than half a trillion pounds of debt this year, more than double the previous record at the height of the financial crisis, as the response to the coronavirus emergency drives borrowing to unprecedented levels”
- [SFO to probe director’s conduct over contact with ‘freelance agent’ during bribery probe](#)  
“The UK Serious Fraud Office will conduct a review into its director’s behaviour after a judge accused her of falling for “flattery” and letting a “freelance agent” acting for potential suspects become involved in a probe into alleged corruption in the Iraqi oil industry”
- [Fund groups urge UK to back EU green finance rules](#)  
“An organisation representing asset managers including Aviva Investors, Columbia Threadneedle and Hermes has urged the UK government to commit to the EU’s green finance rules after Brexit or risk falling behind Europe on sustainable investing”
- [Investors pull green levers to reshape energy sector](#)  
“Investing in energy is not what it was. Oil and gas companies like BP and Royal Dutch Shell were traditionally reliable dividend payers, the stalwart of any respectable income investor’s portfolio”
- [New ETF launches show resilience in face of pandemic](#)  
“Covid-19 has paralysed business activity across the globe, but the ETF industry appears to be made of sterner stuff. The pandemic has had a limited impact on the pace of listings of shiny new exchange traded funds”
- [Boohoo should serve as a wake-up call for ESG](#)  
“Fast fashion has long suffered from an image problem. The practice of churning out cheap and trendy clothes at speed has always been at odds with the notion of being sustainable. But the airing of the industry’s dirty laundry in recent weeks amid allegations of poor working conditions at Leicester factories in Boohoo’s supply chain has focused attention on broader governance issues”
- [Letter: Covid-19 has put fresh focus on ESG investing](#)  
“The current crisis seems to have focused a little more attention on environment, social and governance criteria within investment funds. Considering that governments have much more aggregate power than corporates on the E and S parts of ESG, I have always marvelled at the general absence of focus on sovereign bond markets”
- [PizzaExpress set to fall into lenders’ ownership](#)  
“PizzaExpress is heading for a takeover by its lenders as early as this month in a debt-for-equity swap with Chinese owner Hony Capital that is also likely to involve closing some of its high street restaurants hard hit in the pandemic”
- [UK retail investors fall victim to ‘impersonation fraud’](#)  
“Increasing numbers of retail investors are falling victim to “impersonation fraud” as criminals clone popular investment products and dupe investors into parting with large sums of money”
- [Lagarde warns of threats to recovery as ECB leaves policy on hold](#)  
“The eurozone’s nascent recovery from the economic damage done by the coronavirus pandemic faces several potential threats, Christine Lagarde, president of the European Central Bank, has warned, after keeping its monetary policy on hold”

- [EU accelerates plans to borrow €100bn in Covid-19 relief effort](#)  
“Brussels is fast-tracking plans to borrow €100bn to fund aid to countries hit hard by the coronavirus pandemic, after officials were inundated with applications for cheap loans under a programme set up in April”
- [Natixis owner BPCE has explored buying remainder of French bank](#)  
“French co-operative bank BPCE has explored buying the 30 per cent of Natixis it does not already own after the investment bank’s shares were hammered by the pandemic, according to people briefed on the situation”
- [Fed expands US coronavirus lending scheme to non-profits](#)  
“The US Federal Reserve has expanded access to a flagship \$600bn lending scheme designed to help Main Street America during the coronavirus crisis to include non-profit organisations such as hospitals and universities”
- [Wall Street cuts forecasts for Fed balance sheet growth](#)  
“An expansion of the Federal Reserve’s balance sheet has stalled, prompting strategists to pare their predictions for the scale of the US central bank’s interventions in financial markets this year”
- [US 30-year mortgage rate falls below 3% for first time](#)  
“The average interest rate on a 30-year fixed-rate mortgage in the US has fallen below 3 per cent for the first time ever, mortgage finance company Freddie Mac said”
- [US fund managers seek to safeguard portfolios against inflation](#)  
“Demand for inflation-protected bonds has intensified in the US, as investors look to shield portfolios against the risk of a spike in consumer prices as economic activity rebounds from the coronavirus crisis”
- [Investor group lambasts ‘earnings before coronavirus’](#)  
“An investor advocacy group that counts some of the largest US asset managers among its members has lambasted companies that are ignoring losses resulting from the coronavirus pandemic when calculating cash flows for the purposes of credit agreements”
- [US regulator investigates oil fund disclosures](#)  
“The US Commodity Futures Trading Commission is examining disclosures by managers of commodity funds that are popular with retail investors, the chairman of the derivatives regulator told the Financial Times, the latest sign of scrutiny for a sector shaken by the oil price crash this year”
- [BlackRock wins \\$100bn in new client funds during Wall Street rally](#)  
“BlackRock surpassed profit estimates in the second quarter as the world’s biggest fund manager attracted \$100bn in new client funds during a bumper Wall Street rally”
- [Goldman Sachs profits bolstered by bond trading boom](#)  
“Goldman Sachs defied the coronavirus crisis to earn as much in the second quarter of 2020 as it did a year earlier after a bonanza in bond trading offset a surge in loan loss provisions and another round of legal charges”
- [Citigroup shores up for bad loans with \\$8bn provisions](#)  
“Citigroup has shored up its defences against soured loans as a “deterioration” in the economic outlook caused the US lender to reassess prospects for some of its commercial clients”
- [Hedge fund Axonic raises \\$1bn to scour credit market for bargains](#)  
“Axonic Capital, one of the hedge funds hit hardest during a big credit-market sell-off in March, has raised close to \$1bn in new capital this year, suggesting that investors are clamouring for exposure to beaten-down assets they believe still offer value”

- [Carnival taps bond market for another \\$1.3bn to stay afloat](#)  
“The new bond, which comes less than a month after the company raised roughly \$2.8bn in the loan market, is split into a \$775m tranche paying an annual coupon of 10.5 per cent, and a €425m tranche paying 10.125 per cent, according to people with direct knowledge of the terms”
- [US tech stands out as investors' 'most crowded' trade](#)  
“In its monthly survey of investors, who between them manage \$570bn, BofA described US tech and growth stocks as “the longest ‘long’ of all time”, as no other trade, such as positive bets on US government bonds or on bitcoin, has ever been singled out by such a large proportion of respondents”
- [Netflix shares slide after warning over weak subscriber growth](#)  
“Netflix added 10m subscribers in the second quarter, well above estimates, but the company warned that its pandemic-related growth spurt was slowing”
- [SoftBank ready to do deals as shares soar to 20-year high](#)  
“Two months after Masayoshi Son suggested that he was misunderstood like Jesus Christ, the billionaire founder of Japan's SoftBank has performed at least one miracle: resurrecting its share price”
- [G20 under pressure to boost global recession mitigation plan](#)  
“Pressure is mounting on the Group of 20 leading economies to act collectively and decisively to counter the economic consequences of the pandemic ahead of a meeting on Saturday of finance ministers and central bank governors”
- [Ecuador debt restructuring faces setback after some creditors balk](#)  
“Ecuador is coming under pressure to sweeten its \$17.4bn debt restructuring after some bondholders balked at the terms of the deal it presented earlier this month”
- [IMF warns Ukraine over central bank's independence](#)  
“The IMF has pressed Ukraine's president Volodymyr Zelensky to preserve the independence of the central bank as he prepares to appoint a new governor after its previous chief resigned citing political pressure”
- [Bank of Japan cuts forecasts but keeps interest rates on hold](#)  
“The Bank of Japan has kept monetary policy on hold even as it revised down its growth forecasts and warned that risks to economic activity and prices were skewed to the downside”
- [Investors must prepare portfolios for Covid-19 debt crunch](#)  
“The financial stress caused by Covid-19 is far from over. Investors should brace for non-payments to spread far beyond the most vulnerable corporate and sovereign borrowers, in a reckoning that threatens to drag prices lower”
- [Bond investors fear dearth of opportunities in sedated markets](#)  
“Government bond traders and investors are reeling from a hectic start to 2020. Now they face an equally daunting prospect: a dead calm that wipes out trading opportunities for months to come”
- [Wealthy investors to boost equity investment in face of pandemic risk](#)  
“Wealthy investors will increase their exposure to public and private equity in the coming months, judging that the possible risks highlighted by the Covid-19 pandemic are outweighed by the potential rewards, a Swiss private banking chief said”
- [Investors need to decide whether the risk of inflation is real](#)  
“Investors counting on a pick-up in inflation can point to the determination of central banks and governments that are working in unison to minimise financial market turmoil from Covid-19 and to sustain an economic rebound”



## Thomson Reuters

- [BoE's Bailey sees question about what to do with QE after crisis](#)  
"Bank of England Governor Andrew Bailey said the BoE was right to ramp up its quantitative easing bond-buying at the onset of the coronavirus crisis and there was a "legitimate question" about what to do with the programme when things get back to normal"
- [SMFG to invest in British asset manager with eye on ESG bonds: sources](#)  
"Sumitomo Mitsui Financial Group (8316.T) will invest up to \$25 million in British asset manager Affirmative Investment Management (AIM), two sources said, becoming the first Japanese lender to partner with a specialist in ESG bond investments"
- [Malaysian court grants temporary freeze on \\$340 million 1MDB money in UK](#)  
"A Malaysian court on Thursday granted an interim order to stop Saudi energy firm PetroSaudi International (PSI) from using more than \$340 million in funds in Britain, which Malaysian prosecutors believe was siphoned from state fund 1MDB"
- [UK sells 3-year bond at record negative yield](#)  
"Britain sold a three-year government bond with a record-low negative yield on Wednesday, highlighting investors' ongoing concern about the long-run impact of COVID-19 on the economy"
- [EU summit on recovery fund: what's in it for markets?](#)  
"The spending plan, which brings the EU closer to a fiscal union by introducing shared debt liability and mostly grants rather than loans, has been instrumental in beefing up confidence in the region"
- [ECB could tailor policy to fight climate change, Schnabel says](#)  
"The European Central Bank must take a role in fighting climate change and could tailor monetary policy to foster a greener economy, board member Isabel Schnabel said"
- [Third of EU's 750 billion euro recovery fund may come via green bonds](#)  
"The European Union could raise a third of the cash needed for its 750 billion euro (\$858 billion) recovery fund by issuing "green" bonds, which would back projects that help the environment, ratings agency S&P said in a report"
- [ECB to go all the way on stimulus even as economy recovers, Lagarde says](#)  
"The European Central Bank will use its stimulus firepower fully even as the euro zone economy shows some signs of rebounding from its pandemic-induced recession, ECB President Christine Lagarde said"
- [Lazard gears up for post-COVID sovereign debt restructurings](#)  
"More governments could be forced into negotiations with creditors this year as the coronavirus crisis piles further pressure onto countries already struggling with debt repayments, executives at investment bank Lazard said"
- [Fed kicks off Main Street lending, balance sheet tops \\$7 trillion](#)  
"The U.S. Federal Reserve's stash of bonds and other assets rose for the first time in more than a month, even as many of its emergency lending facilities continued to get little use and a new lending program designed to help small and medium-sized companies hurt by the coronavirus crisis got off to a slow start"
- [U.S. Fed buys \\$22.7 billion of mortgage bonds, sells none](#)  
"The Federal Reserve bought \$22.686 billion of agency mortgage-backed securities in the week from Jul. 9 to Jul. 15, compared with \$21.685 billion purchased the previous week, the New York Federal Reserve Bank said"

- [Fed's Evans signals little reason to raise rates for years](#)  
"There's little reason for the Federal Reserve to raise interest rates until inflation rises above the Fed's 2% target, Chicago Federal Reserve Bank President Charles Evans said on Thursday, noting that he expects low inflation to be a problem for the next few years"
- [Big U.S. banks predict more economic pain from coronavirus](#)  
"Three of the largest U.S. banks said on Tuesday they had set aside a whopping \$28 billion for loan losses, in a stark reminder that much of the economic pain from the coronavirus pandemic is still to come"
- [Wall Street rallies on vaccine bets, Goldman results](#)  
"U.S. stocks ended sharply higher on Wednesday, with the S&P 500 at its highest since early June, following promising early data for a potential COVID-19 vaccine and a strong quarterly report from Goldman Sachs"
- [Morgan Stanley posts record profit on trading boom](#)  
"The bank wrapped up second-quarter results for the big U.S. lenders that shook out along expected lines"
- [Economic recovery further away than markets think: BlackRock CEO Fink](#)  
"The U.S. economy is going to take longer to recover from the hit from the coronavirus pandemic than the market expects, and more stimulus is critical, BlackRock Inc (BLK.N) Chief Executive Larry Fink said"
- [Breakingviews - BlackRock warrants a spot on its climate watchlist](#)  
"BlackRock's green pivot now comes with hard numbers. The \$6.5 trillion asset manager said on Tuesday it voted over the past 12 months against 53 companies it deemed to be dragging their feet on climate change"
- [AMC reaches agreement with bondholders to reduce debt by up to \\$630 million](#)  
"AMC Entertainment Holdings Inc said on Monday it had reached an agreement with bondholders to reduce its debt by up to \$630 million, as the theater industry suffers from the impact of COVID-19 pandemic"
- [Coronavirus bringing record \\$1 trillion of new global corporate debt in 2020](#)  
"Companies around the world will take on as much as \$1 trillion of new debt in 2020, as they try to shore up their finances against the coronavirus, a new study of 900 top firms has estimated"
- [Investors chase risky assets as stimulus measures offset virus worries](#)  
"Investors pumped money into riskier bonds and equity funds, BofA's weekly fund flow statistics showed on Friday, as unprecedented stimulus measures helped offset worries about rising COVID-19 case numbers in the United States"

## **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

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