# ELFA Legal & Regulatory Update
**28/09/2020 – 02/10/2020**

## Key Highlights:

- This Legal & Regulatory Update covers the week commencing **28/09/2020**.
- BoE releases statement on ESMA's recognition decisions with respect to central counterparties (CCPs) established in third countries.
- BoE & FCA encourage market participants in further switch to SONIA in interest rate swap markets (CCFF).
- FCA announces further 6-month extension and amendments to 10% depreciation notifications under MiFID.
- FCA publishes rules that will apply at end of transition period.
- FCA releases statement on MiFID trade reporting and position limit obligations.
- ESMA to recognise three UK CCPS from 1 January 2021.
- ESMA publishes draft rules for third-country firms under new MiFIR and MiFID II regimes.
- ESMA proposes amendments to MiFIR transparency regime for non-equity financial instruments.
- ESMA responds to EC's Green Bond Standard consultation.
- ESMA announces update to reporting under Money Market Funds Regulation.
- EIOPA launches consultation on use of risk mitigation techniques by insurance and reinsurance undertakings.
- EIOPA launches European-wide comparative study on diversification in internal models.
- EBA publishes final guidelines on appropriate subsets of sectoral exposures in application of systemic risk buffer.
- ECB is phasing out secured marketable assets other than asset-backed securities, legislative covered bonds and multi-cédulas as collateral.
- ECB intensifies its work on a digital euro.
- ESRB releases 33rd issue of its risk dashboard.
- European Commission publishes list of members of platform on sustainable finance.
- European Commission considers improving resilience of financial services against cyberattacks.
- CSSF integrates ESMA's guidelines on liquidity stress testing in UCITS and AIFs into its regulatory approach.
- Autorité des Marchés Financiers (AMF) of France supports EC's new action plan for Capital Markets Union.
- FINMA authorises fourth supervisory organisation under FinIA and FinSA.
- ICMA publishes discussion paper on transparency and liquidity in European bond markets.
- ICMA publishes preliminary thoughts on new Capital Markets Union Action Plan.
- ICMA publishes third edition of its primary markets technology directory.
- 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)

**28 September 2020: BoE releases statement on ESMA's recognition decisions with respect to central counterparties (CCPs) established in third countries**

The Bank of England (BoE) released a statement welcoming the European Securities and Markets Authority's (ESMA) recognition decisions with respect to central counterparties (CCPs) established in third countries (Discussed Below). The decisions give the formal permission for UK CCPs to operate in the EU, continue to provide clearing services to their EU members, and EU banks to continue meet their obligations to UK CCPs. This follows the publication on 21 September 2020 by the European Commission of a time-limited equivalence decision on the future UK legal, and supervisory framework for UK CCPs. As part of the recognition process, the Bank of England and ESMA have agreed an updated Memoranda of Understanding regarding cooperation and information-sharing arrangements with respect to CCPs. The MoU takes effect from 1 January 2021.

**28 September 2020: BoE & FCA encourage market participants in further switch to SONIA in interest rate swap markets (CCFF)**

Following close engagement with market participants, the BoE and the FCA announced that they support and encourage liquidity providers in the sterling swaps market to adopt new quoting conventions for inter-dealer trading based on SONIA instead of LIBOR from 27 October this year. A previously planned initiative to accelerate a change in quoting conventions, which was due to have taken place in March 2020, was disrupted by the impact of Covid-19. In the period leading up to 27 October, the FCA and the BoE will engage with market participants to determine whether market conditions allow the switch to proceed smoothly in October. The intention is to facilitate the further shift in market liquidity toward SONIA swaps, bringing benefits for a wide range of end users and other market participants as they move away from use of LIBOR

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**28 September – 02 October 2020: Speeches, Letters & Publications**

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

- PRA Regulatory Digest, September 2020 – the PRA Regulatory Digest is for people working in the UK financial services industry and highlights key regulatory news and publications delivered for the month
- PRA consults on proposals to introduce new expectations on Internal Ratings Based (IRB) approach UK mortgage risk weights – the purpose of these proposals is to address the prudential risks stemming from inappropriately low IRB UK mortgage risk weights. An additional benefit from these proposals would be a narrowing of differentials between IRB and standardised approach (SA) UK mortgage risk weights, and a limit on future divergence. The PRA considers that this would support competition between firms on the different approaches
- Monthly Decision Maker Panel data, September 2020 – the Decision Maker Panel (DMP) is a survey of Chief Financial Officers from small, medium and large UK businesses. The BoE useS it to monitor developments in the economy and to track businesses' views
- Letter from Victoria Saporta 'Thematic feedback from the 2019/2020 round of written auditor reporting' – letter to chief financial officers which provides thematic feedback from the PRA's review of written auditor reports received in 2020
- Effective interest rates, August 2020
- Money and Credit, August 2020
- Bank of England Weekly Report 30 September 2020
- Could Covid-19 lead to higher bank losses on unsecured debt? – Bank Overground
- Avoiding economic anxiety – Speech by Andy Haldane
- Market SMF 20 (Chief Actuary Forum) – Event
- Treasury Committee, Oral evidence: Decarbonisation and Green Finance – Event
- Bank of England Flagship Seminar, Michael Sandel – Event

## Financial Conduct Authority (FCA)

**30 September 2020: FCA announces further 6-month extension and amendments to 10% depreciation notifications under MiFID**

The Financial Conduct Authority (FCA) released a statement for firms providing portfolio management services or holding retail client accounts that include positions in leveraged financial instruments or contingent liability transactions. The statement outlines a further 6-month extension and amendments to a temporary coronavirus (Covid-19) measure related to the 10% depreciation notifications under MiFID. The original measure on 10% depreciation notifications took effect from Tuesday 31 March 2020 to Wednesday 30 September 2020, and the FCA wrote to firms serving retail investors about this. In this new statement, the FCA announced that it is extending the previous flexibility with some amendments.

The FCA announced that it will not take action for breach of COBS 16A.4.3 EU for services offered to retail investors from Thursday 1 October 2020 provided that the firm has:

- issued at least one notification in the current reporting period, indicating to retail clients that their portfolio or position has decreased in value by at least 10%;
- informed these clients that they may not receive similar notifications should their portfolio or position values further decrease by 10% in the current reporting period;
- referred these clients to non-personalised communications, perhaps made available on public channels, that outline general updates on market conditions (these could contextualise potential drops in portfolio or position value to help consumers meet their objectives, rather than making impulse decisions about their investments); and
- reminded clients how to check their portfolio value and how to get in touch with the firm.

The FCA is also amending its extension of the previous flexibility regarding professional investors. For services offered to professional investors, from Thursday 1 October 2020, the FCA will not take action for breach of COBS 16A.4.3 EU provided that firms have allowed professional clients to opt-in to receiving notifications. The FCA will adopt this approach for 6 months (to 30 March 2021).

**01 October 2020: FCA publishes rules that will apply at end of transition period**

The FCA published an updated version of the FCA Handbook to show the rules that will apply at the end of the transition period. It has also set out details on how it intends to use the Temporary Transitional Power (TTP). The TTP gives the FCA flexibility as to how and when changes to its rules apply following the end of the transition period, allowing firms to transition to the new regime. Where it applies, the TTP means that firms and other regulated persons can continue to comply with their existing requirements for a limited period. The FCA intends to apply the TTP on a broad basis from the end of the transition period until 31 March 2022. This means firms and other regulated persons do not generally need to prepare now to meet the changes to their UK regulatory obligations brought about by onshoring. There are areas where it would not be appropriate for the FCA to grant relief at the end of the transition period, including where doing so would not be consistent with its statutory objectives. By reviewing the new Handbook site, alongside the updated TTP information, firms will be able to see which changes will apply to them.

In some key areas, the FCA expects firms and other regulated persons to be preparing to comply with changed obligations ready for 31 December 2020:

- MIFID II transaction reporting,
- EMIR reporting obligations,
- SFTR reporting obligations,
- certain requirements under MAR,
- issuer rules,
- contractual recognition of bail-in,
- Client Assets Sourcebook requirements (CASS),
- market-making exemption under the Short Selling Regulation,
- use of credit ratings for regulatory purposes,
- securitisation,
- electronic commerce EEA firms,
- mortgage lending after the transition period against land in the EEA, and
- payment Services – strong customer authentication and secure communication.

The FCA expects firms to use the duration of the TTP to prepare for full compliance with changes to UK regulatory obligations by 31 March 2022.

**01 October 2020: FCA releases statement on MiFID trade reporting and position limit obligations**

ESMA released a statement saying that it intends to assess UK trading venues in relation to its opinions on MiFIR trade reporting and commodity derivatives position limits (Discussed Below). If positively assessed, they will be added to the list of venues with a positive or partially positive assessment for the purposes of those opinions with effect from the end of the EU withdrawal transition period. This means that EU investment firms trading on these UK venues would not need to publish details of those transactions through an Approved Publication Arrangement (APA) in the EU. Commodity derivatives traded on UK venues would also not be regarded as economically equivalent OTC contracts counting towards the EU commodity derivatives position limits regime.

In response to ESMA, the FCA released a statement confirming that, in respect of UK requirements from the end of the EU withdrawal transition period, it does not require UK investment firms that transact on trading venues outside the UK, in the EU or elsewhere, to publish details of those transactions through a UK APA. The FCA also does not consider commodity derivative contracts traded on trading venues, whether in the EU or elsewhere, as economically equivalent OTC contracts and so they will not count towards the UK commodity derivatives position limits regime. Finally, the FCA does not maintain a list of assessed overseas venues for these purposes.

**28 September – 02 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 gives update on Business interruption insurance test case appeals process – the FCA confirmed that it has filed a 'leapfrog' application to appeal to the Supreme Court. The FCA's 'leapfrog' application has been filed on a precautionary basis in the event that an agreement, in principle on a range of issues whereby an appeal process would not be required and payments would be made on eligible claims, is not reached by close of business Wednesday. The FCA later confirmed that an agreement was not reached and that it will it apply to the Supreme Court

- FCA publishes annual report on the regulatory perimeter – the FCA perimeter determines which activities require authorisation and what level of protection consumers can expect for the financial services and products they purchase. The perimeter is decided by the Government and Parliament through legislation
- Industry to begin testing the Financial Instruments Transparency System (FITRS) – as part of developing the post-exit MiFID regime, industry testing for FCA FITRS (Financial Instruments Transparency System) will open on 5 October 2020
- FCA confirms next stage of support for consumer credit and overdraft customers – the FCA has confirmed measures to ensure that firms provide tailored support for users of certain consumer credit and overdraft products who continue to face payment difficulties due to coronavirus

## Financial Reporting Council (FRC)

**28 September – 02 October 2020: Speeches, Letters & Other Publications**

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

- FRC announces that the UK Endorsement Board is inviting preparers of financial statements to participate in a Survey on IFRS 17 – the objective of the survey is to collect information from preparers of financial statements relating to the implementation of IFRS 17 Insurance Contracts. The information collected is intended to help the UK Endorsement Board secretariat assess the impact of IFRS 17 on UK organisations adopting the standard. This will form part of the work necessary to assess the standard for UK endorsement. The deadline for completion of the survey is 29 October 2020
- FRC issues the 2021 suite of FRC Taxonomies – in addition to updates of all the existing taxonomies, a new taxonomy is now available called the UKSEF which can be used for UK reporting purposes to Companies house and HMRC
- FRC responds to the IASB's General Presentation and Disclosures Exposure Draft
- FRC consults on governance changes to enforcement and operating procedures – the FRC has opened an 8 week consultation on consequential changes to various aspects of its Enforcement and Operating Procedures arising out of changes to the governance structure and decision making intended to take effect on 1 January 2021
- The UK Stewardship Code: Review of Early Reporting – this Report seeks to help prospective signatories in their planning by reiterating the expectations for high quality disclosure published in the Code, expanding on what the FRC expects to see from reports and highlighting good examples where
- We all have a responsibility to be inclusive in the workplace – Blog
- Podcast in conversation with Claudia Chapman and Jen Sisson – in this episode Claudia Chapman, Head of Stewardship and Jen Sisson, Deputy Director of Stakeholder Engagement and Corporate Affairs, discuss the areas where early reporting by prospective signatories on the Stewardship Code Principles has been good and areas where improvements are needed

## The Pensions Regulator (TPR)

**28 September – 02 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:

- A changing climate for pension trustees – in this Blog, TPR examines the pension industry's response to climate change

## European Securities and Markets Authority (ESMA)

**28 September 2020: ESMA to recognise three UK CCPS from 1 January 2021**

The European Securities and Markets Authority (ESMA) announced that the three central counterparties (CCPs) established in the United Kingdom (UK) – ICE Clear Europe Limited, LCH Limited, and LME Clear Limited – will be recognised as third country CCPs (TC-CCPs) eligible to provide their services in the EU, after the end of the transition period following the withdrawal of the UK from the EU on 31 December 2020. In line with the European Commission's equivalence decision, the recognition decisions will only take effect on the day following the end of the transition period and continue to apply while the equivalence decision remains in force, which is for 18 months until 30 June 2022. ESMA has also agreed with the Bank of England a new Memorandum of Understanding (MoU) establishing the necessary cooperation arrangements for the recognition and supervision of UK CCPs under EMIR, and taking into account the specific aspects regarding cooperation arrangements outlined in the equivalence decision adopted by the EC.

**28 September 2020: ESMA publishes draft rules for third-country firms under new MiFIR and MiFID II regimes**

ESMA published its Final Report containing draft regulatory and implementing technical standards (RTS and ITS) on the provision of investment services and activities in the European Union (EU) by third-country firms under MiFIR and MiFID II. These draft technical standards are published following the changes to MiFIR and MiFID II regimes for the provision of investment services and activities in the EU by third-country firms, introduced by the Investment Firms Regulation (EU) No 2019/2033 (IFR) and Directive (EU) 2019/2034 (IFD). These changes include new reporting requirements for third-country firms to ESMA on an annual basis, and include the possibility for ESMA to ask third-country firms to provide data relating to all orders and transactions in the EU. New annual reporting requirements from branches of third-country firms to NCAs have also been introduced. The draft Technical Standards have been submitted to the European Commission for the adoption of the final legal text.

**28 September 2020: ESMA updates its Q&A document on data reporting under MiFIR**

ESMA updated its Questions and Answers document on data reporting under the Market in Financial Instruments Regulation (MiFIR). The updated Q&As document includes a new Q&A and two amendments to existing Q&As. The first amended Q&A provides clarifications in relation to the reporting requirements under Art. 26 of MiFIR and RTS 22. The Q&A provides an additional reporting scenario to an existing Q&A where an Investment Firm executes a transaction through an execution algorithm using the membership of its client to execute the order in the market. The second amended Q&A relates to the Q&A on national client identifiers for natural persons clarifying on how different national identifiers specified in Annex II of RTS 22 are represented. The amendments also provide clarification on the requirements for Swedish national client identifiers. The newly added Q&A clarifies which LEI should be used to identify the "issuer" when reporting reference data on funds to FIRDS under MAR Article 4 and MiFIR Article 27. ESMA has observed that the lack of a public Q&A on this matter created uncertainty and resulted in inconsistent reporting of the LEI in the "issuer" field of the reference data report. Due to higher operational complexities related to changed reporting practices in some jurisdictions, this Q&A should be implemented six months after its publication.

**28 September 2020: ESMA updates Q&A on data reporting under EMIR**

ESMA updated its Questions and Answers document on practical questions regarding data reporting issues, under the European Markets Infrastructure Regulation (EMIR). The updated Trade Repository (TR) Q&A 1(c) clarifies that the counterparties should use the underlying to determine the asset class of total return swaps when reporting under EMIR. A new TR Q&A clarifies that the reporting of the field reference entity for credit derivatives can be made with a country code only in the case where the reference entity is a supranational, a sovereign or a municipality. Another new TR Q&A indicates how the fields execution timestamp, effective date, maturity date and settlement date should be reported for Forward Rate Agreement derivatives (FRAs).

**29 September 2020: ESMA proposes amendments to MiFIR transparency regime for non-equity financial instruments**

ESMA published the Final Report on the MiFID II/MiFIR transparency regime applicable to non-equity financial instruments. The proposals contained in the report aim at simplifying and bringing more efficiency to an overly complex regime and fostering harmonised application across the EU. ESMA concluded that the regime was too complicated and not always effective in ensuring transparency for market participants. In consequence, it makes several proposals to the European Commission to improve the current regime.

The main recommendations are:

- deleting the specific waiver and deferral for respectively orders and transactions above the "size-specific to the instrument" threshold;
- streamlining the deferral regime with both a simplified system based on volume masking and full publication after two weeks as well as removing the supplementary deferral options left to National Competent Authorities (NCAs) under the current MiFIR text;
- transforming the possibility granted to NCAs to temporarily suspend MiFIR transparency provisions into a mechanism coordinated at EU-level;
- including the possibility to suspend on short notice the application of the derivative trading obligation similarly to the mechanism available in EMIR; and
- complementing the criteria used to grant equivalence to third-country trading venues for the purpose of the derivative trading obligation with conditions relating to transparency and non-discriminatory access.

These recommendations are part of a wider effort by ESMA to bring more transparency into the derivative and bond markets notably through the adoption of guidance, the promotion of more convergent supervision or the inclusion of targeted amendments to the delegated Regulation within the ESMA remit. ESMA intends to pursue those efforts in the future and continues to align market practices with the objectives of MiFIR.

**29 September 2020: ESMA updates regulatory technical standards (RTS) under Benchmarks Regulation (BMR)**

ESMA published its final report containing new sets of draft regulatory technical standards (RTS) under the Benchmarks Regulation (BMR). These contain additional detailed rules to implement the European regulatory framework aimed at ensuring the accuracy and integrity of benchmarks across the European Union. The draft standards include provisions ensuring:

- that the governance arrangements of administrators are sufficiently robust;
- the potential manipulation of benchmarks is minimised, through additional rules regarding the methodology of calculation and controls to ensure the integrity of the data; and
- common criteria are used across different Member States for the assessment of the mandatory administration of critical benchmarks and the compliance statement for non-significant benchmarks.

ESMA will submit the final draft RTS to the European Commission, which will have three months in which to approve or reject them.

**30 September 2020: ESMA publishes final report for guidelines on internal control for credit rating agencies**

ESMA published the Final Report for its Guidelines on Internal Control for Credit Rating Agencies. The purpose of these Guidelines is to communicate what ESMA considers to be the characteristics and components of an effective internal control structure within a CRA. The guidelines are structured according to two main parts, establishing:

- ESMA's views on the components and characteristics that should be present in a CRA to demonstrate a strong framework for internal controls; and
- ESMA's views on the components and characteristics that a CRA should evidence to demonstrate the effectiveness of internal control functions within such a framework.

ESMA conducted a public consultation on these Guidelines to gather the views of CRAs and other relevant stakeholders. A number of amendments and clarifications were introduced into the final guidelines to take into account the views expressed during this consultation. The Guidelines will apply from 1 July 2021.
30 September 2020: ESMA releases statement concerning applicability of Level 3 guidance under Prospectus Directive

ESMA released a public statement concerning the applicability of level 3 guidance published under the Prospectus Directive. The public statement contains an update of the status of the Q&As and the CESR recommendations relating to specialist issuers.

**02 October 2020: ESMA responds to EC's Green Bond Standard consultation**

ESMA responded to the European Commission's (EC) targeted consultation on the establishment of the EU green bond standard (GBS). ESMA highlighted that the success of the EU GBS will be determined by whether it is seen as a reliable indicator of investment in sustainable economic activities. Building on its response to the EC's consultation on the Renewed Sustainable Finance Strategy from July 2020, where specific points in relation to the EU GBS framework were raised, ESMA highlights the following key messages:

- the success of the EU GBS will, to a large extent, be determined by whether it is seen as a reliable indicator of investment in sustainable economic activities. In order to ensure reliability and alignment with the Taxonomy, the GBS will require external reviewers conducting rigorous assessments of an issuer's green bond framework;
- the best way of ensuring high quality assessments is to introduce a formal EU registration and supervision regime of these external reviewers. This will ensure that the entities conducting such assessments have adequate resources, are using robust methodologies and have measures in place to protect against conflicts of interest;
- it is important to ensure that the final regime will not result in market concentration of external reviewers which may disadvantage issuers, especially SMEs, as well as smaller external reviewers, while still ensuring that the market develops in a properly regulated and supervised way at EU level; and
- ESMA supports the development of a social EU Taxonomy as a prerequisite for reliable standards for social bonds.

**02 October 2020: ESMA announces update to reporting under Money Market Funds Regulation**

ESMA announced an update of the validations of the technical instructions for reporting under the Money Market Funds Regulation (MMFR). The requirements of Article 37 of MMF regulation require MMF managers to submit data to National Competent Authorities (NCAs), who will then transmit this to ESMA. Following feedback received by market participants after the publication of the validation rules, ESMA has decided to implement amendments on the validations. The proposed changes are not related to the published XML schemas. The changes only add new warning type validations or provide clarifications on existing validation rules in order to fix inconsistencies or ease the understanding of the rules. As the abovementioned updates in the validation rules have no effect on the data processing, the deadline for the reporting announced earlier remain unchanged. For the MMF Managers the time for submission of the first quarterly reports to the National Competent Authorities is still September 2020, when the MMF Managers will have to submit a report for both Q1 and Q2 reporting periods.

**28 September – 02 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 updates statements on the impact of Brexit on MiFID II/MiFIR and the Benchmarks Regulation – ESMA updated two statements on its approach to the application of key provisions of MiFID II/MiFIR and the Benchmark Regulation (BMR). The new statements update previous ones issued in March 2019 and October 2019 reflecting ESMA's approach, should the UK have left the EU under a no-deal Brexit. However, as the Withdrawal Agreement entered into force on 1 February 2020, and the UK entered a transition period that will end on 31 December 2020, these statements needed to be revised
- ESMA publishes its s 2021 Work Programme – the WP has been developed against the background of a changing landscape for ESMA, including the movement in the regulatory cycle towards supervision and enforcement. For 2021, ESMA's planned activities will respond to the challenges faced by the EU, its capital markets and its citizens, including developing the retail investor base to support the CMU, promoting sustainable finance and long-term oriented markets, dealing with the opportunities and risks posed by digitalisation, strengthening the EU's role in global capital markets and ensuring a proportionate approach to regulation

## European Insurance and Occupational Pensions Authority (EIOPA)

**29 September 2020: EIOPA launches consultation on use of risk mitigation techniques by insurance and reinsurance undertakings**

The European Insurance and Occupational Pensions Authority (EIOPA) launched a consultation on its Supervisory Statement on the use of risk mitigation techniques by insurance and reinsurance undertakings. The aim of this statement is to promote supervisory convergence on the assessment of the use of risk-mitigation techniques under Solvency II. During the consultation period EIOPA will additionally assess potential 'group issues' and 'internal reinsurance'. Stakeholders are asked to include their views on these topics as well. For responding to this consultation please use the EU Survey. The deadline for submission of feedback is 24 November 2020 at 23.59 hrs CET.

**30 September 2020: EIOPA sets up its key priorities in the light of the pandemic**

EIOPA has set out its priorities for 2021-2023 taking into account the current market situation in the light of the COVID-19 pandemic, as well as the political priorities defined by the European Commission. COVID-19 crisis management, risk mitigation and active support to the recovery of the European economy will be the main focus for the future. Consumer protection will remain a key strategic priority in light of increasing risks emerging from the crisis. In addition, EIOPA will continue to work on a number of activities such as digitalisation and cyber risk, sustainable finance, supervisory convergence, financial stability of the insurance and occupational pensions sectors as well as pan-European Personal Pension Product. The priorities are detailed in the Single Programming Document, adopted by the Board of Supervisors on 29 September 2020.

**02 October 2020: EIOPA launches European-wide comparative study on diversification in internal models**

EIOPA launched a European-wide comparative study on diversification in internal models. The objective of the study is threefold:

- to gain an overview of the current approaches in the market and, on best effort basis, analyse and compare the levels of diversification;
- to facilitate a better understanding of modelling dependencies, aggregation and resulting diversification benefits; and
- to enhance quality and convergence of supervision on diversification in internal models.

The study will be carried out in two phases to balance complexity and completeness. The first phase of the study, starting early October 2020, focusses on top-level risk dependencies between market, credit, life, non-life, health, and operational risks. To complete the understanding of diversification effects, in combination to the respective risk profiles, the lower level inter risk dependencies will also be assessed in the second quarter of 2021 in the second phase of the study. Undertakings using an internal model are expected to take part in this study, which comprises a quantitative and qualitative questionnaire. For undertakings applying the exact same correlation settings and aggregation structure as the standard formula, the first phase is limited to a subset of the qualitative questionnaire. Finally, the questionnaires are accompanied by detailed technical specifications, including examples, in order to adequately fill out the templates, given the bespoke internal models.

**28 September – 02 October 2020: Speeches, Letters & Other Publications**

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

- EIOPA Board of Supervisors reappoints Fausto Parente as Executive Director for further five years

## European Banking Authority (EBA)

**30 September 2020: EBA publishes work programme for 2021**

The European Banking Authority (EBA) published its annual work programme for 2021, describing the activities and tasks of the Authority for the coming year and highlighting its key strategic areas of work. In 2021, the EBA will focus on six strategic areas: (i) supporting the deployment of the risk reduction package and the implementation of effective resolution tools; (ii) reviewing and upgrading the EU-wide EBA stress testing framework; (iii) becoming an integrated EU data hub by leveraging on the enhanced technical capability for performing flexible and comprehensive analyses; (iv) contributing to the sound development of financial innovation and operational resilience in the financial sector; (v) building the infrastructure in the EU to lead, coordinate and monitor AML/CFT supervision; and (vi) providing the policies for factoring in and managing Environmental, Social and Governance (ESG) risks. Regarding its horizontal streams of work, the EBA will continue working towards (a) establishing a culture of sound and effective governance and good conduct in financial institutions, and particularly focus on (b) addressing the aftermath of COVID-19.

**02 October 2020: EBA publishes final guidelines on appropriate subsets of sectoral exposures in application of systemic risk buffer**

Following the entry into force of the fifth Capital Requirements Directive (CRD V), the EBA published a set of Guidelines on the appropriate subsets of sectoral exposures to which a competent or designated authority (hereby relevant authority) may apply a systemic risk buffer. In particular, the Guidelines suggest a common framework of dimensions and sub-dimensions from which the relevant authority can define a subset of exposures. The Guidelines include detailed definitions of elements used in each dimension and sub-dimension, along with examples of application. A pre-condition when defining a subset of sectoral exposures is the systemic relevance of the risks stemming from the subset of sectoral exposures. The Guidelines recommend a set of criteria to be used by the relevant authority when assessing such relevance. Finally, the Guidelines advocate for appropriate coordination and cooperation between the competent authority and the designated authority in order to avoid the risk of overlaps, double counting of risk and inefficient risk targeting.

## European Central Bank (ECB)

**28 September 2020: ECB is phasing out secured marketable assets other than asset-backed securities, legislative covered bonds and multi-cédulas as collateral**

The European Central Bank (ECB) published amendments to its guidelines on the implementation of monetary policy in the Eurosystem, applicable from 1 January 2021. The amended guidelines implement a decision taken by the Governing Council on 13 December 2019 whereby secured marketable assets other than asset-backed securities and covered bonds would no longer be accepted as Eurosystem collateral. Under the amended guidelines, the ECB will also phase out non-legislative covered bonds (i.e. contractual covered bonds) from the Eurosystem collateral framework. This means that by 1 January 2021 all covered bonds remaining in the collateral framework will be legislative covered bonds or multi-cédulas. The guidelines also clarify the application process and acceptance criteria for external credit assessment institutions in the Eurosystem credit assessment framework. They furthermore amend the Eurosystem monetary policy counterparty framework with respect to the treatment of confirmed breaches of minimum own funds requirements and breaches of the obligation to report information on capital ratios within the required deadlines.

**02 October 2020: ECB intensifies its work on a digital euro**

The ECB published a comprehensive report on the possible issuance of a digital euro, prepared by the Eurosystem High-Level Task Force on central bank digital currency (CBDC) and approved by the Governing Council. A digital euro would be an electronic form of central bank money accessible to all citizens and firms – like banknotes, but in a digital form – to make their daily payments in a fast, easy and secure way. It would complement cash, not replace it. The Eurosystem task force, bringing together experts from the ECB and 19 national central banks of the euro area, identified possible scenarios that would require the issuance of a digital euro. These scenarios include an increased demand for electronic payments in the euro area that would require a European risk-free digital means of payment, a significant decline in the use of cash as a means of payment in the euro area, the launch of global private means of payment that might raise regulatory concerns and pose risks for financial stability and consumer protection, and a broad take-up of CBDCs issued by foreign central banks.A digital euro would preserve the public good that the euro provides to citizens: free access to a simple, universally accepted, risk-free and trusted means of payment. The Governing Council has not taken a decision yet on whether to introduce a digital euro. The Eurosystem will engage widely with citizens, academia, the financial sector and public authorities to assess their needs, as well as the benefits and challenges they expect from the issuance of a digital euro, in detail. A public consultation will be launched on 12 October. Experimentation will start in parallel, without prejudice to the final decision.

**28 September – 02 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:

- ECB publishes statement of compliance of €STR with IOSCO Principles for Financial Benchmarks – this statement shows how the ECB complies with these principles, and therefore with international best practice, in its administration of the €STR. The statement has been independently assured by the auditing firm PricewaterhouseCoopers
- A digital euro – Report
- An evolving supervisory response to the pandemic – Speech by Andrea Enria
- When markets fail: the need for collective action in tackling climate change – Speech by Isabel Schnabel
- The monetary policy strategy review: some preliminary considerations – Speech by Christine Lagarde
- The euro area: a laboratory for international macroeconomic research – Speech by Philip R. Lane
- Women are central, not just in central banks – Speech by Isabel Schnabel
- Global financial markets and oil price shocks in real time – Working Paper Series
- Sectoral output effects of monetary policy: do sticky prices matter? – Working Paper Series
- Borrowing constraints, own labour and homeownership: does it pay to paint your walls? – Working Paper Series
- We must be prepared to issue a digital euro – ECB Blog
- ECB raises the bar on bank governance – Interview with Yves Mersch

## European Systemic Risk Board (ESRB)

**01 October 2020: ESRB releases 33rd issue of its risk dashboard**

The European Systemic Risk Board (ESRB) released the 33rd issue of its risk dashboard. The risk dashboard is a set of quantitative and qualitative indicators of systemic risk in the EU financial system. It is published quarterly, one week after its adoption by the General Board, and is accompanied by an overview note that explains the recent development of the indicators, and two annexes that explain the methodology and describe the indicators.

## European Commission (EC)

**01 October 2020: European Commission publishes list of members of platform on sustainable finance**

The European Commission (EC) published the list of members of the platform on sustainable finance. The platform will advise the Commission on the development of technical screening criteria for the EU taxonomy, and policy development, amongst other things, as required by the Taxonomy Regulation. The platform is an advisory body subject to the Commission's horizontal rules for expert groups and is made up of experts from the private and public sector.

This group of experts will have four main tasks:

- advise the Commission on the technical screening criteria for the EU Taxonomy, including on the usability of the criteria;
- advise the Commission on the review of the Taxonomy Regulation and on covering other sustainability objectives, including social objectives and activities that significantly harm the environment;
- monitor and report on capital flows towards sustainable investments; and
- advise the Commission on sustainable finance policy more broadly.

In selecting the members, the EC struck a very careful balance in choosing people from a wide range of sectors including civil society, industry and academia, and with different skills. The platform will reach out to a wide range of stakeholders through both public consultations and targeted outreach.

**02 October 2020: European Commission considers improving resilience of financial services against cyberattacks**

Following a public consultation on updating the EU's rules to ensure that financial-sector ICT systems can withstand security threats and that third-party information and communications technology (ICT) providers are monitored, the EC announced that it has put forward proposals for legislation to achieve those outcomes. This proposal is part of a package of measures to further enable and support the potential of digital finance in terms of innovation and competition while mitigating the risks. This adopted act is open for feedback for a minimum period of 8 weeks until 20 November 2020. All feedback received will be summarised by the European Commission and presented to the European Parliament and Council with the aim of feeding into the legislative debate.

### 28 September – 02 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:

- Investing in new energy infrastructure: Green light for EU grants worth nearly €1 billion
- Commission approves Worldline's acquisition of Ingenico, subject to conditions
- Speech by President von der Leyen on the Recovery Plan and Resilience

## Central Bank of Ireland (CBI)

### 28 September – 02 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:

- CBI publishes Financial Stability Note entitled "SME finances, the pandemic, and the design of enterprise support policies" – the FSN estimates the likely losses that are being experienced in the SME sector over the whole of 2020 and discusses the potential supports that can meet these shortfalls
- Resolving mortgage distress after COVID19: some lessons from the last crisis – Financial Stability Note
- Central Bank expects lenders to engage constructively with borrowers who are experiencing financial difficulty as a result of COVID-19 – Remarks by Director General, Derville Rowland
- Learning the lessons from the global financial crisis in addressing the distress arising from the pandemic – Remarks by Deputy Governor Ed Sibley
- Responding to global challenges as a small economy without the weight of Europe would be considerably harder – Remarks by Deputy Governor Sharon Donnery
- Opening remarks at Distressed Debt Webinar by Deputy Governor Ed Sibley
- The Central Bank's Role in the National Consumer Protection Framework – Speech by Director General Derville Rowland
- Ireland's Engagement in Europe and Deeper Integration of Europe – Speech by Deputy Governor Sharon Donnery

## Commission de Surveillance du Secteur Financie (CSSF)

### 29 September 2020: CSSF integrates ESMA's guidelines on liquidity stress testing in UCITS and AIFs into its regulatory approach

The Commission de Surveillance du Secteur Financier (CSSF) published a Circular integrating ESMA Guidelines on Liquidity Stress Testing in UCITS and AIFs into its administrative practice and regulatory approach with a view to promote supervisory convergence in this field at the European level.

### 28 September – 02 October 2020: Speeches, Letters & Other Publications

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

- Circular CSSF 20/751 (Corrigendum) – adoption of the Guidelines of the European Banking Authority on management of non-performing and forborne exposures (EBA/GL/2018/06), disclosure of non-performing and forborne exposures (EBA/GL/2018/10)
- CSSF releases information on global situation of undertakings for collective investment at the end of August 2020 – as at 31 August 2020, the total net assets of undertakings for collective investment, comprising UCIs subject to the 2010 Law, specialised investment funds and SICARs, amounted to EUR 4,696.762 billion compared to EUR 4,617.395 billion as at 31 July 2020, i.e. an increase of 1.72% over one month. Over the last twelve months, the volume of net assets rose by 4.31%
- Profit and loss account of credit institutions as at 30 June 2020

## Autorité des Marchés Financiers (AMF) of France

### 30 September 2020: AMF supports EC's new action plan for Capital Markets Union

The Autorité des Marchés Financiers (AMF) released a statement announcing that it supports the European Commission's (EC) new action plan for the Capital Markets Union, including measures to:

- provide greater transparency and efficiency, such as creating a single point of access to company information for investors or establishing a consolidated tape for publishing transaction data;
- support SME listings;
- promote greater European harmonisation, for example in the area of settlement and delivery; and
- promote long-term investment, in particular through employee share ownership.

According to the AMF, the EC's action plan coincides with a key moment for moving the Capital Markets Union forward, for building a dynamic, integrated and competitive European market, and for contributing to a more efficient and consistent supervisory model for the benefit of investors and market players. The AMF especially welcomes the inclusion in the action plan of a move towards more integrated European supervision. The AMF explains that the harmonisation of supervision and matters relating to taxation and insolvency are key to removing barriers to cross-border investment. This integration will ensure that rules are in all Member States and is an absolute prerequisite for building a genuine Capital Markets Union. In this applied consistently regard, the political commitment of Member States to support the efforts to build the CMU will be essential.

### 28 September – 02 October 2020: Speeches, Letters & Other Publications

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

- AMF publishes findings of its SPOT inspections on the valuation of complex financial instruments – as part of its short thematic inspections of the practices of asset management companies, the AMF examined how the valuation of complex financial instruments is organised within five companies and the second-level controls they have implemented. In a summary document, the AMF offers an insight into the good and poor practices encountered with a view to providing better support for market participants

## Swiss Financial Market Supervisory Authority (FINMA)

### 30 September 2020: FINMA authorises fourth supervisory organisation under FinIA and FinSA

The Swiss Financial Market Supervisory Authority (FINMA) granted FINcontrol Suisse AG a licence as a supervisory organisation with effect from 29 September 2020. It is therefore authorising the fourth supervisory organisation under FinIA and FinSA. The supervisory organisations will be responsible for the supervision of portfolio managers and trustees in the future. FINMA has also received further licence applications from supervisory organisations.

### 28 September – 02 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:

- FINMA Guidance 07/2020 – FINMA announced that it is only partially extending exemptions in the procedure for opening new business relationships. Exemptions are no longer required for clients domiciled in Switzerland. For clients domiciled abroad the situation varies depending on the domicile or individual situation, so that FINMA will continue to grant certain exemptions for new client relationships in particular cases

## Financial Stability Board (FSB)

### 28 September – 02 October 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:

- Evaluation of too-big-to-fail reforms: Lessons for the COVID-19 pandemic – in this Speech, Claudia M. Buch, Vice-President, Deutsche Bundesbank sets out the main findings of the too-big-to-fail evaluation and lessons for the COVID-19 pandemic

## International Capital Market Association (ICMA)

### 29 September 2020: ICMA publishes discussion paper on transparency and liquidity in European bond markets

The International Capital Market Association (ICMA) published a discussion paper on transparency and liquidity in European bond markets. This paper attempts to pull two workstreams together in order to explain how bond market structure and dynamics are very different to those of equity markets, that this is the basis for how liquidity is created in bond markets, and why this is central to any considerations around the framework for European bond market transparency, including any proposed future regulation related to the provision and design of a consolidated tape for bonds.

**01 October 2020: ICMA publishes preliminary thoughts on new Capital Markets Union Action Plan**

On 24 September 2020, the European Commission (EC) published its second Capital Markets Union (CMU) Action Plan. In response, the International Capital Market Association (ICMA) released a statement explaining that it supports the overall ambition and three key objectives of the new CMU Action Plan: (1)supporting a green, digital, inclusive and resilient economic recovery by making financing more accessible to European companies; (2) making the EU an even safer place for individuals to save and invest long-term; and (3) integrating national capital markets into a genuine single market. ICMA also agrees that capital markets can help the EU deliver on its key economic policy objectives.

Several of the EC's proposed actions relate to developing EU equity markets, particularly for SME funding. In pursuing these goals, and noting the crucial role that bond markets play in funding the EU's larger businesses, ICMA strongly believes that it will be important to ensure that any measures do not unintentionally negatively impact upon the international bond market and, where relevant, effective action is taken to strengthen and further integrate this market (particularly in relation to secondary trading and repo activity). In this respect, ICMA notes that the pan-European primary bond market is generally well developed and integrated currently, and has been a crucial source of funding for EU businesses during the COVID-19 pandemic, with around €680 billion raised in international European debt capital markets in Q2 2020 (almost double the volume raised in the same period in 2019). Against this background, ICMA sets out key points of attention that require further consideration in order to effectively achieve the goals envisaged by the EC.

**02 October 2020: ICMA publishes third edition of its primary markets technology directory**

In light of a rapidly expanding competitive marketplace, ICMA published the third edition of its primary markets technology directory. It was initially launched in 2018 and seeks to compare the key features and capabilities of technology solutions available to automate all or part of the process of issuing debt securities. The directory now references a total of 35 technology solutions, up from 28 in last year's review. This unique directory comprises new technology offerings, as well as new features of previously included solutions. It helps compare the different solutions and understand whether they are aimed at underwriters, investors, issuers or others, at what stage of the issuance process they can be utilised, the scope of debt instruments and supported issuance methods. The latest edition also includes a new search filter to identify solutions more easily based on product focus.

According to the report, new solutions, expected to go live in Q4 2020, are targeting the new issue process of syndicated bonds, aiming to enhance workflow and streamline communication between issuers, banks and investors, and enable connectivity to order management systems. Straight-through-processing appears to be a key theme also for private placements, as evidenced by new functionalities of platforms, for example, to automate the creation of final terms, or by extended connectivity options. The number of platforms for the issuance of Schuldscheine has further increased and in some instances, the product scope has been expanded to bonds or sustainability-linked debt instruments.

**28 September – 02 October 2020: Speeches, Letters & Other Publications**

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

- ICMA responds to the EC consultation on the EU Green Bond Standard (EU GBS) – ICMA released its response to the EC consultation on the EU Green Bond Standard (EU GBS)

## 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**

- Sunak warned taxpayer faces losses of up to £23bn in bad state loans
  "The UK taxpayer faces losses of as much as £23bn so far in bad loans across the state coronavirus emergency bailout schemes, according to government estimates that will raise concerns over the cost of supporting unviable companies through the pandemic"

- BoE deputy governor opposes negative interest rates
  "One of the Bank of England's deputy governors has voiced strong opposition to setting negative interest rates, saying he thought the benchmark could not be lowered any further without counter-productive results"

- Negative interest rates/BoE: from zero to hero
  "Calling for near zero positive interest rates has become a hawkish position in the UK. In the Bank of England, debates over the use of negative interest rates are gaining traction. For now, most households and companies are risk-averse. Later, negative rates could play a useful role as a stimulus to investment once a post-pandemic recovery has begun"

- UK financial watchdog admits consumers confused by protection rules
  "The UK financial regulator has admitted that people are still confused about which products are covered by its rules despite pledging last year to clarify its consumer protection role"

- UK insurers push for speedy post-Brexit changes to EU rules
  "Insurers are pushing for the UK to change parts of EU insurance rules as soon as the Brexit transition period ends, arguing that this would allow them to invest more in UK infrastructure"

- UK coach sector warns of looming disaster without government support
  "More than 1,000 family-run coach businesses across the UK face being forced into bankruptcy and having their vehicles repossessed, according to their trade body"

- First actively managed sharia-compliant ETF to list in London
  "The new fund will aim to achieve capital growth over the medium to long term investing in companies with high returns on capital and low leverage, while ensuring that its holdings are ethical, asset backed and subject to good governance"

- H2O suffers payment problems on illiquid bonds
  "H2O Asset Management has faced serious payment issues on illiquid bond investments this year, including an unpaid interest bill from an Italian lingerie maker that appeared to constitute a default"

- Tui to look at raising €1.5bn through disposals or rights issue once travel revives
  "Tui, Europe's largest tour operator, has said that it could look to raise €1.5bn through either disposals or a capital increase once normal travel resumes"

- Rolls-Royce looks to raise £5bn to shore up balance sheet
  "Rolls-Royce has announced plans to raise £2bn in a rescue rights issue, as well as drawing in government support for a new debt package of up to £3bn, in an attempt to bolster a balance sheet badly hit by the pandemic"

- Goldman and Morgan Stanley scaled back underwriting on Rolls-Royce cash call
  "The leading advisers on Rolls-Royce's deeply discounted £2bn rights issue radically scaled back their underwriting commitments to the aero-engine maker's cash call on concerns about the pandemic and market volatility in the run-up to the US election"

- Cineworld set to shut all UK and US screens
  "Cineworld, the world's second biggest cinema operator, is preparing to close all its screens in the US and UK after further delays to the new James Bond film pushed its struggling business to the brink"

- Walmart sells majority stake in Asda
  "The billionaire owners of a petrol station operator and private equity group TDR Capital have taken control of Asda from Walmart, ending the US retailer's 20-year foray into Europe that fell short of expectations"

- Caesars in 'advanced' talks to buy William Hill for £2.9bn
  "A tie-up with William Hill would give Caesars greater access to lucrative sports betting, which the British bookmaker already offers in the US, including in Caesar's 54 casinos"

- Students call on UK university endowments to invest responsibly
  "University endowments across the UK, which oversee £15bn in assets, are being urged to "radically reform" how they invest by a new student-led campaign that calls for higher education institutions to pile cash into renewable energy and social housing"

- Cambridge university to dump fossil fuel investments by 2030
  "Cambridge university's £3.5bn endowment fund has pledged to divest from fossil fuels over the next decade, in a landmark decision that follows a lengthy campaign involving protests, hunger strikes and petitions by students worried about climate change"

- Eurozone deflation will persist in coming months, Lagarde warns
  "The eurozone is expected to remain in deflation over the coming months, partly because of the recent appreciation of the euro, European Central Bank president Christine Lagarde has warned"

- Eurozone's second month of deflation raises pressure on ECB
  "The eurozone's pandemic-hit economy sank into its second consecutive month of deflation in September, intensifying pressure on the European Central Bank to consider injecting more monetary stimulus"

- The ECB begins its shift to a new inflation goal
  "The current paradigm is no longer fit for purpose. On Wednesday, the ECB's president Christine Lagarde gave the clearest sign yet that the bank will abandon it in favour of a new, more aggressive approach that policymakers hope will lift inflation to levels more consistent with a well-functioning economy"

- ECB gets ready to target the 'green spread'
  "The ECB itself has clearly intensified its effort to understand the economics of the climate challenge, and the speech brings surprising economic knowledge to the table. Schnabel makes clear that the economic costs of climate change are not just something in the future; they are already with us"

- Coronavirus threatens Europe's pension industry
  "The coronavirus pandemic has dealt a blow to pension systems across Europe, heaping pressure on policymakers to introduce reforms to avoid a decades-long retirement crisis, according to an influential consumer group"

- EY faces mounting backlash after Wirecard whistleblower revelation
  "EY faced a mounting backlash from investors and German politicians across the political spectrum after it emerged that one of the accountancy firm's own employees flagged potential fraud at Wirecard four years before the company collapsed"

- Police raided KfW headquarters over €100m loan to Wirecard
  "German police raided the headquarters of state-owned lender KfW this month as part of a criminal investigation into employees who approved an unsecured €100m loan to the collapsed payments group Wirecard"

- Volvo Cars ready to sell CO2 credits to rivals as hybrid sales soar
  "Volvo Cars has sold so many hybrid models in Europe that the Swedish carmaker is open to selling environmental credits to rivals that are struggling to meet new emissions rules"

- [Fed extends dividend and buyback curbs for big US banks]
"The Federal Reserve has banned big US banks from buying back shares for the rest of the year and capped their dividends, dashing hopes that more profitable lenders would be able to return boost returns to their shareholders"

- US regulators step up battle with spoofing
"Regulators have delivered a blunt warning to banks to clamp down on high-speed financial market manipulation or risk blockbuster fines and criminal convictions for staff"

- JPMorgan to pay $920m in largest-ever spoofing settlement
"JPMorgan Chase has admitted manipulating precious metals futures and US government bond markets over eight years in a $920m settlement with US authorities over the practice known as spoofing"

- Goldman Sachs to buy GM credit card business for $2.5bn
"Goldman Sachs is buying General Motors' credit card business, according to people familiar with the matter, marking the bank's second big-name credit-card partnership and another step towards balancing its Wall Street operations with heft in consumer finance"

- Goldman Sachs picks first woman to run large division in years
"Goldman Sachs has chosen Stephanie Cohen as co-head of its consumer and wealth management business, making her the first woman to lead a large division at the Wall Street bank in several years"

- SVP bets on pandemic debt stress with $1.6bn fund launch
"Strategic Value Partners, an investment group focused on the debt of distressed companies, has raised a $1.6bn "dislocation fund" to take advantage of opportunities thrown up by the coronavirus crisis, as investors bet that a wave of defaults is still to come"

- Oasis Petroleum files for bankruptcy
"Oasis Petroleum has filed for bankruptcy protection, the latest big US oil and gas group to hit the wall since the coronavirus pandemic sent the market into freefall"

- Tricky times follow US corporate borrowing binge
"What began as a dash for cash from companies looking to plug the hole in their revenues ravaged by coronavirus, has turned into an opportunistic bond binge, with companies taking advantage of rampant investor demand to borrow money at historically low interest rates"

- Covid-linked debt rush ignites direct lending market
"Medium-sized businesses have for years raised debt from so-called direct lenders, which often sit within larger private equity groups. But a rush of inflows from deep-pocketed investors such as Middle Eastern sovereign wealth funds is now giving some investment firms the firepower to lend to larger companies. The coronavirus crisis, which upended corporate balance sheets, has accelerated the shift, executives say"

- Coronavirus triggers borrowing spree by private equity managers
"Private equity managers are turning to specialist borrowing facilities to ensure their highly leveraged strategies can survive the coronavirus pandemic, but there are growing concerns that the use of these complex financing deals poses new threats to investors"

- Upbeat bond market at odds with banks over scale of Covid risks
"A dramatic gap has opened in how banks and the bond market perceive the health of corporate America, with banks setting aside billions against bad loans even while bond prices suggest a dramatic recuperation from the Covid-19 shock"

- Hunt for answer to bond blues turns to active ETFs
"The crushing of global interest rates to historically low levels has delivered big gains for bond investors and crowns a four-decade run of solid returns. From here, the picture looks tougher and that may mean investors need to take a more active approach to managing their portfolios"

elfa
European Leveraged Finance Association

- Opinion: Going green on bonds is best way to change behaviours
  “Emerging green bonds are in their infancy, with a potential market less than $100bn according to our calculations. But as money is invested this capital pool will become deeper and more varied”

- Letter: Green bonds shape future performance of issuers
  “For investors of sovereign bonds, alternative methods of sustainable investing threaten to create a development trap”

- Big business is no longer the planet’s biggest problem
  “Multinationals will not achieve their sustainability agenda unless they convince smaller companies of the merits”

- Green revolution set to shake up investing further
  “As if this was not enough change, the European Commission has launched a green revolution. There is no lack of ambition as its Green Deal guides most other policy considerations and becomes the driver of all else”

- Carbon offset market progresses during coronavirus
  “Big corporate buyers — from oil major BP to French luxury group Kering and tech powerhouse Google — have breathed fresh life into the carbon offset market over the past year”

- Avoiding ‘sin stocks’ is no longer enough for ESG ETFs
  “Traditional socially responsible exchange traded funds that rely on simply excluding “sin stocks” and other securities linked to sectors such as coal mining or tobacco look set to become a thing of the past, data show”

- IMF calls for urgent action to prevent debt crisis in emerging economies
  “The IMF has called for urgent action and ambitious reforms to prevent a much more pronounced debt crisis in some of the world’s poorest countries, underscoring its concerns that many emerging economies will struggle following the Covid-19 pandemic”

- Emerging economies tap debt markets but risks pile up ahead
  “Investors’ appetite for emerging market debt, driven by low global interest rates, has averted a fiscal catastrophe in developing countries reeling under the shock of coronavirus. But by attempting to borrow their way out of trouble, governments are storing up bigger problems for the future, analysts warn”

- Vast Chinese debt market requires big reforms
  “China’s rapidly expanding $15tn mainland bond market offers some tantalising prospects for pension funds and other institutional investors that have seen sources of income decline and disappear from their traditional hunting grounds in the US and Europe. But a thicket of legal, regulatory, and trading risks lies ahead for international investors, according to the IMF, which has warned that the world’s second-largest fixed income pool requires sweeping reforms to raise standards”

- West’s easy money policy boosts China’s bond market
  “Yields on Chinese 10-year government debt have risen steadily from April onwards to trade at more than 3 per cent. And while foreign investors have traditionally owned a tiny fraction of the market, there are signs of change afoot”

- Evergrande: the property group that has the market on edge
  “As China’s largest property developer, Evergrande has never been short on figures to stir awe — and alarm. The company’s land reserves, built during a breakneck expansion as China urbanised, are vast enough to house roughly 10m people. But it is the $123bn in debt Evergrande amassed along the way that has led to wild trading in its shares and bonds over the past week”

- Ant’s huge lending business powers $30bn IPO
  “As Alipay’s owner, Ant Group, approaches a $30bn IPO in Hong Kong and Shanghai, the rapid growth of its credit business has been a key selling point to investors”

- Post-Covid economic bounce fails to take off in Japan
  “Business sentiment in Japan is recovering slower than expected in a worrying sign that the bounce back from Covid-19 will take a long time”

- Japan’s NTT to buy out mobile unit DoCoMo in $40bn deal
  “Japan’s former state telecoms monopoly is taking private the NTT DoCoMo mobile unit it listed 28 years ago in a $40bn deal, launching the country’s biggest ever tender offer in a bid to survive a price war and the 5G race”

- Bondholders balk at Zambia’s plan to delay debt payments
  “Foreign bondholders are minded to block Zambia’s plans to suspend interest payments without assurances of equal treatment with large lender China, indicating that the test case for a potential string of pandemic-related defaults across Africa could prove contentious”

- Argentina bonds ‘back in hot water’ just weeks after restructuring deal
  “Argentina’s newly restructured dollar bonds have slumped in value less than a month after a deal was finalised to postpone debt payments, as fears grow about the country’s economic health”

- The Brazilian forestry giant striking a blow for sustainability
  “For a company that makes billions of dollars from cutting down and pulping trees in Brazil, Suzano has a surprising following among some environmentalists”

**Thomson Reuters**

- Bank of England's Ramsden sees floor for rates above zero
  "Bank of England Deputy Governor Dave Ramsden said he thought the floor for the central bank's key interest rate was 0.1% but the BoE was "duty-bound" to consider going below zero as part of its efforts to help the economy through its coronavirus crisis"

- Bank of England seeks to increase competition in home loans
  "The Bank of England (BoE) set out proposals on Wednesday to end unfair advantages some banks have in calculating how much capital to hold for mortgages in a bid to increase competition"

- UK National Crime Agency warns bounce back loan scheme exploited by criminals
  "Britain's National Crime Agency warned on Friday that it would investigate serious and organised crime linked to a bounce back loan scheme, aimed at helping businesses survive the coronavirus pandemic, after intelligence suggested it was being exploited"

- LSE to be told about EU's Refinitiv deal concerns, sources say
  "London Stock Exchange LSE.L is set to be hit with a charge sheet in the coming weeks setting out the European Union's antitrust concerns over its $27 billion purchase of data provider Refinitiv, two people familiar with the matter said"

- EU pins hopes on markets to absorb bank loans hit by coronavirus
  "The European Union is developing plans for markets to help banks offload a "resurgence" in coronavirus-hit loans and avoid choking economic recovery, the bloc's choice for its financial services chief said"

- Euro zone banks must brace for profit hit: ECB
  "Euro zone banks need to prepare for a rapid deterioration in their balance sheets and take decisive steps to restore profitability, European Central Bank supervisor Andrea Enria said"

- EU auditors warn of shortcomings in state aid rules for banks
  "The EU's budget watchdog on Thursday called for a revamp of EU rules allowing governments to prop up troubled banks because of the lack of details on the conditions triggering public support and because they have failed to keep pace with the market"

- ECB's Weidmann warns against large-scale bond buys
  "Large-scale bond purchases by the European Central Bank risk encroaching on fiscal policy, which is beyond the bank's mandate, Bundesbank President Jens Weidmann said on Wednesday, repeating his long-standing criticism of quantitative easing"

- ECB's Schnabel floats radical ideas for green stimulus
  "The European Central Bank could step up its purchases of "green" bonds and avoid those that it deems unfriendly to the environment to help finance the euro zone's fight against climate change, ECB board member Isabel Schnabel said"

- Exclusive: Lagarde's peace at risk as ECB splits over virus response – sources
  "European Central Bank policymakers are increasingly divided over how to steer the economy through a second wave of COVID-19, threatening President Christine Lagarde's hard-won peace, conversations with eight ECB insiders show"

- Exclusive: German market watchdog bans staff from trades in wake of Wirecard
  "Germany's financial watchdog BaFin is banning its staff from trading shares and other securities of the companies that it oversees in the wake of the Wirecard WDIG.DE accounting scandal, a senior finance ministry official told Reuters"

- Exclusive: Deutsche Bank CEO to board: mergers not a focus now, sources say
  "Deutsche Bank chief executive officer Christian Sewing has told the lender's supervisory board he is not focused on mergers at the moment and is instead concentrating on the bank's overhaul until 2022, people with knowledge of the matter said"

- Ford applies for German COVID-19 loan guarantees – Handelsblatt
  “Ford Motor F.N, which operates two auto plants in Germany, has applied for 500 million euros ($582 million) of German loan guarantees aimed at cushioning the impact of the COVID-19 pandemic, business daily Handelsblatt reported”

- Air France leads tax pushback in climate vs recovery fight
  “Air France-KLM is battling new green taxes on top of the coronavirus crisis - in a test of growing policy tensions between righting Europe’s crippled airlines and delivering on climate goals”

- UniCredit sues Hin Leong, Glencore over ‘sham’ oil deal
  “Italy’s UniCredit SpA CRDI.MI has sued Hin Leong Trading Pte Ltd over a letter of credit, court documents show, one of several the Singapore oil trader sought from lenders for oil purchases but used to pay debt instead”

- Monte dei Paschi shareholders approve bad loan clean-up
  “Shareholders in Monte dei Paschi di Siena BMPS.MI approved on Sunday a long-awaited bad loan clean-up plan aimed at easing the sale of the state-owned bank to a healthier rival”

- Fed’s Main Street lending may be missing core group of firms – survey
  “The Federal Reserve’s high-profile Main Street Lending program may be missing one of its key targets, with half of banks in a recent survey saying they had rejected loans to companies that were in good shape before the pandemic but too damaged by it to justify a loan”

- Loan officers say “restrictive” terms of Fed Main Street program hampered lending
  “A sample of U.S. banks say they expect loan demand from businesses targeted by the Federal Reserve’s Main Street Lending Program to increase in coming months, but also gave no clear sign that use of the much-criticized program itself will change”

- U.S. SEC proposes new rules to alleviate electronic trading risk to fixed-income market
  “The U.S. Securities and Exchange Commission on Monday proposed new rules for electronic trading platforms for U.S. Treasuries, corporate debt and municipal securities, aimed at improving transparency and operational preparedness in the world’s biggest securities market”

- SEC fines two companies for improperly reporting earnings, first in ‘EPS Initiative’
  “The U.S. Securities and Exchange Commission fined two companies for violations that resulted in improper reporting of quarterly earnings, the regulator’s first enforcement actions under a program to detect such violations”

- Credit rating agency Kroll settles U.S. SEC charges
  “Kroll Bond Rating Agency will pay $2.01 million, mainly in fines, to settle U.S. Securities and Exchange Commission civil charges that some of its practices were inadequate to ensure its ratings would be accurate, the regulator said”

- Big U.S. banks to report profit plunge as pandemic recession takes hold
  “As big U.S. commercial banks close their books on the third quarter, analysts expect them to report a 30% to 60% plunge in profits on the year-ago period due to the pandemic-induced recession and near record low interest rates”

- Pelosi says airline aid deal is near, asks for halt to job cuts
  “U.S. House Speaker Nancy Pelosi on Friday asked airlines to halt furloughs and firings, saying a long-awaited deal to provide another $25 billion in aid for the struggling sector”

- U.S. auto sales stay on recovery path despite tight inventory
  “The U.S. auto sector on Thursday continued to show signs of a recovery from the COVID-19 pandemic as improving demand in the third quarter for new vehicles has General Motors Co GM.N and other major automakers scrambling to boost production to rebuild dealer inventories

- Mortgage lender Caliber Home Loans files for IPO
  “Mortgage lender Caliber Home Loans Inc has filed for an initial public offering, its regulatory filing showed”

- JPMorgan trims emerging market exposure as U.S. elections nears
  "JPMorgan said on Friday it had started reducing exposure to some emerging market assets with the U.S. election drawing closer and predicted China's yuan might weaken less-than-expected"

- Debt cancellation needed to help poorest countries: World Bank president
  "The COVID-19 pandemic could trigger a debt crisis in some countries, so investors must be ready for granting some form of relief that could also include debt cancellation, World Bank President David Malpass was quoted as saying"

- IMF pushes for changes governing debt restructurings
  "International Monetary Fund officials on Thursday warned that risks of a sovereign debt crisis sparked by the coronavirus pandemic will rise without changes to the international debt architecture, including more transparency for government borrowing"

- After rate hike, Turkey eases banks' required asset ratios
  "The Turkish BDDK banking watchdog said on Monday it lowered deposit banks' required asset ratio to 90% from 95%, further easing a rule that effectively forced private banks to lend more and buy more government debt"

- BMO says 1.7% of expired commercial loan deferrals showing defaults/delinquency
  "Only about 1.7% of Bank of Montreal's BMO.TO commercial loans whose pandemic-related repayment deferrals have expired are in default or are delinquent, executives said"

- Why Brazil's massive IPO pipeline is giving investors indigestion
  "What was shaping up as Brazil's best year for initial public offerings in more than a decade is now on the rocks, as many companies shelve their plans amid concerns on the country's fiscal discipline and a surfeit of new equity supply"

- Egypt becomes first Arab country to issue Green bonds with $750 million deal
  "Egypt sold $750 million in five-year Green bonds on Tuesday, a document showed, in the first sale of such bonds by a government in the Middle East and North Africa region"

- Zain Saudi raises $1.6 billion Islamic loan
  "Mobile Telecommunications Company Saudi Arabia (Zain KSA) has raised a 6 billion riyals ($1.60 billion) loan to refinance existing debt and secure access to additional liquidity to support growth, it said in a bourse filing"

- Saudi Aramco and Sumitomo Chemical to lend Petro Rabigh $2 billion
  "Japan's Sumitomo Chemical 4005.T and Saudi Aramco 2222.SE will lend $2 billion to their refinery and petrochemicals joint venture as it faces a shortfall of capital due to the COVID-19 pandemic and periodic maintenance, Sumitomo said"

- India to waive certain interest levies on loans in COVID-19 relief
  "The Indian government has told the Supreme Court it will waive certain interest levies on loans up to 20 million rupees ($272,888) under a COVID-19 support plan, a legal filing showed, in a move that will bring relief to millions of borrowers"

**Regulators & Associations Monitored**

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

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## Important Information: