ELFA Legal & Regulatory Update
26/10/2020 – 30/10/2020

Key Highlights:

- This Legal & Regulatory Update covers the week commencing **26/10/2020**.
- FCA publishes policy statement extending implementation deadlines for Certification Regime and Conduct Rules.
- FRC publishes major local audit inspection results.
- ESMA sets out final position on Share Trading Obligation following end of UK's transition period.
- ESMA postpones applicability date of updated EMIR validation rules from 1 February to 8 March 2021.
- ESMA updates its statement to address credit ratings from United Kingdom.
- ESMA adds UK venues to opinions on third-country trading venues.
- ESMA issues its annual public statement on European common enforcement priorities, highlighting need to provide adequate transparency regarding consequences of COVID-19 pandemic in financial statements.
- ESMA submits two draft technical standards under revised Market Abuse Regulation to European Commission.
- ESMA makes new bond liquidity data available.
- ESMA publishes data for systematic internaliser calculations for equity, equity-like instruments, bonds and other non-equity instruments.
- EBA launches consultation on revised Guidelines on sound remuneration policies.
- EBA issues first monitoring report on TLAC-MREL instruments accompanied by 15 recommendations.
- ECB releases monetary policy decisions – October 2020.
- European Commission consults on new sustainable corporate governance proposals.
- European Commission proposes to amend Liquidity Coverage Rules for covered bond issuers.
- European Commission disburses €17 billion under SURE to Italy, Spain and Poland.
- Autorité des Marchés Financiers (AMF)'s Chairman, Robert Ophèle, gives speech on how digital finance can contribute to success of Capital Markets Union and fulfilment of Green Deal.
- FINMA announces that preparations for implementation of Financial Institutions Act (FinIA) and Financial Services Act (FinSA) are complete.
- FSB welcomes 2020 status report by industry-led Task Force on Climate-related Financial Disclosures (TCFD).
- IOSCO publishes recommendations to help develop emerging capital markets.
- ICMA's ERCC publishes fifth edition of its SFTR recommendations.
- 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)

26 – 30 October 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:

- Updates to the Bank of England's approach to assessing resolvability – the BoE and the Prudential Regulation Authority (PRA) are consulting in parallel on a package of proposals relating to operational continuity in resolution (OCIR) policy
- Consultation Paper 18/20 Bank Recovery and Resolution Directive II – in this Consultation Paper, the PRA sets out proposals relating to its Contractual Recognition of Bail-in (CROB) and Stay in Resolution (Stays) Rules. The purpose of the proposals is to support the UK's transposition of the Bank Recovery and Resolution Directive II (BRRD II), which amends the BRRD. The UK is required to transpose the BRRD II amendments by Monday 28 December 2020
- Asset Purchase Facility Quarterly Report 2020 Q3
- Capital Issuance September 2020
- Effective interest rates September 2020
- Money and Credit September 2020

- Credit union quarterly statistics 2020 Q2
- Bank of England Weekly Report 28 October 2020
- Minutes of the Artificial Intelligence Public-Private Forum 12 October 2020 – together with the FCA, the BoE recently launched the Artificial Intelligence Public-Private Forum, helping the BoE to better understand the impact of AI on financial services
- Response, and recovery: fintech during the COVID crisis and beyond – Speech by Tom Mutton
- Is home working good for you? – Speech by Andy Haldane
- How has Covid-19 affected small UK companies? – Bank Overground

Financial Conduct Authority (FCA)

28 October 2020: FCA publishes policy statement extending implementation deadlines for Certification Regime and Conduct Rules

The Financial Conduct Authority (FCA) published Policy Statement (PS)20/12, which sets out the FCA's final rules and summarises the feedback received to the FCA's consultation on extending implementation deadlines for the Certification Regime and Conduct Rules. Following a request from the FCA, the Treasury made a statutory instrument to delay the deadline for solo-regulated firms to have undertaken the first assessment of the fitness and propriety of their Certified staff from 9 December 2020 until 31 March 2021. In July 2020, the FCA consulted to change to the same date, the deadline for certification in the FCA Handbook. The FCA also consulted to give corresponding extensions to the deadline for training staff in the Conduct Rules and reporting Directory Person data.

This PS confirms that the FCA will extend the deadline for the following requirements correspondingly from 9 December 2020 to 31 March 2021 as consulted on:

- the date the Conduct Rules come into force, for staff who are not Senior Managers, Certification Staff or board directors;
- the date by which relevant employees must have received training on the Conduct Rules (this automatically follows from the extension in the previous bullet point);
- the deadline for submission of information about Directory Persons to the Register; and
- references in the FCA rules to the statutory deadline for assessing Certified Persons as fit and proper following agreement with the Treasury.

The FCA will also extend the implementation deadlines for Claims Management Companies (CMCs) by an equivalent period. This means that a CMC receiving full authorisation on or after 9 December 2019 will have just over 15 months after the date of its full authorisation to meet the same set of requirements.

These changes affect all FCA solo-regulated firms authorised to provide financial services under the Financial Services and Markets Act 2000 (FSMA), and Appointed Representatives (ARs) are in scope of the extension to the reporting deadline for Directory Persons. However, these changes do not apply to benchmark administrators. The FCA encourages all firms to meet the original deadline of 9 December 2020 wherever possible. However, solo-regulated firms (except benchmark administrators) must have fully implemented the Certification Regime and Conduct Rules, and reported information on Directory Persons by 31 March 2021.

26 – 30 October 2020: Speeches, Letters & Other Publications

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

- FCA reminds insurance firms to review the value of their products in light of the impacts of coronavirus – on 3 June 2020, the published guidance setting out its expectations for insurers and insurance intermediaries to consider the value of their products in light of the exceptional circumstances arising from the coronavirus (Covid-19). The guidance highlighted that the impact of the coronavirus pandemic could affect the value of insurance products for customers. In particular, where firms have been unable to provide benefits or where changed circumstances mean the product now provides little or no utility to customers. The FCA said that firms should review their product lines and act where products have not delivered the intended value to customers. This could include providing alternative benefits, reducing premiums or partial refunds of premiums paid. The FCA is reminding firms that they should complete their coronavirus related review of product lines and decide what action to take by 3 December 2020
- FCA to participate in GFIN cross-border testing of financial products and services – the FCA will be among 23 regulators across 5 continents taking part in the cross-border testing initiative organised by the Global Financial Innovation Network (GFIN). GFIN is a group of over 60 international organisations committed to supporting financial innovation in the interests of consumers. The FCA currently chairs the GFIN's Coordination Group, which sets the overall direction, strategy and annual work programme of the GFIN.

GFIN is inviting applications from firms to test innovative financial products, services, business models or regulatory technology across more than one country or jurisdiction. Firms interested in applying to take part in cross-border testing should review the list of participating regulators and their respective Regulatory Compendiums and submit an application via the GFIN website before the 31 December deadline

- FCA censures Aviva plc for listing and transparency rules breach – this investigation is related to the announcement made on 8 March 2018, which concerned Aviva's preliminary year-end results. The FCA's investigation into breaches of the Listing Rules and Transparency Rules found that the announcement was reasonably capable of giving the impression that Aviva intended to take action to cancel at par value certain preference shares. The FCA considers that Aviva's breach was serious but not intentional. The FCA also recognises that Aviva acted to clarify the Announcement and provided a payment scheme for affected preference shareholders. Accordingly, the FCA believes that it is appropriate to issue a public censure
- FCA to announce further support for mortgage borrowers impacted by coronavirus – to support those financially affected by coronavirus, the FCA is proposing that mortgage borrowers who have not yet had a payment deferral can request one. This could last for up to 6 months. Under the FCA's proposals, borrowers who already have a payment deferral for a period of less than 6 months would be able to extend that deferral. This would mean customers would be able to have a payment deferral for a maximum of 6 months
- FCA charges Stephen Allen with conspiracy to pervert the course of justice – the FCA alleges that between 21 July 2014 and 6 July 2017, Mr Allen conspired with Renwick Haddow to pervert the course of justice by disguising Mr Haddow's interest in the property known as 13 Brook Mews, London W2 3BW and its availability as an asset for the part satisfaction of any order that might be made in proceedings brought by the FCA against Mr Haddow
- Regulatory Co-operation Agreement on FinTech between Reserve Bank of India (RBI) and the FCA
- FCA Board Minutes: 17 September 2020

Financial Reporting Council (FRC)

30 October 2020: FRC publishes major local audit inspection results

The Financial Reporting Council (FRC) published its inspection findings into the quality of major local audits in England for the financial year ended 31 March 2019. This is the first such report published by the FRC. Of the 271 major local audits in the FRC's inspection scope, the FRC reviewed 15 audits across the seven largest audit firms, covering both the financial statement opinion and the Value for Money arrangements conclusion work. For the financial statement opinion, two audits reviewed by the FRC required significant improvements and seven required improvements. None of the Value for Money conclusions reviewed required more than limited improvement.

According to the findings, some firms are still not consistently achieving the necessary level of audit quality and therefore need to make further progress. For two firms, Grant Thornton and Mazars, the level of audit quality requires significant improvement, and those firms should perform a detailed Root Cause Analysis of the issues the FRC has identified and put in place an audit quality action plan across local audits to address the FRC's findings. The key areas of concern requiring action by some audit firms were the valuation of property (including investment property), sufficiency of audit procedures over the occurrence and completeness of expenditure, the response to fraud risks, the impairment of receivables, valuation of pension assets and the effectiveness of the Engagement Quality Control review.

26 – 30 October 2020: Speeches, Letters & Other Publications

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

- FRC calls for comments on Amendments to IFRS 4: extension to IFRS 9 deferral – the FRC published a draft UK Endorsement Criteria Assessment on the IASB's Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9 (the Amendments). As part of the preparation for the end of the Transition Period, work is being undertaken to ensure the UK is ready to undertake adoption of the Amendments if EU adoption does not occur in December 2020. Further details can be found in the Invitation to Comment

- FRC publishes a copy of its submission to the BEIS Select Committee inquiry into Delivering Audit Reform – the FRC provided evidence in a submission to the BEIS Select Committee as part of its ongoing inquiry into Delivering Audit Reform, outlining the steps that have been taken to deliver on the independent reviews and recommendations of the Select Committee
- Financial Reporting Lab newsletter: October 2020 – the Lab has released its third newsletter for 2020. This issue provides an update on the Lab's ongoing projects and recent activities including its recently released reports on *Video in Corporate Reporting and Reporting in times of uncertainty – a look forward*, as well as a set of tips to help companies make their section 172 statements more useful
- Disciplinary Tribunal hearing of a Formal Complaint under the Accountancy Scheme in respect of KPMG LLP and ICAEW member Mr David Costley-Wood concerning Silentnight – the Formal Complaint alleges that: 1) KPMG and Mr Costley-Wood advised and / or assisted Silentnight and a third party, and accepted and performed an engagement for Silentnight, in circumstances where their professional judgment was compromised (or was likely to be compromised) and their objectivity was impaired (or was likely to be impaired), contrary to the Fundamental Principle of Objectivity in the ICAEW Code of Ethics; and 2) KPMG and Mr Costley-Wood knowingly or recklessly assisted with the provision of untrue and/or misleading and/or materially incomplete explanations to the Pension Protection Fund (PPF), the Pensions Regulator, Silentnight and the trustees of the Silentnight Pension Scheme in relation to Silentnight, in breach of the Fundamental Principle of Integrity in the ICAEW Code of Ethics

The Pensions Regulator (TPR)

26 – 30 October 2020: Speeches, Letters & Other Publications

During the week, The Pensions Regulator (TPR) released the following publications & and announcements that might be of interest to our readers:

- FCA, TPR and MaPS issue joint statement on Rolls Royce defined benefit pensions scheme – the authorities have been engaging with Rolls-Royce and the scheme's Trustees in order to be vigilant against the risks associated with increased transfer requests as a consequence of redundancies
- Criminal accountant forced to repay over a quarter of a million pounds defrauded from pension scheme – Roger William Bessent, 67, of Lytham St Annes, Lancashire, had stolen savers' cash from the Focusplay Retirement Benefit Scheme (FRBS) and transferred it into businesses he part-owned and which were run by his family and a client

European Securities and Markets Authority (ESMA)

26 October 2020: ESMA sets out final position on Share Trading Obligation following end of UK's transition period

The European Securities and Markets Authority (ESMA) released a public statement that clarifies the application of the European Union's (EU) trading obligation for shares (STO) following the end of the UK's transition from the EU on 31 December 2020. The statement outlines that the trading of shares with a European Economic Area (EEA) ISIN on a UK trading venue in UK pound sterling (GBP) by EU investment firms will not be subject to the EU STO. This currency approach supplements the EEA-ISIN approach outlined in a previous ESMA statement of May 2019. This revised guidance aims at addressing the specific situation of the small number of EU issuers whose shares are mainly traded on UK trading venues in GBP.

ESMA, based on EU-wide data, regards that such trading by EU investments firms occurs on a non-systematic, ad-hoc, irregular and infrequent basis. Therefore, those trades will not be subject to the EU STO, under Article 23 of MiFIR. ESMA has done the maximum possible in close cooperation with the European Commission to minimise disruption and to avoid overlapping STO obligations and their potentially adverse effects for market participants. The approach put forward by ESMA will effectively avoid such overlaps if the UK adopts an approach that does not include EEA ISINs under the UK STO. ESMA however notes that the scope of the UK STO after the end of the transition period remains unclear at this stage. In the absence of an equivalence decision in respect of the UK, the potential adverse effects of the application of the STO after the end of the transition period are expected to be the same as in the no-deal Brexit scenario considered in the previous ESMA statement.

26 October 2020: ESMA postpones applicability date of updated EMIR validation rules from 1 February to 8 March 2021

ESMA postponed the applicability date of the updated EMIR validation rules from 1 February to 8 March 2021. The amended rules, which were published by ESMA on 10 September 2020, will apply five weeks later than originally planned due to technical issues related to their implementation in light of the UK's withdrawal from the EU.

27 October 2020: ESMA updates its statement to address credit ratings from United Kingdom

ESMA published an update to its March 2019 statement on the endorsement of credit ratings from the United Kingdom. The previous statement has been updated in order to provide clarity on whether endorsement can proceed following the end of the transition period on 31 December 2020 in the context of the UK's Withdrawal Agreement from the EU.

27 October 2020: ESMA adds UK venues to opinions on third-country trading venues

ESMA updated the list of third-country venues (TCTV) in the context of the opinions on post-trade transparency and position limits under MiFID II and MiFIR. Following the publication of its statement on the impact of Brexit on the application of MiFID II/MiFIR on 1 October 2020, ESMA proceeded with the assessment of UK venues against the criteria of the opinions related to the transparency and the position limits provisions.

The UK venues have received a positive assessment and have been added to:

- the annex to the opinion related to post-trade transparency; and
- the annex to the opinion related to position limits.

Consequently, from 1 January 2021:

- EU investment firms will not be required to make transactions public in the EU via an EU APA if they are executed on one of the UK trading venues of the transparency list; and
- commodity derivative contracts traded on UK trading venues on the position limits list will not be considered as economically equivalent over-the-counter (EEOTC) contracts for the EU position limit regime.

ESMA has also updated the related guidance to take into account feedback received from market participants on the identification of bonds and U.S Treasuries, as well as on the treatment of venues without a market identifier code (MIC). To provide enough time to market participants to implement the changes to the guidance, the date of application of the transparency list is set on 10 November 2020.

28 October 2020: ESMA issues its annual public statement on European common enforcement priorities, highlighting need to provide adequate transparency regarding consequences of COVID-19 pandemic in financial statements

ESMA issued its annual Public Statement on European Common Enforcement Priorities, which sets out the priorities that EEA corporate reporting enforcers will consider when examining listed companies' 2020 annual financial reports. The 2020 enforcement priorities for financial statements prepared in accordance with International Financial Reporting Standards (IFRS), reflect the need to provide adequate transparency regarding the consequences of the COVID-19 pandemic, which are expected to affect several areas of the 2020 annual financial reports. The key areas for enforcement are:

- the application of IAS 1 Presentation of Financial Statements with a focus on going concern, significant judgements and estimation uncertainty and the presentation of COVID-related items in the financial statements;
- the application of IAS 36 Impairment of Assets, where the recoverable amount of goodwill, intangible assets and tangible assets may be impacted by the deterioration of the economic outlook of various sectors;
- the application of IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, including general considerations relating to risks arising from financial instruments, focusing on liquidity risk, and specific considerations related to the application of IFRS 9 for credit institutions when measuring expected credit losses; and
- specific issues related to the application of IFRS 16 Leases, including explicit disclosures by lessees which have applied the IASB's amendment providing relief to lessees when accounting for rent concessions.

These priorities promote the consistent application of the IFRS and other financial and non-financial reporting requirements. For other parts of annual financial reports, ESMA's statement highlights the requirements to disclose non-financial information with regards to:

- impact of the COVID-19 pandemic on non-financial matters;
- social and employee matters – most notably in relation to the extensive use of remote working arrangements and compliance with health and safety rules;
- business model and value creation with emphasis on the need to provide disclosures on the impact of the pandemic on the business model and value creation;

- risks relating to climate change, taking into account physical and transition risks;and
- considerations on the application of the ESMA Guidelines on APM in relation to COVID-19.

Finally, ESMA highlights that it is important to closely monitor Brexit negotiations and to provide disclosures on the impact this will have on issuers' activities and their financial and non-financial information.

29 October 2020: ESMA submits two draft technical standards under revised Market Abuse Regulation to European Commission

ESMA published the Final Report on the amendments to the Market Abuse Regulation (MAR) for the promotion of the use of SME Growth Markets (SME GMs). These amendments focused on liquidity contracts and insider lists for SME GMs. This final report and draft RTS and ITS largely reflect the original proposals included in the consultation paper focused on:

- In relation to the RTS on Liquidity Contracts: A) the relevant requirements applying to those liquidity contracts are set out in the body of the RTS while the actual contractual template includes specific parameters and criteria to ensure compliance with MAR requirements while allowing flexibility for investment firms and issuers; and B) the RTS maintain the obligation to open a liquidity account dedicated to the contract and the limits to resources, as well as conditions to be complied with for the trading activity of the liquidity provider.
- Regarding the ITS on Insider Lists ,the new template for insider lists, to be used by SMEs in jurisdictions that opt for including in them all persons who have access to inside information, only contains the minimum fields that are necessary for supervisory purposes.

Due to the COVID-19 pandemic and reprioritisation within ESMA, the draft RTS and ITS were submitted to the European Commission with a slight delay.

30 October 2020: ESMA makes new bond liquidity data available

ESMA made available new data for bonds subject to the pre- and post-trade requirements of the Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR) through its data register. ESMA published the latest quarterly liquidity assessment for bonds available for trading on EU trading venues. For this period, there are currently 499 liquid bonds subject to MiFID II transparency requirements. ESMA's liquidity assessment for bonds is based on a quarterly assessment of quantitative liquidity criteria, which includes the daily average trading activity (trades and notional amount) and the percentage of days traded per quarter. ESMA updates the bond market liquidity assessments quarterly.

30 October 2020: ESMA publishes data for systematic internaliser calculations for equity, equity-like instruments, bonds and other non-equity instruments

ESMA published data for the systematic internaliser quarterly calculations for equity, equity-like instruments, bonds and for other non-equity instruments under the Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR). ESMA published, on a voluntary basis, the total number of trades and total volume over the period April-September 2020 for the purpose of the systematic internaliser (SI) calculations under MiFID II for:

- 22,022 equity and equity-like instruments;
- 120,876 bonds; and
- 5,907 sub-classes of derivatives (including equity derivatives, interest rate derivatives, commodity derivatives, C10 derivatives, emission allowance and derivatives thereof and contracts for difference (CFDs)).

The SI test shall be performed by 15 November 2020. The results for equity and equity-like instruments and bonds are published only for instruments for which trading venues submitted data for at least 95% of all trading days over the 6-month observation period. The data publications also incorporate OTC trading to the extent it has been reported to ESMA. The publication includes data for instruments traded or available for trading during the reference period considered.

26 – 30 October 2020: Speeches, Letters & Other Publications

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

- ESMA publishes translations for decision of renewal to lower the reporting thresholds of net short positions – ESMA published official translations of its decision of renewal of 16 September 2020 to lower the reporting thresholds of net short positions under Art.28 of the SSR

European Banking Authority (EBA)

29 October 2020: EBA launches consultation on revised Guidelines on sound remuneration policies

The European Banking Authority (EBA) launched a public consultation on revised Guidelines on sound remuneration policies. This review takes into account the amendments introduced by the fifth Capital Requirements Directive (CRD V) in relation to institutions' sound remuneration policies and in particular the requirement that those remuneration policies should be gender neutral. The consultation runs until 29 January 2021.

The revised guidelines specify that institutions should implement a gender-neutral remuneration policy. The EBA will follow up on institutions' practices with a report to be published within two year after the publication of the final guidelines. All institutions are also required to apply sound and gende neutral remuneration policies to all staff. In particular, for the variable remuneration of staff, whose professional activities have a material impact on the institution's risk profile (identified staff), additional requirements apply. The revised guidelines specify all those requirements, and the waivers, which apply to institutions based on their total balance sheet and to staff with a low variable remuneration.

Furthermore, the revised guidelines also clarify how the remuneration framework applies on a consolidated basis to investment firms and others financial institutions that are subject to a specific remuneration framework (for example, firms subject to the Undertakings for Collective Investment in Transferable Securities Directive (UCITS), the Alternative Investment Fund Managers Directive (AIFMD) or the Market in Financial Instruments Directive (MiFID)) and are not any longer subject to the so called bonus cap. Finally, the sections on severance payments and retention bonuses have been revised based on supervisory experience regarding cases of circumvention.

29 October 2020: EBA issues first monitoring report on TLAC-MREL instruments accompanied by 15 recommendations

The EBA published its first monitoring report on minimum requirement for own funds and eligible liabilities (MREL) and total loss absorbing capacity (TLAC) instruments. The purpose of this report is to inform stakeholders about the implementation review performed by the EBA on TLAC / MREL instruments so far and to present its views and current recommendations on specific features commonly seen in these instruments. This report follows the same approach of the reports regularly published on CET1 and AT1 monitoring of issuances. The report is based on the review of 27 transactions issued in 14 jurisdictions for a total amount of EUR 22,75bn. In particular, the report includes EUR 21bn of senior non-preferred (SNP) issuances and EUR 1,75bn of senior holding company (HoldCo) issuances.

The report covers five main areas of assessment relevant to determine the quality of the TLAC / MREL instruments, namely: availability, subordination, capacity for loss absorption, maturity and other aspects including governing law, tax and regulatory calls, and tax gross-up clauses. The report contains 15 recommendations in total, four in the area of subordination, seven in the area of capacity for loss absorption, three in the area of maturity and one on tax gross-up. In addition, the report stresses the areas where further work from the EBA is ongoing. In particular, the report highlights the importance to provide further guidance on the interaction between the clauses used for environmental, social and governance (ESG) capital issuances and the eligibility criteria for eligible liabilities instruments. Consistent with the other work performed by the EBA on the monitoring of capital issuances, the review is not intended to be fully comprehensive. Going forward, the EBA will continue to monitor the quality of the TLAC / MREL instruments issued and exchange views with institutions and market participants on the results of this monitoring.

European Central Bank (ECB)

29 October 2020: ECB releases monetary policy decisions – October 2020

The Governing Council of the European Central Bank (ECB) released 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. The Governing Council expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics;
2. The Governing Council will continue its purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of €1,350 billion. These purchases contribute to easing the overall monetary policy stance, thereby helping to offset the downward impact of the pandemic on the projected path of inflation. The purchases will continue to be conducted in a flexible manner over

time, across asset classes and among jurisdictions. This allows the Governing Council to effectively stave off risks to the smooth transmission of monetary policy. The Governing Council will conduct net asset purchases under the PEPP until at least the end of June 2021 and, in any case, until it judges that the coronavirus crisis phase is over. The Governing Council will reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2022. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance;

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. The Governing Council continues to expect monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. The Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation; and
4. The Governing Council will also continue to provide ample liquidity through its refinancing operations. In particular, the third series of targeted longer-term refinancing operations (TLTRO III) remains an attractive source of funding for banks, supporting bank lending to firms and households.

26 – 30 October 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:

- Results of the ECB Survey of Professional Forecasters in the fourth quarter of 2020 – respondents reported point forecasts for annual HICP inflation averaging 0.3%, 0.9% and 1.3% for 2020, 2021 and 2022 respectively. These results represent downward revisions of 0.1 percentage points for both 2020 and 2021. Average longer-term inflation expectations (which, like all other longer-term expectations in this round of the SPF, refer to 2025) edged up to 1.7% from 1.6% in the previous round
- October 2020 euro area bank lending survey – in the third quarter of 2020, according to the October 2020 bank lending survey (BLS), the net percentage of banks reporting a tightening of credit standards for loans or credit lines to firms (net percentage of banks at 19%) comes after favourable developments in the previous round. Credit standards for loans to households continued to tighten (a net percentage of 20% for loans to households for house purchase and of 9% for consumer credit and other lending to households). Banks referred to the deterioration of the general economic outlook, increased credit risk of borrowers and a lower risk tolerance as relevant factors for the tightening of their credit standards for loans to firms and households. For the fourth quarter of 2020, banks expect credit standards to continue to tighten for firms, reflecting concerns around the economic recovery as some sectors remain vulnerable, as well as uncertainties around the prolongation of fiscal support measures. The net tightening of credit standards on loans to households for house purchases is expected to continue in the fourth quarter of 2020
- Euro area economic and financial developments by institutional sector: second quarter of 2020
- Decisions taken by the Governing Council of the ECB (in addition to decisions setting interest rates)
- Supervision in times of uncertainty – Keynote speech by Kerstin af Jochnick
- The power of perception: COVID-19 and lessons in governance – Keynote speech by Elizabeth McCaul
- Bank asset quality: this time we need to do better – Opinion piece by Yves Mersch
- Spillover effects in international business cycles – Working Paper Series
- The wage-price pass-through in the euro area: does the growth regime matter? – Working Paper Series

European Commission (EC)

26 October 2020: European Commission consults on new sustainable corporate governance proposals

The European Commission published a consultation on sustainable corporate governance to foster long-term sustainable and responsible corporate behaviour. As indicated in the European Green Deal, sustainability should be further embedded into the corporate governance framework, as many companies still focus too much on short-term financial performance compared to their long-term development and sustainability aspects. As a follow-up, the Commission announced a sustainable corporate governance initiative to foster long-term sustainable and responsible corporate behaviour, as included in the Commission's Work Programme for 2021. This initiative also builds on existing work in the framework of sustainable finance. The consultation launched asks how the EU can best go about helping businesses in the way they operate, towards a transformation to a more sustainable economy and to ensure that environmental and social interests are embedded in business strategies.

It is believed that the underlying proposals in this consultation are covered in the EC's research into sustainable corporate governance, which was published in July 2020. Key proposals in the consultation include, according to some of the briefings:

- clarifying directors' duty of care: the EC is seeking feedback on whether directors' duties of care should be more clearly defined in legislation. This could include embedding a duty for directors to consider a wider range of stakeholders and to balance the interests of all stakeholders, rather than giving primacy to shareholders. This could extend to an obligation to identify the relevant stakeholders and to implement procedures to ensure that adverse environmental, human rights and social impacts on stakeholders are addressed;
- strengthening enforcement of directors' duties: the EC is examining whether it needs to strengthen enforcement mechanisms outside of internal board structures and general meetings of shareholders. This might include an enforcement role for civil society stakeholder groups, such as those representing employee or environmental concerns;
- remuneration of directors: this consultation seeks additional feedback on a number of different approaches to aligning directors' remuneration with a long-term approach, including compulsory sustainability metrics for remuneration and requiring the inclusion of carbon emission reductions in the factors affecting variable remuneration;
- mandatory due diligence in the supply chain: the consultation seeks potential need for requirements for companies to undertake appropriate due diligence throughout the supply chain; and
- sustainability expertise of the board: the EC is considering how directors' competence in this area could be enhanced, potentially including requirements for companies to have a certain proportion of board members with environmental, social and/or human rights expertise or regular assessments of board expertise in this area complemented with regular training.

This public consultation aims to gather data and to collect the views of stakeholders with regard to a possible initiative on sustainable corporate governance. The questions are targeted to provide their views on the most relevant aspects of sustainable corporate governance. More specifically, the consultation aims to:

- gather the views of stakeholders on the need and objectives for EU intervention as well as different policy options;
- gather data that can be used to better assess the costs and benefits of different policy options; and
- gather additional knowledge about certain specific issues, in particular as regards national frameworks, enforcement mechanisms and current jurisprudence.

The consultation is open for participation until 8 February 2021. A formal proposal is expected to be published by the Commission in Q2 2021, but further detail on the direction of the new initiative may be included when the Commission publishes its Renewed Sustainable Finance Strategy (now expected to be in Q1 2021).

27 October 2020: European Commission proposes to amend Liquidity Coverage Rules for covered bond issuers

The EC published draft of a delegated regulation amending liquidity coverage rules for covered bond issuers. The draft regulation amends Regulation 2015/61 (the LCR Delegated Regulation) to supplement the Capital Requirements Regulation, or CRR, with regard to liquidity coverage requirement for credit institutions. This amendment to the LCR Delegated Regulation would also fix any ambiguous or outdated rules and clarify some of the existing rules that are unrelated to the Covered Bond Directive (CBD or Directive 2019/2162). The draft regulation is open for feedback until November 24, 2020 while the text of the proposed draft indicates that the amended regulation shall apply from July 08, 2022.

27 October 2020: European Commission disburses €17 billion under SURE to Italy, Spain and Poland

The EC announced that it has disbursed a total of €17 billion to Italy, Spain and Poland in the first instalment of financial support to Member States under the SURE instrument. As part of this operation, Italy has received €10 billion, Spain €6 billion, and Poland €1 billion. Once all SURE disbursements have been completed, Italy will receive a total of €27.4 billion, Spain €21.3 billion and Poland €11.2 billion. This support, in the form of loans granted on favourable terms, will assist these Member States in addressing sudden increases in public expenditure to preserve employment. Specifically, they will help cover the costs directly related to the financing of national short-time work schemes, and other similar measures they have put in place as a response to the coronavirus pandemic, in particular for the self-employed. The SURE instrument can provide up to €100 billion in financial support to all Member States. The Council has so far approved €87.9 billion in financial support under SURE to 17 Member States, based on the Commission's proposals. The next disbursements will take place over the course of the months ahead, following the respective bond issuances. The disbursements follow the inaugural social bond issuance by the Commission, marked by very strong investor interest, to finance the instrument.

26 – 30 October 2020: Speeches, Letters & Other Publications

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

- EUR 17 billion EU SURE social bond listed on LuxSE – the Luxembourg Stock Exchange (LuxSE) marked the listing of the EUR 17 billion SURE social bond, which is the very first social bond issued by the European Commission. It consists of two tranches; a EUR 10 billion tranche with a 10-year maturity and a EUR 7 billion tranche with a 20-year maturity. The bond was 13 times oversubscribed, with demands exceeding EUR 233 billion, which reflects the enormous support from the investor community for a social bond that will safeguard jobs and fight the rising unemployment in European countries stemming from the COVID-19 pandemic and the resulting economic crisis
- Commission report: Europe's nature under threat as world suffers worst year on record for forest fires – the Joint Research Centre of the Commission presented the 20th edition of its Annual Report on Forest Fires in Europe, the Middle East and North Africa, covering 2019. In what was the worst-ever year for forest fires around the world in recent history, over 400,000 hectares (ha) of Europe's natural land was burnt and a record high number of nature protection areas were affected by wildfires. According to the findings of the report, climate change continued to affect the length and intensity of fire danger in Europe
- EU strengthens trade enforcement arsenal with revamped regulation – the EC, the European Parliament and the Council reached a political agreement on reinforcing the EU's Enforcement Regulation. As part of the agreement, the Commission committed to developing the EU's anti-coercion mechanism swiftly. The changes agreed will empower the European Union to protect its trade interests despite the paralysis of the multilateral dispute settlement system in the World Trade Organization (WTO). The EC will also be able to act if similar problems arise in bilateral agreements. The final agreement between the co-legislators also expands the scope of the regulation and of possible trade policy measures to services and certain trade-related aspects of intellectual property rights (IPR). This will further strengthen the Union's arsenal in enforcing its rights by allowing it to adopt countermeasures in a broader range of fields
- Customs Union: Commission proposes new 'Single Window' to modernise and streamline customs controls, facilitate trade and improve cooperation – the EC proposed a new initiative that will make it easier for different authorities involved in goods clearance to exchange electronic information submitted by traders, who will be able to submit the information required for import or export of goods only once. The so-called 'EU Single Window Environment for Customs' aims to enhance cooperation and coordination between different authorities, in order to facilitate the automatic verification of non-customs formalities for goods entering or leaving the EU
- EU Single Window for Customs: Questions and Answers
- Antitrust: The Commission sends Statement of Objections to České dráhy for alleged predatory pricing – the EC has informed the state-owned Czech rail incumbent České dráhy (ČD) of its preliminary view that ČD has breached EU antitrust rules by charging prices below costs

Central Bank of Ireland (CBI)

26 – 30 October 2020: Speeches, Letters & Other Publications

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

- Transcript of Governor Gabriel Makhlouf's interview with Martin Arnold, Financial Times – the interview examines key issues a no-deal on Brexit, which is now the CBI's base case scenario
- CBI publishes an Economic Letter entitled "Room to improve: A review of switching activity in the Irish mortgage market" – the Letter provides a detailed review of switching activity in the Irish mortgage market. It estimates the potential for savings available to mortgage holders and highlights some of the potential barriers to mortgage switching in Ireland

Autorité des Marchés Financiers (AMF) of France

26 – 30 October 2020: Speeches, Letters & Other Publications

During the week, the Autorité des Marchés Financiers (AMF) of France released the following speeches, letters and publications that might be of interest to our readers:

- AMF provides further guidance on MiFID II's client assessment questionnaire – in this guidance, the AMF explains that MiFID II increased the obligations of investment services providers (ISPs) regarding the assessment of their clients: more than ever, the ISPs must make sure that the planned product or service corresponds to their clients' profile. However, to do so, they must have the necessary information. Now, in some cases the client refuses to fill in the assessment questionnaire, making it impossible to determine their profile. As illustrated by this guidance, the AMF explains that consequences of this vary depending on the investment service in question, but do not result in a refusal to transmit orders
- Speech by Robert Ophèle, AMF Chairman, at the ACPR-AMF Forum Fintech – the speech explores how digital finance can contribute to the success of the Capital Markets Union and the fulfilment of the Green Deal
- AMF'S Enforcement Committee clears a management company of breaches of its professional obligations – the Enforcement Committee cleared an asset management company accused of having breached its professional obligations with regard to conflicts of interest in connection with a transfer of unlisted shares between several funds under its management

Commission de Surveillance du Secteur Financie (CSSF)

26 – 30 October 2020: Speeches, Letters & Other Publications

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

- CSSF publishes its October 2020 Newsletter No 237 – this newsletter gives an update on the latest publications by the CSSF and provides statistics relating to the financial sector
- Circular CSSF 20/755 – adoption of 1) the Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR 'quick fix' in response to the COVID-19 pandemic (EBA/GL/2020/11), 2) the Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic (EBA/GL/2020/12), and 3) amendment of CSSF Circular 18/687
- Circular CSSF 20/746 – this circular provides further guidance on the FATF guidance concerning 1) high-risk jurisdictions on which enhanced due diligence and, where appropriate, counter-measures are imposed, and 2) jurisdictions under increased monitoring of the FATF

Swiss Financial Market Supervisory Authority (FINMA)

28 October 2020: FINMA announces that preparations for implementation of Financial Institutions Act (FinIA) and Financial Services Act (FinSA) are complete

The Swiss Financial Market Supervisory Authority (FINMA) announced that it has licensed a fifth supervisory organisation and authorised a third registration body. There are no further applications pending. The establishment phase of the institutional conditions for implementation of the Financial Institutions Act (FinIA) and Financial Services Act (FinSA) has thus been completed on schedule, enabling portfolio managers, trustees and independent client advisers to fulfil their licensing and registration obligations under FinIA and FinSA in time. In this announcement, FINMA also gives guidance on the deadlines for implementing FinIA and FinSA, which differ depending on the financial services provider's activity.

26 – 30 October 2020: Speeches, Letters & Other Publications

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

- Changes to FINMA Board of Directors – the Federal Council appointed Martin Suter as Vice-Chair of the Board of Directors of FINMA

Financial Stability Board (FSB)

29 October 2020: FSB welcomes 2020 status report by industry-led Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board (FSB) welcomed the publication of the 2020 status report by the industry-led Task Force on Climate-related Financial Disclosures (TCFD), which reports on the further growth in TCFD-aligned disclosures by firms. According to the report, more than 1,500 organisations have expressed their support for the TCFD recommendations, an increase of over 85% since the 2019 status report. Nearly 60% of the world's 100 largest public companies support the TCFD, report in line with the TCFD recommendations, or both. The latest status report finds that disclosure of climate-related financial information aligned with the TCFD recommendations has steadily increased since the recommendations were published in 2017. However, the report highlights the continuing need for progress in improving levels of TCFD-aligned disclosures given the urgent demand for consistency and comparability in reporting.

The TCFD has also published guidance on climate-related scenario analysis and on integrating climate-related risks into existing risk management processes, as well as a public consultation on forward-looking climate metrics for financial firms. The FSB has asked the TCFD to publish a further status report in September 2021 and undertake further analysis on the extent to which companies describe the financial impact of climate-related risks and opportunities on their businesses and strategies. The TCFD also plans to gain better insight into reporting practices of asset managers and asset owners to their clients and beneficiaries.

26 – 30 October 2020: Speeches, Letters & Other Publications

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

- FSB holds virtual workshops on FinTech issues – register for the FSB's FinTech virtual workshops on 4 and 5 November. The objective of the workshop on 4 November is to present the FSB's work on the use of supervisory (SupTech) and (RegTech) regulatory technology by authorities and regulated institutions. The workshop will consider issues raised in the FSB's recent report on this topic. The objective of the workshop on 5 November is to present the FSB's work on the provision of financial services by BigTech firms in emerging market and developing economies, based on the FSB's recent publication on this topic

International Organization of Securities Commissions (IOSCO)

29 October 2020: IOSCO publishes recommendations to help develop emerging capital markets

The International Organization of Securities Commissions' (IOSCO) Growth and Emerging Markets Committee (GEMC) published a report examining the challenges and opportunities that Emerging Markets jurisdictions (EMs) face when developing their capital markets as key drivers of economic growth and financial resilience and inclusion. The report makes five key recommendations that EMs should consider when seeking to strengthen their capital markets. The report, Development of Emerging Capital Markets: Opportunities, Challenges and Solutions, draws on the GEMC´s extensive work on different aspects of market development, from corporate governance and regulatory frameworks to corporate bond markets and market liquidity. It also highlights the main challenges faced by EMs in implementing international standards and the role of capacity building. In addition to these areas, the report explores further opportunities offered by sustainable finance and Fintech for developing EMs. The report also analyses the preliminary impact of COVID-19 on EMs focusing on the capital outflows and the operational resilience of these markets during the pandemic. Its analysis highlights the need for capital markets to function efficiently during the current crisis to support the real economy.

While recognising there is 'no one size fits all' approach to capital markets development, the report sets forth five key recommendations to assist EMs in deepening their capital markets:

- Recommendation 1: Policy makers and regulators should develop a holistic strategy for the development of capital markets;
- Recommendation 2: Regulators should seek to ensure that capital markets are fair and efficient for capital raising. Increasing institutional investor participation, providing diversified investment choices and ensuring market confidence should be high priorities on their agenda;
- Recommendation 3: Securities regulators should have adequate powers, proper resources and the capacity to perform their functions and exercise their powers;
- Recommendation 4: Jurisdictions should establish strong national and international cooperation arrangements to develop capital markets with the key involvement of the securities regulator; and
- Recommendation 5: Regulators and market participants should develop and implement efficient roadmaps for investor education and guidance.

International Capital Market Association (ICMA)

29 October 2020: ICMA's ERCC publishes fifth edition of its SFTR recommendations

The International Capital Market Association's (ICMA) European Repo and Collateral Council (ERCC) published an updated version of the ICMA Recommendations for Reporting under SFTR. This is the fifth public edition of the document, which was initially released on 24 February and last updated on 7 September. The recommendations aim to help members interpret the regulatory reporting framework specified by ESMA and set out complementary best practice recommendations to provide additional clarity and address ambiguities in the official guidance.

Compared to the previous edition, the new version of the guide includes a number of further updates to address reporting issues raised by members since the initial go-live on 13 July, and it also covers a number of specific buy-side questions and important lessons learnt since the buy-side reporting go-live on 12 October. In addition, the latest version of the guide now also includes a detailed breakdown of the post-Brexit reporting obligations under SFTR and MiFIR for UK, EU and non-EU counterparties. For ease of comparison, ICMA published, alongside the new guide, a blackline version which shows all the changes that have been made since the last publication in September. Going forward, the document will continue to evolve to reflect ongoing discussions in the ERCC SFTR Task Force as well as any additional guidance received from ESMA and/or the National Competent Authorities (NCAs). In addition to the detailed recommendations, ICMA has also developed a number of complementary best practice documents, including a comprehensive set of over 50 SFTR sample reports, which are available on the ICMA website.

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

- More than 500,000 UK companies in financial distress as support ends
  "The number of companies in significant financial distress has risen at the fastest rate for three years as businesses face increasing difficulties given the end of many government Covid-19 business support schemes"

- UK accused of letting private equity 'cash in' on loans
  "The government has been accused of letting private equity groups cash in on state-backed coronavirus loans, by allowing the companies that they own to use the funding to cover the costs of the large debts used to buy them"

- IMF urges UK to keep spending to tackle pandemic crisis
  "The UK government should continue to spend on support for workers and businesses to weather the economic shocks of the pandemic and Brexit, and wait to put the public finances back on an even keel, the head of the IMF said on Thursday. Concluding a regular review of the UK economy, the IMF acknowledged that the outlook for growth had darkened even in the two weeks since it published its most recent global forecasts"

- Unlock UK pension funds to speed recovery and boost savers
  "Unlocking the firepower of UK pension funds could provide fast-growing smaller businesses with the financing they need to grow, employ and invest. It is obvious that we cannot sit idle and hope for the best in the long term. Instead, the government and British financial institutions must be bold"

- Banks stay bullish despite worsening pandemic
  "Third-quarter earnings results have left many executives lobbying for dividends to restart"

- HSBC considers paying 2020 dividend as profits beat estimates
  "HSBC struck a bullish stance after reporting better than expected third-quarter earnings on Tuesday, saying it was considering restarting paying dividends as provisions for bad loans plunged and executives said the worst of coronavirus was behind them"

- HSBC follows Barclays as loan loss provisions recede
  "HSBC's payout will depend on economic conditions in early 2021. But as HSBC acknowledged, it will also be subject to regulatory consultation, setting up some potentially difficult conversations with the Bank of England"

- Lloyds returns to profit as it strikes brighter note
  "Lloyds Banking Group has become the latest in a wave of lenders to strike an optimistic tone after returning to profit and comfortably beating analysts' forecasts in its third-quarter results"

- StanChart to consider dividend as profits beat forecasts
  "Standard Chartered reported a better than expected underlying pre-tax profit of $745m for the third quarter and said it would consider resuming dividends, as it joined other global lenders in striking a bullish tone"

- Now would be a crazy time for banks to resume dividends
  "It would be reckless in the extreme for any regulator in the midst of a global pandemic with unprecedented economic consequences to allow its banking system to deliberately deplete its capital — all the more so a British one still scarred by the mass bailouts of 2008"

- BP returns to profit but warns of volatile outlook
  "BP returned to a profit in the third quarter as crude prices and energy demand recovered, but the oil producer warned that the outlook remained volatile as the pandemic threatens the global economy"

- [Asda buyers' petrol stations business hit by Moody's downgrade]
"Moody's has downgraded EG Group, the highly leveraged petrol stations company whose owners are buying Asda, citing concerns over the way it reports its €8bn debt burden as well as the governance issues that this month prompted the company's auditor to resign"

- [Greensill Capital rebuffed in search for new auditor]
"Several large accountancy firms have rebuffed invitations to audit SoftBank-backed Greensill Capital, complicating the controversial financing company's efforts to appoint a new auditor ahead of a potential stock market listing. The London-based group, which employs former UK prime minister David Cameron as an adviser, has grown into one of Britain's most valuable private finance firms since its was founded in 2011. However, for the past five years it has employed the relatively obscure accountancy firm Saffery Champness as its auditor, rather than one of the Big Four firms"

- [Daimler to increase stake in Aston Martin to 20%]
"Daimler will increase its stake in the struggling sports car group Aston Martin to 20 per cent in exchange for the UK manufacturer securing access to the German group's electric vehicle technologies"

- [Aston Martin forced to pay 10.5% yield on $1bn bond deal]
"British carmaker Aston Martin was forced to pay double-digit interest rates to borrow more than $1bn on Friday, as bond investors demanded high compensation to lend to the cash-burning business. The luxury carmaker will pay 10.5 per cent in annual interest on $1.1bn of new bonds as part of a wider refinancing package that included a £125m equity raise. This was higher than the roughly 9 per cent interest rate touted to investors earlier in the week"

- [ECB signals more easing ahead as Lagarde warns of worsening outlook]
"The European Central Bank has signalled it is likely to provide more stimulus before the end of the year after a fresh surge in coronavirus infections triggered new clampdowns on activity in some of the bloc's largest economies. The ECB kept its deposit rate at minus 0.5 per cent and held its emergency bond-buying plan at €1.35tn in its latest policy announcement on Thursday, having already spent almost half of the funds"

- [Lagarde's deflation dilemma: virus piles stimulus pressure on ECB]
"The day after Christine Lagarde presents the European Central Bank's latest monetary policy decision on Thursday, new figures are expected to show the eurozone sank into its third consecutive month of deflation — something it has done only twice before. The fear that Europe is becoming bogged down in a Japanese-style cycle of weak growth, negative interest rates and sub-zero inflation is expected to dominate discussions among ECB policymakers this week, even if they are likely to take no immediate action"

- [EU capitals hesitate over recovery fund loans]
"Pandemic-stricken EU member states have made it plain that they intend to fully tap the €390bn of recovery fund grants leaders agreed in July. What is much less clear is how far they intend to avail themselves of the cheap loans the European Commission is also offering"

- [Italy seeks to ride wave of demand unleashed by EU Covid bonds]
"The boost provided by the EU's Covid-related borrowing is helping Italy stretch out the maturity of its public debt and insulate it from a future rise in interest costs, Rome's debt chief has said"

- [ECB: the EU needs a regional 'bad bank']
"This is not about helping banks that took excessive risks and managed them poorly. Instead, the aim is to enable EU banks to support viable households, small businesses and companies, and to bolster the EU's needed transformation to a greener and more technologically advanced economy without banks being weighed down by impaired loans"

- [ECB to gobble up more debt next year than governments can sell]
"Investors will not have to contribute a single euro to finance the vast budget deficits of eurozone governments next year, according to analysts who forecast that the European Central Bank will buy a greater quantity of debt than all the new bonds hitting the market"

- The ECB needs to do more to “green” its monetary policy
  “The eurozone’s monetary policymakers have a means to offer cheaper funding to banks. They should use it to encourage lenders to issue more green loans”

- Brussels debates building up a Fortress Europe in finance
  “For anyone with doubts about the post-Brexit direction of EU financial services policy, just take a look at what Brussels is up to on hedge funds. The European Commission published a consultation paper at the end of last week reviewing its nearly decade-old legislation for the industry. It reveals an EU policymaking machine highly preoccupied by the threat that its rules could be undermined from abroad”

- Clouds darken over eurozone economy as new lockdowns bite
  “Activity in Covid-19-struck Europe is thought to have leapt in the third quarter, but finance ministers meeting early next week will take little comfort from coltish-looking economic figures. The reason is simple — the rolling series of new restrictions that have been announced in recent days have cast a new shadow over the region’s prospects, making it all but impossible to know exactly where output will go next”

- Eurozone banks rein in lending due to pandemic worries
  “Banks are pulling back from lending to European businesses and households as they braced themselves for a rise in bad loans due to the economic impact of the pandemic, a European Central Bank survey has shown”

- Europe’s direct lending market shrinks in first half of 2020
  “Direct lending in Europe cooled in the first half of the year after a flood of central bank interventions helped financially strained companies borrow through public markets instead. The number of direct lending deals, in which funds make loans that would traditionally be made or arranged by banks, completed in Europe fell by 29 per cent in the first six months of 2020 compared with the same period last year, according to figures from Deloitte”

- European airlines braced for more pain as lockdowns return
  “European airlines are bracing themselves for deeper losses, slashing flights and urgently demanding more help for the industry in the face of tough new travel restrictions to try to curb the resurgent Covid-19 pandemic”

- Deutsche Bank returns to profit as bond trading surges
  “Deutsche Bank returned to profit for the first time since early 2019 as a surge in bond trading, falling costs and lower provisions for bad loans buoyed Germany’s largest lender. The bank’s fixed-income trading revenues climbed 47 per cent in the third quarter, it said on Wednesday, surpassing the average 26 per cent rise recorded by its five largest Wall Street rivals”

- Deutsche Bank: extinction rebellion
  “European investment bankers are not quite ready to become extinct like the Irish elk or Balearic cave goat. At Deutsche Bank they raised third-quarter revenues 43 per cent to €2.4bn. Fixed-income traders thrashed US rivals, increasing sales by almost a half”

- Santander back to profit after quicker customer recovery
  “Spanish bank Santander swung back into profit in the third quarter and upgraded its full-year forecasts after its customers recovered faster than expected from the initial disruption of the pandemic”

- Credit Suisse plans to resume payouts to shareholders
  “Credit Suisse said it would renew dividend payments and begin a buyback programme in the coming months, becoming the latest bank to signal it could withstand a pandemic that is gathering pace in Europe and the US”

- Shell raises dividend as it seeks to woo shareholders
  “Royal Dutch Shell raised its dividend on Thursday, insisting it could afford higher payouts even as the oil and gas company navigates the twin challenges of the pandemic and the shift towards lower carbon energy. The Anglo-Dutch group said its cash flows and performance gave it confidence to resume paying higher dividends, just months after the company made the first cut to its payout since the second world war. A lack of clarity on its future capital allocation and payout targets had drawn criticism from shareholders, and since the dividend cut in April, Shell’s stock has tumbled to a 25-year low amid a broader oil market malaise”

- Lifting Shell's dividend sweetens but does not change the long-term game
  "That suggests Shell's decision was largely dictated by a short-term attempt to woo investors and reverse the downward slide in its share price, now languishing at 25-year lows"

- Federal Reserve lowers bar for access to small-business lending programme
  "The Federal Reserve has lowered the bar for small businesses and charities to access central bank loans as they struggle through the economic downturn triggered by the pandemic. In a statement on Friday, the Fed said it would reduce the minimum loan size from $250,000 to $100,000 for the Main Street Lending Program, a $600bn scheme launched earlier this year with the backing of the US Treasury"

- Global equities suffer worst week since March
  "Global equities have suffered their worst week since the ructions in March, with Wall Street's tech titans among the latest casualties in a sell-off attributed to caution over coronavirus and the US election"

- Corporate bond market wavers ahead of US election
  "Corporate bond markets are beginning to creak ahead of the US election as investors become more skittish, fearful that rising coronavirus cases and delays in Washington on further stimulus could hit the US economy"

- Do markets care who wins?
  "In a word, no. While plenty of investors are making big bets on the outcome of the election, those may prove to be misguided. While it's possible you may see some short-term swings, the longer-term market math is likely to be determined by things that neither president can change substantially — Covid, the US fiscal situation and demographics, all of which point right now to slower economic growth and more debt"

- How the US election could impact LNG exports
  "The standard narrative has been that Donald Trump is good for fossil fuels, while Joe Biden would hurt the industry as he looks to transition to cleaner energy. But it is not always as simple as that"

- PetSmart scraps debt deal after investor push back
  "PetSmart has shelved a planned $4.7bn fundraising linked to its split from online store Chewy, delivering a setback for the pet supply chain after years of testy relations between its lenders and private equity owner. Investors had pushed back against the terms of the proposed fundraising, which included a mix of bonds and loans, amid jitters in the corporate debt markets ahead of the US election. PetSmart, which holds a junk credit rating, had increased the interest rate on the bonds in an attempt to win them over, according to people familiar with the fundraising"

- Platinum Equity-owned label maker pulls risky PIK deal
  "Platinum Equity-owned label maker Multi-Color Corporation has pulled a proposed sale of a risky payment in kind note, signalling that the soaring demand from investors for US corporate bonds has its limits. The $500m deal had been seen as one of the most aggressive to be brought to market during the post-March financing boom, in which supportive central bank policies have pushed down borrowing costs and led investors to accept increasingly risky deals"

- Investors imagine private equity group Apollo after Leon Black
  "Hours after last week's announcement that Apollo Global Management was investigating the relationship between its founder and chairman Leon Black and the late paedophile Jeffrey Epstein, rank-and-file employees received an email that seemed to mark a passage of power at the formidable Wall Street firm"

- BlackRock pushes for global ESG standards
  "BlackRock, the world's largest asset manager, has called for the alphabet soup of standards used by companies to showcase their sustainability efforts to be replaced by a globally recognised framework, warning an overhaul was vital for investors to understand the risks companies face"

- Asset managers warned over 'insufficient' climate risk reporting
  "Asset managers are not providing enough information about climate risks at the companies they invest in to enable clients to make informed choices, a regulatory task force has warned"

- Finance houses join the rush toward supporting the energy transition
"Asset managers are doing more to challenge companies on global warming but still stand accused of greenwash"

- Oil and gas lobby moves to embrace green investors
"A US oil and gas lobby group which has sparred with green activists over climate policy is embracing an environmental, social and governance message to win back investors sceptical that fossil fuels have a future"

- Investors pile pressure on companies over ESG at annual meetings
"The pressure on companies to tackle social and environmental issues has intensified this year despite the pandemic, with a record number of resolutions addressing issues from climate change to diversity passing at annual meetings globally in 2020"

- Investors probe ESG credentials of bond sellers on 'greenwashing' fears
"The rapid growth of the green bond industry is fanning suspicions that some debt is environmentally friendly in name only, encouraging investors to ignore the label and focus on the credentials of the issuer instead"

- Distressed debt investors still await rich pickings from pandemic
"The industry expects bankruptcies to throw up opportunities, but not on the scale of the financial crisis"

- Investors find a novel way to hedge their portfolios: hedge funds
"Investors looking for alternatives to highly priced bonds as a way of hedging falls in their equity portfolios have alighted on a novel option — macro hedge funds"

- A disturbing new signal from the CDS market
"Falling prices at auctions suggest trouble ahead for lenders to beleaguered companies"

- What the shift on austerity means for markets
"From a return perspective, it's only likely to support specific sectors and companies, and in a subset of countries around the world. Elsewhere, it is likely to be insufficient to avoid the bankruptcies and debt reschedulings that accompany a global recovery that is too small, too uneven, and too uncertain"

- Australia's banks stop funding coal as trading partners decarbonise
"The last of Australia's Big Four banks has said it will stop financing thermal coal projects as the country's big trading partners seek to cut emissions, in a move that will force the industry to turn to foreign lenders for new funds"

- Beijing and Wall Street deepen ties despite geopolitical rivalry
"One participant in the China-US Financial Roundtable, established two years ago at a time of heightened trade tensions between the world's two biggest economies, said it had been a pretty generic forum aimed at fostering goodwill and enhancing financial integration between the world's two largest economies"

- Ant IPO draws $2.8tn in demand as investors dash for shares
"Ant Group's initial public offering has prompted a rush among investors to secure a piece of the world's biggest ever stock sale, helping to push the fundraising total to almost $37bn"

- African debt to China: 'A major drain on the poorest countries'
"Over the past two decades, China has emerged as the biggest bilateral lender to Africa, transferring nearly $150bn to governments and state-owned companies as it sought to secure commodity supplies and develop its global network of infrastructure projects, the Belt and Road Initiative"

- Investors remain wary on Nigeria's banks
"Returns at Nigeria's top banks are running at levels that their European counterparts can only dream of, and the country's biggest lenders are eyeing up an opportunity from the 60m citizens without bank accounts. But according to Ronak Gadhia, an analyst for investment bank EFG-Hermes, the pool of investors who want to own Nigerian lenders is shrinking"

- Vaccine bond sale raises $500m to fund immunisation programmes
  “A vaccine bond has raised $500m from investors in a sale that garnered strong demand to fund immunisation programmes in developing countries, including efforts to combat the coronavirus pandemic. The money was raised for Gavi, the UN-backed vaccines alliance, by a financing vehicle, the International Finance Facility for Immunisation. The deal on Thursday attracted more than $1.5bn of orders for the three-year debt, and offered investors a yield of 0.44 per cent”

Thomson Reuters

- Bank of England set to return to the stimulus pump
  "Britain's darkening economic outlook looks set to push the Bank of England into ramping up its huge bond-buying stimulus programme next week for the third time since the onset of the coronavirus pandemic"

- Analysis: Central banks flexing their green muscle for climate fight
  "Central bankers fighting to save the global economy from the coronavirus fallout are preparing to deploy their firepower in another unprecedented battle -- against climate change"

- Bank loans scrutinized for harm to wildlife as well as climate
  "Campaigners called on Wednesday for global banks to stop financing industrial activities driving animal and plant species toward extinction, after a report ranked 50 lenders involved in sectors that pose the greatest threat to wildlife"

- Barclays raises £400 million through green bond issuance
  "Barclays Bank has raised 400 million pounds ($521 million)through a green bond issuance, which will be used to finance or re-finance mortgages on energy efficient residential properties, the bank said"

- Banks roll out robots as pandemic shakes up IT plans
  "When banks were flooded with loan requests from businesses struggling with the fallout of the coronavirus pandemic, hastily built robots helped several lenders cope with the deluge"

- NatWest swings to profit as pandemic loan charges fall
  "NatWest NWG.L reported better than expected third quarter profit as COVID-19-linked provisions for bad loans dwindled, but it warned tougher times lie ahead as fresh social and economic restrictions to curb the pandemic begin to bite"

- HSBC to revamp business model as lower interest rates hit profit
  "HSBC Holdings PLC on Tuesday signalled it would embark on a pandemic-induced overhaul of its business model, seeking to flip its main source of income from interest rate to fee-based businesses"

- Easyjet looking at financing options, not against state aid
  "EasyJet is considering options to bolster its finances, and is not against state support to help the airline get through the coronavirus pandemic, chief executive Johan Lundgren said"

- Rolls-Royce rescue plan flies as shareholders back £2 billion rights issue
  "Shareholders in Britain's Rolls-Royce RR.L approved the aero-engine maker's 2 billion pound ($2.61 billion) rights issue on Tuesday that will bolster the company's finances after the pandemic stopped planes flying"

- Breakingviews - Europe virus defences can manage one more lockdown
  "The ECB still has firepower. It has so far used just 616 billion euros of a 1.35 trillion euro bond purchase programme, which can help governments fund their extra spending needs"

- From climate change to equality, Lagarde turns ECB more political
  "Since taking the helm a year ago, Christine Lagarde has turned the European Central Bank's attention to social issues like climate change and inequality, broadening its horizons but also opening it to attacks that could test its independence"

- ECB eyes more bond buys, cheap loans in December as pandemic hits
  "The European Central Bank committed on Thursday to take new action in December to contain the growing fallout from a second wave of coronavirus infections, likely in the form of more bond purchases or cheap credit for banks"

- Cross-border mergers in Europe would help diversify banks: ECB's de Cos
  "European monetary policymaker Pablo Hernandez de Cos on Monday called for cross-border banking consolidation in Europe to strengthen the European banking union and increase lenders' geographical diversification"

- [ECB's Visco says worsening COVID picture could hit euro zone recovery]
"Growing coronavirus infection numbers are putting at risk the prospects for continued economic recovery in Italy and the euro zone as a whole, Bank of Italy Governor Ignazio Visco said"

- [German economy to reach pre-crisis level only in 2022, says minister]
"Europe's biggest economy will be dealing with the coronavirus crisis and its consequences for months and can only in 2022 expect to again reach output levels seen before the pandemic, Economy Minister Peter Altmaier said"

- [Breakingviews - Deutsche CEO will dust off Commerz merger in 2021]
"Christian Sewing has had a surprisingly good year, but 2021 will be harder. The chief executive of 17 billion euro Deutsche Bank will most likely have to abandon his medium-term profitability target. Reviving a merger with rival Commerzbank is the most logical Plan B"

- [Bank of Spain calls for further bold EU response if COVID-19 crisis worsens]
"European authorities would need to take more bold economic and political measures to help firms and households weather any deterioration in the COVID-19 crisis, the Bank of Spain said, warning of risks to the stability of the banking sector"

- [Netherlands puts KLM bailout on hold after pilots reject wage freeze]
"The Dutch government on Saturday put on hold its plan to bail out KLM, the Dutch arm of Air FranceAIRF.PA-KLM, after pilots rejected a wage-freeze until 2025, Finance Minister Wopke Hoekstra said"

- [Airbus to stop burning cash, defends higher output plan]
"Airbus AIR.PA said on Thursday it expected to stop burning cash in the fourth quarter, giving investors the first glimpse of a path out of the coronavirus crisis after speeding up deliveries to cash-strapped airlines"

- [Norway wealth fund says it's hard to find right green energy projects]
"Norway's $1.1 trillion sovereign wealth fund, the world's largest, is having trouble finding suitable unlisted renewable- energy projects to invest in due to the paucity of projects and strong competition for stakes in them, its new CEO said"

- [Funds favor bonds over stocks in run-up to U.S. election: Reuters poll]
"Global fund managers recommended the lowest exposure to equities and the highest share of bonds in portfolios in over a decade this month, citing risks posed by the U.S. election and economic fears stoked by resurgent coronavirus pandemic, a Reuters poll found"

- [Labor Department finalizes U.S. rule curbing sustainable investing by pension funds]
"The U.S. Department of Labor on Friday finalized a rule clarifying that pension fund managers must put retirees' financial interests first when allocating investments, rather than other concerns such as climate change or racial justice"

- [Citigroup issues largest-ever private sector social bond]
"Citigroup Inc said on Thursday it had issued the largest-ever private-sector social bond for affordable housing, part of a more than $1 billion initiative announced earlier this year to combat racial inequality. The transaction, consisting of a $2.5 billion 4-year non-call, 3-year fixed to floating rate note issuance, adds to a surge in social bond announcements made during the coronavirus pandemic"

- [Bank of America details loan deferrals due to pandemic]
"Bank of America Corp said on Friday that nearly $10 billion of its consumer loan portfolio was in a deferral program due to the COVID-19 pandemic"

- [Exclusive: Goldman money funds' liquidity buffer swells before U.S. election]
"Two Goldman Sachs Group Inc money-market funds, whipsawed in March by billions of dollars of investor withdrawals, have steadily amassed a liquidity cushion much larger than rivals, as the $4.35 trillion industry braces for the outcome of the U.S. presidential election and another global surge in coronavirus cases"

- J.C. Penney enters asset purchase agreement with Brookfield, Simon
  "J.C. Penney Co Inc said on Wednesday it has entered an asset purchase agreement with Brookfield Asset Management Inc, Simon Property Group and a majority of the company's first lien lenders"

- Fintech startup SoFi gets preliminary approval for U.S. bank charter
  "Financial technology company Social Finance Inc has received preliminary, conditional approval from the U.S. Office of the Comptroller of the Currency (OCC) over its application for a national bank charter, the company said"

- Crypto hedge funds rack up steep gains on lending surge
  "Cryptocurrency hedge funds have posted hefty gains so far this year, benefiting from the surge in transactions that allow lenders and borrowers to transact without banks, as well as a steady rise in the bitcoin price"

- Will CLOs Cause the Next Financial Crisis?
  "Given the economic impacts of COVID-19-related shutdowns on many businesses, some people are comparing CLOs to mortgage-backed securities (MBS) or other collateralized debt obligations (CDOs), the securities widely seen as responsible for 2008's financial crisis. The fear is that if the economy continues to suffer due to COVID-19 institutional shutdowns, corporate loan defaults could rise, leading to a wave of CLO write-downs and default—just like CDOs in 2008"

- Sovereign funds seek to raise debt and equity as pandemic strains state budgets
  "Sovereign wealth funds are seeking to raise funding via debt and equity markets as the coronavirus crisis and low commodity prices stretch state finances"

- IMF's Georgieva says more funds needed to expand concessional loans to poor countries
  "International Monetary Fund Managing Director Kristalina Georgieva said on Friday that IMF member countries will need to make more contributions to concessional lending for poor countries if the Fund is to expand these efforts"

- Australia's big IPOs split investors between tech growth seam and coal-powered dividends
  "Australia's two biggest share listings this year will highlight a polarised investment landscape: the strong, expanding allure of high-growth technology, versus entrenched demand for coal-linked assets that offer a steady stream of high dividends"

- Analysis: Creeping funding costs skew China Evergrande's deleverage drive
  "China Evergrande Group 3333.HK has taken to seeking loans at above-average interest rates in the shadow banking market, where caution even there over its cash flow hints at an increasingly fraught effort to reduce the property sector's biggest debt"

- Renewable energy developer ICE to raise funds of at least $200 mln, sources say
  "Renewable energy project developer InterContinental Energy (ICE) plans to raise funds of between $200 million and $300 million from financial and strategic investors in the sector, people with direct knowledge of the matter said"

- Japan's ANA to shrink fleet as it skids toward record $4.8 billion loss
  "Japan's ANA Holdings Inc 9202.T on Tuesday said it will retire more than a tenth of its mostly Boeing Co BA.N fleet and delay two aircraft orders to help rein in costs and survive a collapse in air travel caused by coronavirus travel restrictions"

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: