ELFA Legal & Regulatory Update
17/08/2020 – 21/08/2020

Key Highlights:

- This Legal & Regulatory Update covers the week commencing **17/08/2020**.
- FCA issues statement on accounting for lease modifications (amendment to IFRS 16).
- FRC issues statement on accounting for lease modifications (amendment to IFRS 16 – Covid-19-Related Rent Concessions).
- ESMA recommends priority topics in AIFMD review.
- EIOPA publishes updated Risk Dashboard based on first quarter 2020 Solvency II data.
- EBA supports EU Commission's call for more efficient and effective framework to tackle money laundering and terrorism financing.
- EBA updates data used for identification of global systemically important institutions (G-SIIs).
- ECB publishes results of June 2020 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD).
- Autorité des Marchés Financiers (AMF) sets up Scientific Advisory Board.
- FINMA consults on partial revision of "Direct transmission" Circular.
- IOSCO prepares to launch 2020 World Investor Week to promote investor education.
- 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)

17 – 21 August 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:

- Green Notice 2020/01 - Reclassification of certain train operating companies to public non-financial corporations
- Changes to the provision of US dollar repo operations from September 2020 - Market Notice 20 August 2020
- US dollar liquidity-providing operations from 1 September 2020
- Bank of England Weekly Report 19 August 2020
- How does international capital flow?, Staff Working Papers
- Artificial intelligence, financial services and the impact of Covid-19, Webinar

Financial Conduct Authority (FCA)

18 August 2020: FCA issues statement on accounting for lease modifications (amendment to IFRS 16)

The Financial Conduct Authority (FCA) released a statement announcing temporary relief for issuers who choose to use the amended IFRS 16 during the coronavirus (Covid-19) pandemic and its aftermath. In May 2020, following an accelerated due process, the International Accounting Standards Board (IASB) published an amendment to International Financial Reporting Standard (IFRS) 16 (Covid-19-related rent concessions – Amendment to IFRS 16) which provides practical relief to lessees in accounting for rent concessions granted due to Covid-19. This amendment is effective for reporting periods beginning on or after 1 June 2020 in relation to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The Accounting Regulatory Committee (ARC) voted in favour of the amendment on 2 July and on 8 July the European Commission (EC) formally transmitted the file supporting endorsement of the amendment to the European Parliament (EP) and the European Council, which has three months to object before it is otherwise adopted. However, the amendment is not yet formally adopted in line with the necessary EU endorsement procedure. In strict terms, it is therefore not available for use by any issuers required by the Transparency Directive to use EU-adopted IFRS in their annual or interim financial statements.

However, in this statement, the FCA explains that it appreciates the practical difficulties such issuers would face in applying the existing IFRS 16 lease modifications requirements to Covid-19-related rent concessions and welcomes international action to provide a uniform response to addressing these difficulties. This means that, for the time being, the FCA will permit issuers subject to its rules to use the modified IFRS 16 rather than the IFRS 16 as currently adopted by the EU. This temporary relief is subject to two conditions:

- issuers must apply the accounting treatment to those transactions as foreseen in the IFRS 16 amendment; and
- issuers must disclose their use of the amendment as issued by the IASB in the notes to the financial statements.

This temporary relief applies to all listed companies that are required to comply with DTR 4.1 and DTR 4.2 (noting the exemptions under DTR 4.4) and that are required to prepare their accounts in accordance with EU-adopted IFRS. This policy is intended to be temporary while the UK faces the disruption of the coronavirus pandemic and its aftermath. The FCA will keep its application under review. However, the FCA intends it to be in place until the amendment to the standard is formally adopted. Should the European Parliament or the European Council object to the adoption of the IFRS 16 amendment before the end of the Transition Period, the FCA will end this temporary relief.

17 – 21 August 2020: Speeches, Letters & Other Publications

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

- Capital distribution and accounting update on LF Equity Income Fund (formerly LF Woodford Equity Income Fund)

Financial Reporting Council (FRC)

18 August 2020: FRC issues statement on accounting for lease modifications (amendment to IFRS 16 – Covid-19-Related Rent Concessions)

The Financial Reporting Council (FRC) has confirmed it will not pursue regulatory action where issuers take advantage of the provisions contained in the Accounting for Lease Modifications (Amendment to IFRS 16 – Covid-19-Related Rent Concessions) before adoption by the EU. IFRS 16 Leases contains accounting requirements for changes in lease payments, including rent concessions. In May 2020, following an accelerated due process, the International Accounting Standards Board (IASB) published an amendment to IFRS 16 (Covid-19-Related Rent Concessions), providing practical reliefs for preparers accounting for Covid-19-related rent concessions. This amendment is effective for annual reporting periods beginning on or after 1 June 2020 but may also be applied early. However, the amendment is still subject to EU adoption, which is expected to complete during Autumn 2020, and EU law is still applicable in the United Kingdom during the transition period following EU exit.

The FRC notes the European Securities and Markets Authority's (ESMA) statement of 21 July 2020 and the Financial Conduct Authority's (FCA) statement of 18 August 2020 (Mentioned Above). Both the FCA and ESMA will not "prioritise supervision action" relating to issuers' decisions on whether or not to apply the reliefs that the amendment provides for, noting that where issuers' use the reliefs, they will diverge from IFRS 16 as currently endorsed by the EU. The FRC supports these statements and will similarly not pursue regulatory action against companies taking advantage of the reliefs permitted by the amendment. Consistent with the FCA and ESMA announcements, the FRC is taking this stance in respect of both annual and interim accounts. Should endorsement of the amendment not proceed as expected this position will be reviewed. Where companies use the reliefs permitted by the IFRS 16 amendment, they are expected to disclose this in the notes to their financial statements.

17 – 21 August 2020: Speeches, Letters & Other Publications

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

- Joint webinar held with the IASB on the General Presentation and Disclosures Exposure Draft

European Securities and Markets Authority (ESMA)

19 August 2020: ESMA recommends priority topics in AIFMD review

The European Securities and Markets Authority (ESMA) has written to the European Commission highlighting areas to consider during the forthcoming review of the Alternative Investment Fund Managers Directive (AIFMD). AIFMD has provided a successful framework for alternative funds in Europe since 2011. However, ESMA and national competent authorities have through the years gathered experience with the framework and have identified areas that could be improved in the legislation to enhance the supervision of alternative fund managers in Europe. ESMA has also learned from its role in the reporting framework under AIFMD where improvements could be made.

ESMA's letter includes recommendations for changes in 19 areas including harmonising the AIFMD and UCITS regimes; delegation and substance; liquidity management tools; leverage; the AIFMD reporting regime and data use; and the harmonisation of supervision of cross-border entities. The review of AIFMD provides the EU with an opportunity to apply these lessons learned. Policy enhancements are proposed in Annex I to the letter and reporting recommendations are made in Annex II. Many of the recommendations made also require consideration of changes to the UCITS legislative framework. ESMA encourages the Commission to support the areas identified in the letter in order to improve the effectiveness and soundness of the AIFMD.

19 August 2020: ESMA provides updated XML schema and reporting instructions for securitisation reporting

ESMA has published updated reporting instructions and XML schema (version 1.2.0) for the templates set out in the technical standards on disclosure requirements. The updates address technical issues identified by stakeholders since December 2019. The reporting templates and the associated XML schema and reporting instructions will enter into force 20 days after the technical standards on disclosure requirements have been published in the Official Journal of the European Union. In order to facilitate the smooth implementation of these updates, reporting entities may choose to use version 1.1.0 or version 1.2.0 of the XML schema and validation rules until 1 February 2021. As of that date, reporting entities may only use the latest version: Version 1.2.0. Should stakeholders identify any further technical issues regarding the XML schema and reporting instructions in the future, they are in invited to notify ESMA via the email inbox securitisation@esma.europa.eu.

European Insurance and Occupational Pensions Authority (EIOPA)

17 August 2020: EIOPA publishes updated Risk Dashboard based on first quarter of 2020 Solvency II data

The European Insurance and Occupational Pensions Authority (EIOPA) published its updated Risk Dashboard based on the first quarter of 2020 Solvency II data. The results show that the risk exposures of the European Union insurance sector remain generally high compared to April as a result of the COVID-19 outbreak. The pandemics continued to cause disruptions in all financial sectors and economic activities. Insurers are particularly exposed to very high levels of macro risk, while market, credit, profitability and solvency risks are at high level. Credit risk remains at high level, as the risk of credit events persist elevated going forward. Profitability and solvency risks remain at high level. Following the COVID-19 impact, the expected deterioration is already reflected in asset over liabilities and in weakening of Solvency Capital Requirement (SCR) ratios for groups and non-life undertakings. A further drop of SCR ratios for both life and non-life undertakings is expected for the next quarter, with the depreciation of assets in the context of COVID-19 as well as effects of already pre-existing low yield environment. The net combined ratio improved for non-life insurance undertakings.

Additionally, insurance risks decreased to medium level. On one hand, year-on-year premium growth for life undertakings significantly declined indicating already a negative impact from the COVID-19 outbreak. On the other hand, year-on-year premium growth for non-life undertakings and loss ratio show a slight improvement. Catastrophe loss ratio continues increasing following the significant events occurred during 2019 and 2020. Finally, market perceptions remained stable at medium level. Stocks of life and non-life insurance undertakings continued to underperform relative to the market, which in contrast experienced an unexpected increase. Insurers' Credit Default Swaps (CDS) spreads returned to lower level, with insurers' external outlooks showing a net increase in negative revision as of June 2020.

European Banking Authority (EBA)

19 August 2020: EBA supports EU Commission's call for more efficient and effective framework to tackle money laundering and terrorism financing

The European Banking Authority (EBA) published its response to the European Commission's Action Plan for a comprehensive Union policy on preventing money laundering and terrorism financing (ML/TF). In its response, the EBA sets out technical points that policy-makers should consider when deciding on the scope and powers of an EU-level supervisor for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT). The EBA is of the view that a comprehensive assessment of the current EU AML/CFT framework is necessary to ensure that the EU and its component parts are equipped to tackle ML/TF more effectively and efficiently.

Specifically, the EBA recommends that the Commission:

- harmonise the EU's legal framework to reduce the risk of gaps created by divergent approaches to incorporating EU AML/CFT law into national law;

- combine an ongoing role for national AML/CFT authorities with an EU-level AML/CFT supervisor in a hub and spoke approach that builds on national AML/CFT authorities' expertise and resources, and complement this with effective EU-level oversight for a consistent approach with comparable outcomes; and
- leverage on the EU's existing AML/CFT infrastructure, including the EBA's policy, data and information technology resources as well as the EBA's European and international supervisory cooperation networks.

The EBA will continue to provide technical input into the debate as it progresses, including on the details of the new supervisory architecture. The EBA will provide additional technical input through its forthcoming response to the Commission's separate call for advice in which the EBA is asked to define the scope of application and the enacting terms of a Regulation to be adopted in the field of preventing AML/CFT.

20 August 2020: EBA updates data used for identification of global systemically important institutions (G-SIIs)

The EBA published 12 indicators and updated the underlying data from the 37 largest institutions in the EU, whose leverage ratio exposure measure exceeds EUR 200 bn. This end-2019 data contributes to the internationally agreed basis on which a smaller subset of banks will be identified as global systemically important institutions (G-SIIs), following the final assessments from the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB). The EBA, acting as a central data hub in the disclosure process, will update this data on a yearly basis and will provide a user-friendly platform to aggregate it across the EU. For the first time this year, the EBA is including the Legal Entity Identifier (LEI) of each institution, which will facilitate peer review exercises and broader data analyses.

European Central Bank (ECB)

21 August 2020: ECB publishes results of June 2020 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)

The European Central Bank (ECB) published the results of the June 2020 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD). Survey respondents reported the most widespread tightening of credit terms and conditions over a three-month review period since the SESFOD was launched in 2013. For the March 2020 to May 2020 review period, their respective institutions offered less-favourable price and non-price credit terms for all counterparty types. For price terms, non-financial corporations were the most affected counterparty type, while for non-price terms the tightening of conditions was most noticeable for hedge funds. Respondents mainly attributed the tightening to a deterioration in general liquidity and market functioning, but they also suggested that current or expected financial strength of counterparties was an additional motivation for offering less-favourable conditions to hedge funds and non-financial corporations in particular.

Additionally, the maximum amount and maturity of funding offered against all types of non-government euro-denominated collateral continued to decline but rose for funding against government bonds as collateral. Haircuts applied to euro-denominated collateral increased significantly and financing rates/spreads increased for funding secured by all types of collateral except domestic government bonds. The liquidity of collateral deteriorated for all collateral types, and collateral valuation disputes recorded the strongest increase on record.

Furthermore, initial margin requirements increased for all OTC derivatives except commodity derivatives, with a significant share of respondents reporting increased initial margin requirements for OTC credit derivatives referencing sovereigns, corporates and structured credit products. Respondents also reported that the maximum amount of exposures had decreased for OTC commodity derivatives and total return swaps referencing non-securities such as bank loans. Liquidity and trading deteriorated materially for all types of derivatives, with the most pronounced deterioration in credit derivatives referencing corporates, structured credit products and sovereigns. The volume, duration and persistence of valuation disputes rose further across all types of derivatives.

Finally, the June 2020 survey included a number of special questions aimed at gauging the impact of credit terms and margin requirements on market and counterparty liquidity situations against the background of the evolving coronavirus (COVID-19) crisis. Within the limits of their risk management frameworks, responding institutions accounted, to some degree, for their counterparties' liquidity or solvency situation when tightening credit terms during this period. Responding institutions were able to roll over money market transactions, albeit at less-favourable pricing conditions for many institutions. Survey respondents reported that their clients predominantly covered liquidity needs resulting from margin calls by tapping repo markets or credit lines. However, some insurance companies, hedge funds and investment funds faced strained liquidity situations linked to the posting of variation margins.

17 – 21 August 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:

- ECB and National Bank of the Republic of North Macedonia set up repo line to provide euro liquidity
- ECB and Central Bank of the Republic of San Marino set up repo line to provide euro liquidity
- Reduction in frequency of 7-day US dollar liquidity-providing operations as of 1 September 2020
- Letter from Andrea Enria, Chair of the Supervisory Board, to Mr Schäffler, Member of the German Bundestag, on banking supervision
- Vulnerable growth in the Euro Area: Measuring the financial conditions, Working Paper Series
- Culture and portfolios: trust, precautionary savings and home ownership, Working Paper Series
- The provision of euro liquidity through the ECB's swap and repo operations, ECB Blog

European Commission (EC)

17 – 21 August 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 approves acquisition of Nets' account-to-account payment business by Mastercard, subject to conditions
- Commission approves €133 million Portuguese liquidity support to SATA airline; opens investigation into other public support measures
- Commission approves €290 million Belgian support to Brussels Airlines in the context of the coronavirus outbreak
- Joint Statement of the United States and the European Union on a Tariff Agreement

Autorité des Marchés Financiers (AMF) of France

20 August 2020: AMF sets up Scientific Advisory Board

The Autorité des Marchés Financiers (AMF) has set up a Scientific Advisory Board composed of prominent figures from the academic and financial worlds to expand its research and strategic intelligence capabilities. The board presents its work at an annual conference attended by members of the academic and market communities. The members of the Scientific Advisory Board hold positions in leading universities, business schools and public and private research centres.

The Scientific Advisory Board has a triple remit:

- provide the AMF with information on ongoing academic research in the financial field;
- identify developments that may have an impact on the AMF's areas of activity; and
- undertake research projects related to issues of concern to the regulator.

Commission de Surveillance du Secteur Financie (CSSF)

17 – 21 August 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:

- Questions and Answers related to Circular CSSF 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

Swiss Financial Market Supervisory Authority (FINMA)

20 August 2020: FINMA consults on partial revision of "Direct transmission" Circular

Having carried out an ex-post evaluation of the "Direct transmission" Circular in 2019, the Swiss Financial Market Supervisory Authority (FINMA) is now launching a consultation on the partial revision of the Circular. This will run until 15 October 2020. The "Direct transmission" Circular entered into force on 1 January 2017. It serves to ensure the direct, legally secure and timely exchange of information between supervised institutions and foreign authorities. FINMA already announced its intention when the Circular was adopted of reviewing it two years after its entry into force. It accordingly carried out an ex-post evaluation from July to September 2019. The interested parties used this opportunity to communicate their experiences with the Circular so far and suggested improvements. FINMA evaluated the statements received and on the basis of this is now carrying out a partial revision of the Circular.

In this draft of the partially revised Circular, FINMA takes into account the request of the supervised institutions for an expansion of the list of foreign authorities able to provide administrative assistance. This list is now also to include foreign authorities with which FINMA has concluded bilateral cooperation agreements sufficient for administrative assistance. FINMA is also specifying in more detail individual margin numbers in particular regarding the notification process for planned transmissions. The corresponding changes to the Circular primarily comprise clarifications and simplifications.

Financial Stability Board (FSB)

17 – 21 August 2020: Speeches, Letters & Other Publications

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

- Virtual workshop on the evaluation of the effects of too-big-to-fail reforms
  Join the FSB's virtual consultation workshop on the evaluation of the effects of too-big-to-fail reforms at 13.00 (CEST) on Friday 4 Sep. The workshop will cover market perceptions of the reforms; banks' responses and broader effects. Panellists will discuss the conclusions from the evaluation and audience members will be able to join the conversation

International Organization of Securities Commissions (IOSCO)

19 August 2020: IOSCO prepares to launch 2020 World Investor Week to promote investor education

The International Organization of Securities Commissions (IOSCO) is preparing to launch its fourth annual World Investor Week (WIW) from 5 to 11 October 2020, as initially planned before the outbreak of COVID 19. The dedicated campaign website for the 2020 edition of the WIW (www.worldinvestorweek.org) is now available for participants and other interested parties. IOSCO has decided to proceed with the WIW during these difficult times. More than ever, investors and financial consumers worldwide need to manage their finances and investments efficiently and strengthen their financial resilience in the face of growing economic uncertainty.

The WIW is a week-long global campaign promoted by IOSCO to raise awareness of the importance of investor education and protection and highlight the various initiatives of securities regulators in these two critical areas. The campaign also has the support of international organizations such as the G20. IOSCO members on six continents will offer a range of activities, including investor-focused communications and services, contests to increase awareness of investor education initiatives, workshops and conferences and local/national educational campaigns. Many members leverage the event to organise further investor education activities throughout the year. In addition to the key themes of last year's edition -- online investing, initial coin offerings and the basics of investing -- the WIW 2020 will also cover Ed-Tech issues, such as digital learning and online education, which were shown to foster important remote learning opportunities during the lockdown in various jurisdictions.

International Capital Market Association (ICMA)

17 – 21 August 2020: Speeches, Letters & Other Publications

During the week, the International Capital Market Association (ICMA) released the following speeches, letters and publications that might be of interest to our readers:

- ICMA publishes amendments to its Primary Market Handbook
- COVID-19 ICMA Asset Management & Investors Council market update
  Robert Parker, Chair of ICMA's Asset Management and Investors Council, decipher the market events of the last two weeks, in light of the S&P 500 new record high, the recent dollar weakness, central banks' policy outlook and institutional investors' positioning
- Opening up China's capital markets
  Mr. Hu Kun, General Manager of Investment Banking and Asset Management at Bank of China talks to ICMA's Chief Executive Martin Scheck about the prospects for further internationalisation of China's capital markets, the issuance of COVID-19 themed bonds in the interbank market, international investment in onshore Chinese bond markets and opportunities for issuers in the Panda bond market

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

- Cazenove wins ESG investing Olympics
  "Cazenove, the wealth management arm of Schroders, has won a high-profile "ESG investing Olympics" event that aimed to find top sustainable fund managers, picking up a £33.5m mandate as its prize"

- Covid-19 bonds drive 'sustainable' debt as green issuance fades
  "Heavy issuance of bonds aimed at tackling the effects of the pandemic could push the size of the "sustainable" debt market to a new record this year, according to Moody's, even as the frenzy for green bonds cools"

- Send bond covenants into battle against climate change
  "The terms are up for negotiation. It could be that the issuer does not have the principal cancelled if it fails to meet the target. How much carbon footprint reduction is reasonable to demand is also up for debate. Such details are, of course, not trivial. But it is time to let the negotiations begin"

- UK bondholders' bill for inflation reform jumps by £10bn
  "The recent collapse in UK interest rates means holders of inflation-linked government bonds face an extra £10bn hit from an impending change to calculations of price rises, according to estimates from one of the country's biggest pension investors"

- UK public debt tops £2tn for first time on Covid-19 spending boom
  "The coronavirus pandemic has severely undermined Britain's public finances with the government's debt exceeding £2tn for the first time and borrowing at its highest ever peacetime level"

- Restructuring experts prepare for fresh wave of UK company failures
  "UK insolvency and restructuring experts have been bombarded for months, as industries hardest hit in the pandemic have suffered an onslaught of company failures and emergency refinancings"

- PwC UK delays annual results to take in cost of Covid-19
  "PwC UK will delay publishing its annual results until next year as it assesses the impact of the pandemic on pay and bonuses for its staff and partners. The UK's largest accounting firm said it will not release its accounts for the 12 months to June 30 until January"

- Relx continues deal spree after spending nearly £800m this year
  "Relx has spent nearly £800m on acquisitions this year, as the UK publishing and events group snaps up smaller businesses despite the uncertainty caused by the pandemic"

- Virgin Atlantic in last-ditch creditor talks ahead of crunch vote
  "Virgin Atlantic has entered final talks with its creditors ahead of a crunch High Court vote next week on the £1.2bn rescue package it has secured to keep it flying"

- "System generated truncations": Greensill, Gupta and the hunt for the mystery holding company
  "Greensill Capital is one of the world's leading providers of supply-chain finance, a polarising financing technique, which proponents say helps small suppliers get paid faster, while critics argue it can conceal risks on companies' balance sheets"

- ECB fears recovery is at risk from a delayed surge in unemployment
  "The eurozone is likely to suffer a sharp increase in unemployment this autumn even as the economic recovery from the coronavirus pandemic takes hold, the European Central Bank has warned"

- Norway’s oil fund fears market disconnect from real economy
“The world’s largest sovereign wealth fund has warned over the disconnect between the financial markets and the real economy”

- Airlines ask passengers to subsidise green fuel to help cut emissions
“Selling flights during a global pandemic is not easy, never mind asking passengers to subsidise the fuel bill. But airlines such as SAS and Lufthansa are doing exactly that in a bid to reduce carbon emissions”

- Investors have never been more bullish on the euro
“Positive bets on the euro have hit an all-time high, prompting some caution over whether the currency’s rapid rally could soon run out of fuel”

- US companies award executives big bonuses before declaring bankruptcy
“Companies across the US are awarding top executives multimillion-dollar “retention” bonuses shortly before declaring bankruptcy, angering creditors who claim the payments are rewards for failure”

- US share buybacks almost cut in half by pandemic
“Stock buybacks by US companies nearly halved in the second quarter to the lowest level in eight years as businesses grappled with a sharp rise in uncertainty and a swift decline in profits”

- US utilities investors seek relief in greater regulation
“Wall Street is applauding a shift by big US energy utilities to dump unregulated businesses, as investors prize the stability of high and predictable returns”

- Carnival’s ‘strange’ bond could leave lenders adrift and unsecured
“Investors who bought new bonds last week from Carnival Corporation, backed by a claim on its fleet of ships, may soon find that some of that collateral has floated away”

- Citigroup sues hedge fund after mistakenly wiring $175m
“Citigroup has asked a federal court to force Brigade Capital to return $175m that the bank sent to the hedge fund by mistake — a portion of the $900m erroneously transferred to creditors of the troubled cosmetics company Revlon”

- Hedge fund manager admits ‘grave mistake’ in Neiman Marcus battle
“The hedge fund manager at the centre of the Neiman Marcus bankruptcy admitted making one of the worst mistakes of his life as a Department of Justice trustee report accused him of severe misconduct and threw the retailer’s rescue plan into turmoil”

- Founder of Vista Equity Partners under US tax investigation
“Robert Smith, the private equity investor who captured headlines with his promise to pay off the student loans of last year’s graduating class of Morehouse College, is the target of a US probe into his tax affairs”

- Yield-starved investors start to rummage in triple C-rated debt
“Investors’ ravenous appetite for higher-yielding assets is boosting some of the riskiest classes of bonds that have so far trailed behind a broad rally in corporate debt”

- Institutions pour money into high-yield active strategies
“Institutional investor enthusiasm for high yield has led the category to its best quarter in several years after distress caused by the fallout from the Covid-19 pandemic created opportunities for buyers. US active high-yield fixed income strategies recorded more than $25bn in net institutional flows during the second quarter, bringing institutional assets under management in the strategy tracked by eVestment up to $555bn”

- Investors increasingly unsettled by ‘overvalued’ markets
“Investors are worried that the sharp rally across asset classes since the darkest days of the coronavirus crisis has left them “overvalued”, a key survey has shown”

- Covid-crippled property markets ring the alarm for banks
“Since property collapses frequently lead to banking crises, this should ring alarm bells. Have central banks and financial watchdogs underestimated the threat posed by collapsing real estate prices to the financial system? Assessing the extent of the damage in commercial property is tricky because the market is by its nature opaque, and valuations are slow to reflect falling prices when markets plunge”

- ETFs set to usurp active funds in world of ethical investing
“Exchange traded funds and other passive vehicles are set to usurp active managers as the dominant ethical investing approach, research suggests”

- The dubious appeal of ESG investing is for dupes only
“So ESG supporters are right that companies cannot always maximise long-term profit by aiming to do so. They have to shoot instead to deliver excellent products, which creates profit as a side effect. In many cases, excellence creates good stakeholder outcomes too, from investment in employees to lower carbon emissions. But this does not mean shareholder returns and the social good can always align. And there is one important way in which the two must come apart”

- How to define corporate ‘purpose’ in a stakeholder-first era
“Their prescription calls on directors to ensure that corporate purpose drives what the organisation does, brings that purpose to the board level, and aligns executive pay accordingly”

- Private equity should help itself
“Private equity is all about risk. Funds are notorious for allowing their portfolio companies only a slim financial cushion to ride out economic downturns”

- Macro hedge funds enjoy unlikely renaissance
“But now volatility is back with a vengeance as the coronavirus crisis has engulfed the global economy. This has nurtured a renaissance for many macro hedge funds, with some notching up gains not seen since their 1990s heyday”

- What steps will central bankers reveal at Jackson Hole summit?
“The world’s central bankers will convene virtually on Thursday and Friday for a discussion about the future of monetary policy. The annual event, typically held in Jackson Hole, Wyoming, was moved online earlier this year because of coronavirus”

- Chinese banks woo overseas asset managers
“Senior executives at the wealth management subsidiaries of four state-owned Chinese banks say their companies are already working with a foreign partner or have expressed an interest in doing so”

- Cruise ship operator Genting Hong Kong halts payments on debts
“Genting Hong Kong, one of the territory’s leading cruise ship operators, has halted payments on debts of almost $3.4bn in the latest financial blow for an industry that has been devastated by the coronavirus pandemic”

- Nippon Paint agrees $12bn tie-up with its largest shareholder
“Nippon Paint has agreed a $12bn deal with its largest shareholder — a private company founded by one of Singapore’s richest billionaires — that will combine two of Asia’s biggest paints and coatings groups into a regional titan”

Thomson Reuters

- UK COVID lending to businesses nears 53 billion pounds
  "British banks' lending to businesses under government-backed COVID-19 loan schemes neared 53 billion pounds ($69.7 billion) as of last weekend, weekly finance ministry figures showed on"

- London Stock Exchange sets deadlines for Borsa Italiana indicative bids
  "The London Stock Exchange (LSE) has set deadlines for this week and mid-September for indicative bids for all or parts of Borsa Italiana to help win European Union approval for its $27 billion takeover of data company Refinitiv, sources said"

- Euronext, CDP group bids for Borsa Italiana bond platform unit: sources
  "A consortium comprising France's Euronext (ENX.PA) and Italian state-lender CDP is among bidders for the bond-trading platform of the London Stock Exchange's (LSE) Borsa Italiana unit, two sources said"

- ECB policymakers debated flexibility of bond purchases – accounts
  "European Central Bank policymakers debated last month the extent of their flexibility in conducting emergency bond purchases as part of unprecedented efforts to revive the euro zone economy, the accounts of their July meeting showed"

- The $425 billion payment holiday question hanging over Europe's banks
  "More than 360 billion euros ($425 billion) of loans at Europe's biggest banks have been subject to payment breaks or other coronavirus relief measures but the big question is whether borrowers will be able to resume payments when support ends"

- Hotels group Accor faces higher interest cost after S&P downgrade to junk
  "Accor (ACCP.PA) has been downgraded to junk status by ratings agency S&P Global, a decision set to cost the company tens of millions of euros in additional interest payments, as travel restrictions dim the outlook for the operator of Ibis and Sofitel hotels"

- Sweden rejects credit guarantee for struggling Norwegian Air
  "Sweden's Debt Office has refused a state credit guarantee for Norwegian Air NORR.OL, it said on Tuesday, renewing liquidity concerns for the struggling airline amid the coronavirus crisis"

- Austrian Airlines execs to pay back bonuses after bailout furore
  "The management board of Lufthansa (LHAG.DE) unit Austrian Airlines said on Wednesday they would hand back their recent bonuses after Austria's finance minister said the payments were "unacceptable" for a company that is being bailed out"

- Fed Chair Powell to speak on Fed's framework review next Thursday
  "Federal Reserve Chair Jerome Powell could deliver a sneak peak into the U.S. central bank's efforts to revamp its approach to monetary policy next Thursday when he addresses the Kansas City Fed's annual central banking conference"

- Several Fed policymakers see more easing ahead to help brace economy
  "Several Federal Reserve policymakers say the U.S. central bank may need to ease monetary policy further to help nurse the economy through the coronavirus pandemic, minutes from their policy meeting last month showed"

- Citigroup wins freeze on funds mistakenly sent to Revlon creditors
  "A U.S. judge blocked a hedge fund from doing anything with its nearly $175 million portion of the payout while he considers a preliminary injunction that could eventually require the firm to repay Citigroup"

- Citigroup sues two more Revlon lenders in $900 million fight
  "Citigroup Inc is suing HPS Investment Partners and Symphony Asset Management for allegedly refusing to return a combined $237 million, escalating a legal dispute between the bank and Revlon Inc's lenders over a loan payment error"

- Westpac sells vendor finance business to focus on core banking
  “Australia’s Westpac Banking Corp (WBC.AX) on Friday agreed to sell its vendor finance business to a U.S. private equity firm, as part of its strategy to focus on core banking operations and trim its portfolio of underperforming businesses”

- Virgin Australia bondholders withdraw plans for proposal to rival Bain Capital deal
  “Virgin Australia Holdings Ltd (VAH.AX) bondholders have withdrawn plans for a proposed recapitalisation of the airline that was meant to rival one from U.S. private equity firm Bain Capital, a spokesman for the bondholders said”

- Archer Daniels Midland to cut stake in Wilmar, sell shares for $500 million
  “Grain trader Archer Daniels Midland Co (ADM) said on Wednesday it plans to sell shares and bonds in Singapore-based Wilmar International with a combined value of $800 million”

- S&P warns of rising real rates risk to China’s recovery
  “Rating agency S&P Global warned on Tuesday that China’s economic recovery from the novel coronavirus pandemic could be at risk as a combination of rising interest rates and slowing inflation pushes real rates higher”

- MSCI launches climate change indexes for China stocks
  “MSCI published two climate change indexes on Tuesday that allow investors in China stocks to lean toward companies with lower carbon emissions. The move represents MSCI’s efforts to promote environmental, social and governance (ESG) standards in China, where the government seeks a difficult balance between reducing pollution and sustaining growth in a coronavirus-hit economy”

- Administrator for China’s PUFG rejects keepwell deed for $300 mln bond -Redd
  “Troubled Peking University Founder Group Corp’s (PUFG) administrator is not recognising the keepwell deed the Chinese conglomerate provided for a $300 million dollar bond issued by Nuoxi Capital, financial intelligence provider Redd reported”

- Exclusive: Leading climate action investor group turns focus to Mexico’s Pemex
  “One of the world’s leading investor groups pushing for more corporate action on climate change said it has added Mexican state-owned oil company Petroleos Mexicanos (Pemex)[PEMX.UL] to its list of targets”

- Creditors support Argentina’s amended bond restructuring filing to SEC
  “Argentina’s government filed its amended bond restructuring offer to the U.S. Securities and Exchange Commission on Monday and creditors, who now have until Aug. 28 to approve a deal, reaffirmed as expected their support for the offer”

- Japan’s record economic plunge wipes out Abe era gains
  “Japan was hit by its biggest economic slump on record in the second quarter as the coronavirus pandemic emptied shopping malls and crushed demand for cars and other exports, bolstering the case for bolder policy action to prevent a deeper recession”

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: