ELFA Legal & Regulatory Update
31/08/2020 – 04/09/2020

Key Highlights:

- This Legal & Regulatory Update covers the week commencing **31/08/2020**.
- Pre-Emption Group extends additional flexibility for equity placings to 30th November 2020.
- RFRWG releases recommendations for SONIA loan market conventions.
- ESMA publishes list of thresholds for shareholder identification.
- ESMA publishes call for evidence in context of review of transparency requirements for equity and non-equity instruments.
- ESMA publishes its second Trends, Risks and Vulnerabilities (TRV) report of 2020.
- ESMA confirms Securitisation Regulation requirements entry into force on 23 September 2020.
- EBA publishes its 2019 annual report on resolution colleges.
- FINMA initiates enforcement proceedings against Credit Suisse regarding their observation and security activities.
- IOSCO reminds stakeholders of deadline for its principles on outsourcing consultation.
- ICMA's AMIC responds to ESAs' consultation on Sustainable Finance Disclosure Regulation.
- ICMA's AMIC responds to ESMA's consultation on guidelines for NCAs when they consider potential financial stability risk associated with leverage in AIFs.
- Central Bank of Sweden (Riksbank) announces that it will start purchasing corporate bonds in September.
- 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)

31 August – 04 September 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:

- PRA Regulatory Digest - August 2020
- Letter from Sam Woods 'Temporary Permissions Regime – operational readiness'
- Minutes of the Working Group on Sterling Risk-Free Reference Rates - June 2020
- Responses to CP3/20 'Occasional Consultation Paper'
- Guidelines for completing regulatory reports
- Increased transparency of London gold holdings
- Money and Credit - July 2020
- Effective interest rates - July 2020
- Monthly Decision Maker Panel data - August 2020
- Gertjan Vlieghe's Annual Report for the Treasury Select Committee
- Government debt and inflation – Speech by Ben Broadbent
- Reinventing the wheel (with more automation) – Speech by Andrew Bailey
- The economy and Covid-19: looking back and looking forward – Speech by Michael Saunders
- The link between bank competition and risk in the United Kingdom: two views for policymaking – Staff Working Paper
- 2020 Annual Meeting of the Central Bank Research Association – Event
- Treasury Committee – Oral evidence: Economic impact of coronavirus – Event

Financial Conduct Authority (FCA)

31 August – 04 September 2020: Speeches, Letters & Other Publications

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

- CP20/18: Quarterly Consultation Paper No. 29 – Once a quarter, the FCA consults on proposed miscellaneous amendments to its Handbook. These tend to be minor changes but the FCA still wants to get feedback on its proposals
- Fair exchange: presenting foreign exchange quotes to improve consumer choice – Occasional Paper
- 'Messages from the Engine Room' 5 Conduct Questions – Industry Feedback for 2019/20 Wholesale Banking Supervision

Pre-Emption Group (PEG)

04 September 2020: Pre-Emption Group extends additional flexibility for equity placings to 30th November 2020

The Pre-Emption Group (PEG) announced that it is extending, to 30th November 2020, its recommendation that investors, on a case-by-case basis, continue to consider supporting placings by companies of up to 20% of their issued share capital over a 12-month period. The PEG's original recommendation on additional flexibility, introduced as a temporary measure on 1st April 2020 as a direct result of the severe business implications of COVID-19, has been very well received by the market. Of the £23.7 billion raised in the UK market since the start of the year, over 125 of the issuances have been accessing emergency funds, generally at a small discount to the prevailing market price. Investors have responded pragmatically to the extenuating circumstances by extending the usual thresholds for pre-emptive issuances. Companies and market participants have also responded responsibly to the additional flexibility and have generally recognised the desired conditions of the PEG guidelines.

Given the continued uncertainties of COVID-19 and the developing pipeline of equity offerings over the 3rd Quarter, the PEG has decided to extend the relaxation of its guidelines by a further two months. The PEG has chosen 30th November to allow companies more time to assess any unforeseen consequences of COVID-19-related financial and cashflow developments.

The PEG wishes to reiterate that if a company looks to use the additional flexibility between now and 30th November:

- it should only do so if it is experiencing extreme circumstances, and issuance is required to fund an immediate concern;
- the particular circumstances of the company should be fully explained, including how the company is supporting its stakeholders;
- effective consultation with a representative sample of the company's major shareholders should be undertaken, and as outlined in the PEG's Appendix of Best Practice in Engagement and Disclosure, companies would be expected to disclose information about the consultation undertaken prior to the issuance;
- consideration should be given to the effect of the issuance on retail shareholders, and how they may be able to take part in some aspect of the issuance;
- the date at which the status of shareholding is assessed for the purposes of pre-emption should be clearly disclosed and, as far as possible, the issue should be made on a soft pre-emptive basis;
- company management should be involved in the allocation process; and
- existing share awards should not be normalised to negate the dilutive effect of the issuance.

The PEG also wishes to underline that the Statement of Principles applies to all issues of equity securities that are undertaken to raise cash, irrespective of the legal form of the transaction. For example, a "cashbox" transaction may be structured as an issuance of equity securities for non-cash consideration falling outside the scope of statutory pre-emption. Nonetheless, such a transaction should be regarded, for the purposes of the Statement of Principles, as being an issue of equity securities for cash. This recommendation is in place until 30th November 2020 and at that stage it is the PEG's expectation that companies will revert to seeking approvals for a maximum of 10% as set out in the Statement of Principles (5% for general corporate purposes with an additional 5% for specified acquisitions or investments). The Statement of Principles already permits companies, on a case-by-case basis, to request a specific disapplication of pre-emptive rights outside of those thresholds where proper engagement and consultation has taken place. Those companies not adhering to these expectations are likely to see stronger opposition to disapplication and other resolutions at future annual general meetings.

Working Group on Sterling Risk-Free Reference Rates (RFRWG)

02 September 2020: RFRWG releases recommendations for SONIA loan market conventions

The Working Group on Sterling Risk-Free Reference Rates (RFRWG) released recommendations on standard market conventions for sterling loans based on compounded in arrears SONIA to support the urgent transition away from the use of LIBOR. The recommendations take into account the overall needs of the sterling loan market as well as a variety of system infrastructure implementation considerations and are intended to support the Working Group's target for lenders to be able to offer non-LIBOR alternatives to customers by the end of September. These recommendations cover a number of aspects in relation to calculation of interest to support new lending on a SONIA-linked basis, and on the treatment of interest rate 'floors' in existing LIBOR-linked contracts moving to SONIA. The recommendations are based on a range of inputs, including discussions with loan infrastructure providers and other national working groups, as well as a survey of market practitioners within the Working Group and its associated sub-groups and task forces.

European Securities and Markets Authority (ESMA)

31 August 2020: ESMA publishes list of thresholds for shareholder identification

The European Securities and Markets Authority (ESMA) published a document listing the thresholds above which shareholders can be identified in the various Member States of the European Union (EU).

The document contains information provided by national competent authorities setting out:

- national thresholds for shareholder identification in Member States that have established such a threshold;
- relevant national legislation and rules; and
- indication of Member States where the revised Shareholder Rights Directive (SRDII) has not yet been transposed into national law.

ESMA drafted this document to enhance transparency around the regimes adopted across the EU.

01 September 2020: ESMA publishes call for evidence in context of review of transparency requirements for equity and non-equity instruments

ESMA has published a Call for Evidence (CfE) in the context of its intention to review Commission Delegated Regulation (EU) No 2017/587 (RTS 1) and Commission Delegated Regulation (EU) No 2017/583 (RTS 2) starting from Q4 2020-Q1 2021. RTS 1 and RTS 2 contain the main implementing measures in respect of the MiFID II / MiFIR transparency regime for equity and non-equity instruments. The purpose of this exercise is to gather input and views on practical issues related to the application of RTS 1 and RTS 2 that market participants have identified since the application of MiFID II / MiFIR. ESMA would also like to receive feedback on any technical issue and policy gap that market participants have encountered at implementation level, as well as unclear provisions. Respondents are invited to provide their suggestions and, where possible, related solutions by filling in the ESMA template. The deadline is 31 October 2020.

ESMA has already undertaken or is in the process of undertaking reviews of the MiFIR transparency regime for equity and non-equity instruments. The CPs as well as the Final Reports contain ESMA's proposals for possible legislative amendments to the regime based on in-depth data analyses of the effects of the current regime since January 2018. However, although the RTS 1 and RTS 2 review is closely linked to the review of the transparency regime mentioned above, this CfE constitutes a separate exercise. The transparency regime review covers a vast array of MiFID II / MiFIR provisions whereas the main objective of the CfE is to draw up a comprehensive list of practical issues related to provisions set out in RTS 1 and RTS 2. This allows ESMA to better target a number of practical issues before proceeding with an in-depth review through a consultation paper and a report to the European Commission entailing concrete legislative proposals.

02 September 2020: ESMA sees high risk of decoupling of financial market performance and underlying economic activity

ESMA published its second Trends, Risks and Vulnerabilities (TRV) Report of 2020. A webinar open to the public will be held on 9 September to present the report. The Report analyses the impact of COVID-19 on financial markets during the first half of 2020 and highlights the risk of a potential decoupling of financial market performance and underlying economic activity, which raises the question of the sustainability of the current market rebound. The TRV also highlights specific risks for financial stability and investors in relation to Collateralised Loan Obligations (CLOs) model risk, EU fund industry interconnectedness and spill overs, research unbundling and closet index funds costs and performance.

04 September 2020: ESMA confirms Securitisation Regulation requirements entry into force on 23 September 2020

ESMA confirmed that the different elements of the new regime under the Securitisation Regulation will come into force on 23 September 2020. This follows the publication of seven technical standards implementing the Securitisation Regulation in the Official Journal of the European Union.

The publication of the technical standards triggers:

- opening of applications for entities to register as Securitisation Repository (SR); and
- entry into force of new disclosure templates.

31 August – 04 September 2020: Speeches, Letters & Other Publications

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

- ESMA starts recruitment for Executive Director

European Insurance and Occupational Pensions Authority (EIOPA)

03 September 2020: EIOPA publishes monthly technical information for Solvency II Relevant Risk-Free Interest Rate Term Structures - end August 2020

The European Insurance and Occupational Pensions Authority (EIOPA) published technical information on the relevant risk free interest rate term structures (RFR) with reference to the end of July 2020. RFR information has been calculated applying the content of the Technical Documentation published on 20 August 2020 and based on RFR coding released on 8 October 2019.

03 September 2020: EIOPA publishes technical information on symmetric adjustment of equity capital charge for Solvency II with reference to end of August 2020

EIOPA has published technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of August 2020.

European Banking Authority (EBA)

31 August 2020: EBA issues opinion regarding European Commission's intention to amend EBA's final draft RTS on economic downturn

The European Banking Authority (EBA) published an Opinion in response to the European Commission's intention to amend the EBAs final draft Regulatory Technical Standard (RTS) on the specification of the nature, severity and duration of an economic downturn. The EBA is of the view that the several changes introduced by the Commission would alter the agreed policy and, therefore, suggests changes with the aim of maintaining the agreed consensus of the originally submitted text.

The EBA's Opinion identifies three substantive changes introduced by the European Commission. The first one is about the deletion of the requirement, which states that the economic indicators relating to one downturn period should be significantly correlated. The EBA is of the view that such requirement should be re-introduced. The second substantive change relates to the introduction of a proportionality principle for the cost of data (Recital 10 and Article 2), which alters the agreed policy. Here, the EBA suggests some redrafting to clarify the relevant data sources. Finally, for the third substantive change, which is about removing the possibility of considering a shorter time series than 20 years for economic indicators relating to an EU member state that joined the EU less than 20 years ago, the EBA agrees to Commission's proposal despite the substantive nature of the change. In addition, the EBA identifies a number of non-substantive and drafting changes, which, in its view, may unintendedly hamper the clarity of the text. The EBA is, therefore, proposing alternative drafting suggestions.

01 September 2020: EBA publishes its 2019 annual report on resolution colleges

The EBA published its Annual Report on resolution colleges for 2019. The Report sets out the EBA's observations on the efficiency, effectiveness and consistency of the functioning of resolution colleges during the year and the progress achieved in key areas of resolution planning. It also highlights the main areas that the EBA will monitor in 2020, which primarily address responses to the effects of the Covid-19 pandemic. Overall, the Report shows that resolution colleges continue to be an active forum for resolution authorities in the development of resolution plans for cross-border banking groups, where the intensity and quality of cooperation and dialogue has also improved.

European Central Bank (ECB)

31 August – 04 September 2020: Speeches, Letters & Other Publications

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

- Euro area insurance corporation statistics: second quarter of 2020
- Consolidated financial statement of the Eurosystem as at 28 August 2020
- Euro area bank interest rate statistics: July 2020
- Letter from the ECB President to Mr Fabio Massimo Castaldo and Mr Dino Giarrusso, MEPs, on monetary policy
- Letter from the ECB President to Ms Manon Aubry, MEP, on ECB institutional issues
- The role of IMF conditionality for central bank independence – Working Paper Series

- Bank reserves and broad money in the global financial crisis: a quantitative evaluation – Working Paper Series
- Europe needs a fully fledged capital markets union - now more than ever – Blog
- Isabel Schnabel: Interview with Reuters – Interview

European Commission (EC)

31 August – 04 September 2020: Speeches, Letters & Other Publications

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

- European Green Deal: Commission prepares new initiatives to boost the organic farming sector
- Commission announces actions to make Europe's raw materials supply more secure and sustainable
- New rules on cleaner and safer cars start to apply across Europe
- Commission approves €199.45 million Italian support to compensate Alitalia for damages suffered due to coronavirus outbreak
- Frans Timmermans on the European Green Deal as a growth strategy at the Bruegel Annual Meetings – Speech

Commission de Surveillance du Secteur Financie (CSSF)

31 August – 04 September 2020: Speeches, Letters & Other Publications

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

- CSSF's Newsletter No 235 - August 2020
- Publication of the CSSF's Annual Report 2019
- COVID-19, upcoming regulations and key developments in the asset management and fund industry – Interview with Claude Marx, Director General of the CSSF

Swiss Financial Market Supervisory Authority (FINMA)

02 September 2020: FINMA initiates enforcement proceedings against Credit Suisse regarding their observation and security activities

The Swiss Financial Market Supervisory Authority (FINMA) has initiated enforcement proceedings against Credit Suisse in the context of its observation activities. Earlier this year FINMA appointed an auditor to investigate Credit Suisse in the context of its observation activities (see press release published on 20 December 2019). The auditor's investigation has now been completed. FINMA has opened enforcement proceedings against the bank, in which it will pursue indications of violations of supervisory law in the context of the bank's observation and security activities and in particular the question of how these activities were documented and controlled. FINMA will inform the public about the conclusion of the enforcement proceedings. It will not comment further on the content of the ongoing proceedings or the date when the proceedings may be concluded. Typically, such proceedings can be expected to take several months.

International Organization of Securities Commissions (IOSCO)

01 September 2020: IOSCO reminds stakeholders of deadline for its principles on outsourcing consultation

On 28 May the Board of the International Organization of Securities Commissions (IOSCO) published a consultation report requesting feedback on proposed updates to its principles for regulated entities that outsource tasks to service providers. In light of the current COVID-19 pandemic, the response period was extended to four months. IOSCO is reminding stakeholders are reminded that they are welcome to comment on this consultation report before or on 1 October.

International Capital Market Association (ICMA)

01 September 2020: ICMA's AMIC responds to ESAs' consultation on the Sustainable Finance Disclosure Regulation

AMIC, the buy-side voice of the International Capital Market Association (ICMA), responded to the ESAs' consultation on the Sustainable Finance Disclosure Regulation. AMIC highlighted several challenges with the implementation measures proposed by the three European authorities, including both firm and product disclosure requirements. For instance, the proposed quantitative disclosure of asset management companies' ESG footprints would not only be of little relevance to investors who invest in products, but it will give them an inaccurate picture of the principal adverse impacts of assets under management (AUM), as many asset classes (sovereign bonds, green bonds, money markets and cash equivalents, currency, some commodities) cannot be evaluated against the proposed KPIs and given that this approach does not consider the materiality concept. In light of the expected delay in adopting the implementation measures and the scale of the issues to be resolved, AMIC once again urges the EC and the ESAs to postpone the application date of SFDR.

01 September 2020: ICMA's AMIC responds to ESMA's consultation on guidelines for NCAs when they consider potential financial stability risk associated with leverage in AIFs

ICMA's AMIC responded to ESMA's consultation on guidelines for NCAs when they consider potential financial stability risk associated with leverage in AIFs. AMIC recommends focusing on funds with substantial leverage as a first screening phase and conducting an analysis of relevant parameters related to a given fund. AMIC strongly recommends analysing funds individually and not in groups: similar AIFs may have leverage tolerance according to clients' profiles, dealing cycles and recent performances. Finally, the response suggests that the implementation of these guidelines should rely on data already reported under LST guidelines, AIFMD, EMIR, SFTR and should not lead to further reporting by asset managers.

31 August – 04 September 2020: Speeches, Letters & Other Publications

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

- Digital transformation in capital markets
  Chetan Tolia, Head of Digital Business Transformation at UBS Investment Bank, talks to Martin Scheck, ICMA Chief Executive about unlearning the past and relearning to reinvent the business model and create a radical future, and how COVID-19 has forced us all to do this on a wider scale. The momentum building in tokenisation and the role of regulators, major developments in market infrastructure and the challenges of managing change and innovation in a large institution all feature in the discussion

Other Updates

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

01 September 2020: Central Bank of Sweden (Riksbank) announces that it will start purchasing corporate bonds in September

The Executive Board of the Riksbank has decided to initiate purchases of corporate bonds in the week beginning 14 September 2020. The purchases will keep companies' funding costs down and reinforce the Riksbank's capacity to act if the credit supply to companies were to deteriorate further as a result of the corona pandemic.

The following conditions apply to these purchases:

- the first purchases shall be made through bilateral purchase procedure, which is the most common form of purchase on the Swedish market for corporate bonds;
- at a later stage, purchases may also be made via bid procedure;
- the purchases will be made on the secondary market from the Riksbank's monetary policy counterparties and will cover non-subordinated corporate bonds issued by companies with credit ratings equivalent to Baa3/BBB- or higher with a remaining maturity of up to five years; and
- the Riksbank will apply a limit to its holdings of corporate bonds to no more than 50 per cent of an individual company's total outstanding volume of corporate bonds in Swedish krona and no more than 50 per cent of an individual bond issue.

The Riksbank is working on developing methods to identify risks linked to sustainability that can affect the conditions for the Riksbank's execution of its tasks. In future, the Riksbank may therefore also take sustainability into account in the choice of corporate bonds. The Riksbank also intends, as data become available, to measure and report on greenhouse gas emissions in the portfolio of corporate bonds being built up.

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 rebuffs City plan to refinance coronavirus loans
  “Chancellor Rishi Sunak is set to rebuff City of London calls for a new state-owned body that would refinance tens of billions of pounds of coronavirus loans issued to UK companies”

- H2O Asset Management had about a third of fund in illiquid assets
  “About a third of an H2O Asset Management fund was invested in illiquid bonds when the French regulator forced its suspension, more than three times higher than a regulatory limit on hard-to-sell assets”

- H2O and the saga of its illiquid bonds
  “The move by the AMF late last week came more than a year after the Financial Times first revealed that London-based H2O, which for years posted some of the most consistently high returns in European fund management, had substantial investments in hard-to-sell assets, with uncertainties over their valuations”

- Thirteen sued for £178m over alleged fraud at London Capital & Finance
  “Thirteen people including a former UK energy minister are being sued for £178m in connection with an alleged fraud at London Capital & Finance, where investors’ cash is said to have been used to buy horses, a helicopter and lifetime memberships to Annabel’s, the Mayfair private members’ club”

- CBI boss urges UK government to adopt new jobs support scheme
  “The UK government needs to create a successor to its furlough scheme to protect jobs, according to CBI boss Carolyn Fairbairn, who warned that a large number of redundancies were expected this month as companies prepare for wage support to end in October”

- UK spending on coronavirus consultants tops £100m
  “The UK’s largest consulting firms have been paid more than £100m to advise the government on its response to the coronavirus pandemic, according to a string of delayed disclosures from Whitehall in recent weeks”

- UK businesses slash investment as coronavirus crisis bites
  “UK businesses are slashing investment plans in the third quarter because of coronavirus, according to a Bank of England survey that highlights how the pandemic looks set to inflict long-term damage on the economy”

- Soros-backed football finance lender 23 Capital winds down
  “23 Capital, a prominent lender to the football and entertainment industries backed by billionaire George Soros, is winding down its $1bn loan book with its co-founders parting ways amid rising uncertainty for lenders to those sectors. The London-based firm has outsourced the administration of its existing loan book and corporate entities to Intertrust, the Amsterdam-based corporate services provider, and cut staff numbers from around 70 to roughly 15”

- Atom Bank cuts losses despite collapse of backer Woodford
  “Atom Bank cut its annual losses for the first time despite growth being held back by the collapse of Neil Woodford’s investment business, which had been one of its largest backers”

- Active funds fail to outperform passive rivals despite Covid-19 opportunity
  “Research shows only 44% of active UK large-cap equity funds outdid passive peers in first 6 months”

- Asset managers lobby Brussels to delay sustainable investing rules
  “Asset managers are urging Brussels to delay implementation of its landmark sustainable investing rules, arguing its deadline is too ambitious given the mammoth reporting task awaiting investment houses”

- Biggest banks sustain coal financing despite defunding drive
“Under mounting pressure from customers and shareholders for action on climate change, a string of banks have announced they will withdraw credit to the most carbon-intensive natural resources projects”

- Rising euro stokes ECB worries over falling prices
“The euro’s rise is worrying top policymakers at the European Central Bank, who warn that if the currency keeps appreciating it will weigh on exports, drag down prices and intensify pressure for more monetary stimulus”

- Eurozone slides into deflation for the first time in four years
“The eurozone slid into deflation for the first time in four years, heaping pressure on the European Central Bank to increase its support for the bloc’s faltering economic recovery from the coronavirus pandemic”

- ECB must follow the Fed’s embrace of a second mandate
“Europeans should pay close attention. For the European Central Bank has also treated its own legal mandate far too narrowly. There is a widespread misperception that the ECB is treaty-bound to the single duty of ensuring price stability. The central bank shares the blame for allowing this error to proliferate, sometimes seeming to believe it itself”

- Macron’s revival plan
“After Germany’s “ka-boom”, it is France’s turn to fire the big fiscal bazooka”

- Bundesbank chief calls for scaling-back of crisis aid
“The head of Germany’s central bank has warned that the economy risks becoming overly reliant on the massive fiscal and monetary support provided since the coronavirus pandemic struck and called for it to be scaled back soon”

- Germany and Daimler jolt green bond market back to life
“After a quiet few months, the green bond market roared back to life this week with Germany making its first-ever issuance”

- German bonds: a green yield development
“The €6bn 10-year offering will provide a much-needed benchmark for both green issuers and the growing group of investors willing to finance action against climate change. It also marks a turning point for the fixed-income market”

- Investors pounce on Germany’s first green bond sale
“Investors queued up to buy Germany’s first ever green bond on Wednesday, as the eurozone’s safest borrower took advantage of surging interest in environmentally friendly investment”

- Wirecard and me: Dan McCrum on exposing a criminal enterprise
“Intimidation, surveillance and conspiracy theories: inside the FT’s five-year investigation of a billion-dollar fraud”

- Swissport fears thousands more job losses in pandemic fallout
“Swissport warned on Monday of thousands more job losses at the world’s largest baggage-handling business, as it forecast a pandemic-fuelled slump in the global travel industry to last until 2024”

- Greek debt sale ‘bodes well’ for busy eurozone issuance
“Eurozone countries are on course to issue some €130bn of new debt in September as markets fire up after a slight lull in August, according to analysts at Commerzbank. That would double last September’s total as governments increase borrowing to fund responses to the Covid-19 crisis”

- Spanish lenders Bankia and CaixaBank in €17bn merger talks
“Shares in CaixaBank and Bankia rose sharply on Friday after the two Spanish lenders confirmed they were in talks about a potential merger, a tie-up that would create the country’s largest domestic bank with assets of more than €650bn”

- CaixaBank/Bankia: everyone expects the Spanish acquisition
  "In Spain, paradoxically, savings banks have often needed saving themselves. That is why the Spanish government owns more than 60 per cent of Bankia, the remnants of seven regional banks rescued by taxpayers in 2012. It is in talks to merge with its much larger rival CaixaBank. An all-share deal worth more than €4bn would bring savings in a different form, via cost cutting"

- Activist hedge fund urges European shift to rail from flights and ferries
  "A London-based activist hedge fund that owns a stake in the operator of the Channel Tunnel has called on European governments to radically overhaul transport policy to encourage rail use to help fight pollution from carbon emissions"

- Health concerns swirl around Europe's obese and addicted banks
  "But the central bank interventions that have held down capital costs and helped mitigate customer loan losses — via ramped-up quantitative easing and a further lowering of perennially ultralow interest rates — have had a nasty side effect. Combined with the build-up of plump capital buffers that policymakers have insisted on over the past decade, they have conspired to destroy returns, rendering many banks essentially uninvestable"

- US corporate bond issuance hits $1.919tn in 2020, beating full-year record
  "Companies have raised more debt in the US bond market this year than ever before, as a dash for cash during the coronavirus crisis took issuance past previous full-year totals with months left to go"

- Bond investors cast doubt on Fed's power to push up inflation
  "But many investors say that talking about inflation is one thing, and actually generating swifter price rises is another entirely. Unless the Fed can avoid a path trodden by the Bank of Japan and the European Central Bank — where vast monetary stimulus has failed to nudge inflation back up to target levels — then a lasting reversal of the four-decade rally in fixed income is unlikely, they say"

- ESG bond funds held back by fear of criticising US, research suggests
  "Fund managers' unwillingness to criticise western governments, particularly that of the US, is holding back the development of "sustainable" government bond funds, research suggests"

- US shareholder rule proposals blasted as 'draconian'
  "The US Department of Labor has been accused of bowing to pressure from corporate lobbyists after it proposed "draconian" rules that critics argued would undermine shareholder democracy"

- Female-managed US funds outperform all-male rivals
  "All-women and mixed-gender US fund teams outperformed all-male portfolio management teams so far this year, according to a Goldman Sachs analysis that raises fresh questions about the investment industry's progress in addressing its gender diversity problems"

- Bank of America promotes investment manager diversity
  "Bank of America took a big step in this direction, announcing it will begin grading asset managers based on their diversity policies and practices — and using these scores to help determine which investment strategies it promotes to its clients"

- Tech rout pulls Nasdaq down to worst week since March
  "The drop in tech stocks will naturally trigger "a fairly big buying of the dip" from investors "standing on the sidelines, waiting to fill their portfolios with the octane" of growth-oriented companies, said Jim Paulsen, chief investment strategist for the Leuthold Group"

- 'What just happened?' ask bruised tech investors
  "Now, with the air suddenly coming out of inflated valuations, investors are urgently trying to understand how activity in derivatives markets sent Apple, Tesla and a host of hot stocks to record highs — and what might happen next"

- United Airlines to furlough more than 16,000 staff
  "United Airlines plans to involuntarily furlough 16,000 employees on October 1, a day shaping up to be one of the darkest in history for the workforce of the US airline industry"

- Cruise industry's billion-dollar question: what to do with the ships?
  "Marella is not the only company sending ships to the scrapyard. Royal Caribbean, the world's second-biggest cruise line, has so far announced the scrapping of three of its vessels"

- Chef Daniel Boulud on fine dining in the age of Covid
  "Lockdown forced the New York restaurateur to cut back his menu and broaden his clientele. So what's next for eating out?"

- How investor pressure prompted oil majors to wake up to climate change
  "Although the investment industry's new focus on ESG has been viewed with much scepticism, with regular accusations of so-called greenwashing, companies across the world are now feeling pressure from shareholders like never before over issues as diverse as global warming to human rights"

- Take ESG sceptics' claims with a lorry load of salt
  "This is nonsense. ESG investors seek to avoid companies that exacerbate the world's problems and increase risk, and instead look to direct capital to those that provide solutions, reduce risk and drive up long-term value. Taking against this common sense approach is, at best, a challenge. So the sceptics' case against ESG investing usually rests upon the construction of numerous straw men"

- Pandemic sends real yields on corporate debt into negative territory
  "The vast scale of central bank support for the corporate bond market has fired up prices to the point where some investors are willing to accept a loss for buying them, once inflation is taken into account"

- Retail stock investors should note professionals' caution
  "Retail investors have been flocking to equity markets as an unrelenting five-month surge in valuations suggests stocks are immune to the damage being inflicted on the economy by the Covid-19 pandemic"

- How programmable digital assets may change monetary policy
  "Why do these particular digital assets demonstrate significantly higher velocity than traditional bank money? These assets free up capital that would otherwise be trapped in unsettled payments, thereby improving the velocity of users' capital (and returns on capital) — from traders to investors to corporate treasurers alike"

- Warren Buffett makes $6bn bet on Japanese trading houses
  "Warren Buffett has placed a $6bn contrarian bet on Japan's five biggest trading houses, the century-old commodity specialists that are increasingly transforming into global venture capital and private equity businesses"

- Argentina clinches near-unanimous backing for debt restructuring
  "Argentina has successfully restructured almost all of its $65bn debt with private creditors in a major milestone that will enable the country to put an end to its ninth sovereign debt default"

- Suzano spearheads EM bond issuance link to carbon emissions targets
  "A Brazilian pulp and paper company aims to become the first emerging-market corporate borrower to issue debt that includes a financial penalty for failing to hit a specific target for carbon emissions"

- Ecuador basks in glow of debt-restructuring success
  "When the IMF announced last month that it would lend Ecuador $6.5bn to get its battered economy back on track, the largest piece of a complex debt-restructuring jigsaw fell into place. The loan also capped six month-long negotiations with international creditors on several fronts — which all yielded successful outcomes"

- Investors pour cash into Chinese start-ups in hunt for next Tesla
  "Investors are pumping billions of dollars into China's electric vehicle start-ups as they seek to turn out the next Tesla, creating a window of opportunity for Beijing to forge a national champion in the industry"

- Laos faces sovereign default as forex reserves dip below $1bn
  "Laos faces a growing risk of debt distress and sovereign default, according to credit rating agencies and economic advisers, as coronavirus and a debt-laden power sector take their toll on one of Asia's poorest countries"

- Dubai to tap bond markets after Covid-19 funding squeeze
  "Dubai is preparing to return to global debt markets for the first time in six years as the Gulf emirate seeks to cushion the blow of the pandemic on its services-oriented economy"

- Abu Dhabi oil group reaches $5.5bn real estate deal with Apollo
  "Abu Dhabi's state oil company has sealed a long-term investment partnership with a consortium led by Apollo Global Management, which is taking a 49 per cent stake in the group's real estate assets valued at $5.5bn"

- Covid-19 crisis set to push poorest nations into debt distress, Paris Club warns
  "The economic fallout from the Covid-19 crisis is likely to tip several of the world's poorest countries into debt distress, forcing official creditors and private-sector lenders to accept a reduction or restructuring of loan repayments, the Paris Club group of creditor countries said"

Thomson Reuters

- BoE’s Saunders expects more stimulus as UK economy stumbles
  “A Bank of England rate-setter said on Friday it was “quite likely” that Britain’s COVID-hit economy would need more stimulus to offset what may be years of social distancing and the growing risk of post-Brexit trade barriers”

- Bank of England policymakers warn of bigger risks for UK economy
  “Bank of England Deputy Governor Dave Ramsden and another interest-rate setter, Gertjan Vlieghe, warned of risks that Britain’s economy could suffer more damage from the coronavirus crisis than spelt out by the central bank last month”

- Sterling to weaken by end-year before regaining lost ground - Reuters poll
  “Sterling will lose some of its recent gains against a weaker dollar as year-end approaches, hurt by Brexit uncertainty and fears surrounding the coronavirus pandemic, a Reuters poll showed”

- ECB policy calibrated to deal with pandemic resurgence, says Schnabel
  “The European Central Bank has no reason for now to add to its stimulus measures as disruptions related to the recent surge in coronavirus infections were already factored into its policy, ECB board member Isabel Schnabel told Reuters”

- Climate change bigger economic risk than pandemic, ECB’s Schnabel says
  “The coronavirus pandemic demonstrates in the clearest terms why central banks must take a bigger role in fighting climate change even if the issue at first appears unrelated to monetary policy, European Central Bank board member Isabel Schnabel said”

- Half of new EMEA passive fund launches ‘sustainable’ in 2020: Citi
  “Passive investment funds linked to environmental, social and governance (ESG) goals have pulled in the lion’s share of new money in Europe in 2020, Citi said on Friday, as more investors seek out companies they deem to act sustainably”

- Betting on Asia’s debt, Europe’s hunt for yield heads east
  “Low yields at home are sending some previously shy European investors into Asia’s credit markets, money managers say, lured by the promise of higher returns and a hope that rebounding economies can hold defaults at bay”

- Italy readies sale of Monte dei Paschi di Siena stake: source
  “Italy is close to approving plans to sell its stake in Monte dei Paschi di Siena (BMPS.MI) and to cover most of the troubled Tuscan bank’s capital needs of around 1 billion euros ($1.2 billion), a government source said”

- Norwegian Air reports 91% traffic fall amid search for more cash
  “Norwegian Air NORR.OL, which is attempting to secure a second round of financial restructuring, saw a 91% decline in August passenger volume from a year earlier as most of its fleet remained grounded by the coronavirus pandemic, it said”

- Fed’s Powell: rates to stay low for ‘however long it takes’
  “Federal Reserve Chair Jerome Powell on Friday said the U.S. jobs report for August was “a good one,” but noted that with gains likely to slow, the central bank is planning to keep its foot on the monetary policy gas pedal for years”

- U.S. economy needs more Fed stimulus ‘in coming months,’ Brainard says
  “The Federal Reserve “in coming months” will need to roll out new efforts to help the economy overcome the impact of the coronavirus pandemic and live up to the U.S. central bank’s new promise of stronger job growth and higher inflation, Fed Governor Lael Brainard said”

- Fed to resume discussion of next policy steps, Clarida says
“With a new policy framework in place, the Federal Reserve will turn to debating possible next steps in the U.S. central bank’s fight against the economic fallout of the coronavirus pandemic, Fed Vice Chair Richard Clarida said”

- U.S. Fed buys $24.8 billion of mortgage bonds, sells none
“The Federal Reserve bought $24.768 billion of agency mortgage-backed securities in the week from Aug. 27 to Sep. 2, compared with $26.975 billion purchased the previous week, the New York Federal Reserve Bank said”

- Restrictions keep lenders, borrowers from Main Street Lending Program
“Restrictions within the US government’s coronavirus aid Main Street Lending Program (MSLP) are staving off borrowers and lenders alike even as new lending activity begins to pick up in the middle market”

- Kudlow expects Trump administration to unveil aid for airlines in weeks
“White House economic adviser Larry Kudlow on Friday said he thinks the Trump administration will in a matter of weeks unveil additional aid for U.S. airlines, which have been dealt a blow by a coronavirus pandemic that has grounded most flights”

- Investors snap up U.S. corporate debt, pushing some real yields below zero
“More U.S. corporate bonds are paying negative inflation-adjusted yields, as expectations that interest rates will stay near historic lows send investors seeking higher payouts in riskier assets”

- Goldman Sachs, Morgan Stanley lower stress capital buffers after Fed’s correction
“Goldman Sachs Group Inc (GS.N) and Morgan Stanley (MS.N) on Friday revised lower two key measures of the banks’ ability to deploy cash in an emergency, after the Federal Reserve said it made an error in its June stress test results”

- Quicken Loans parent swings to profit in first results since IPO
“Rocket Companies Inc RKT.N, the parent of mortgage lender Quicken Loans, swung to a quarterly profit in its first results as a public company on Wednesday, driven by higher borrowings on the back of lower interest rates. Shares of the company were last down 5% in volatile trading after the bell. They have gained 45.5% since their debut on Aug. 6. The company, founded by billionaire Dan Gilbert, raised $1.8 billion in its downsized initial public offering, giving it a valuation of $36 billion”

- Neiman Marcus expects to emerge from bankruptcy by end-September
“Neiman Marcus Group said on Friday it expected to emerge from Chapter 11 bankruptcy by the end of this month under a restructuring plan that is likely to eliminate more than $4 billion of its debt. The luxury department store chain filed for bankruptcy protection in May, in one of the highest-profile retail collapses during the COVID-19 pandemic”

- Mexico’s Pemex tests limits of investor influence on climate change
“At a time when oil production is at historic lows, lenders who want Mexican oil giant Pemex to adapt to climate change are struggling to be heard”

- Brazil’s Gol pays $300 million loan guaranteed by Delta: filing
“Brazilian airline Gol Linhas Aereas Inteligentes (GOLL4.SA) said on Tuesday it paid a $300 million debt guaranteed by U.S. carrier Delta Air Lines (DAL.N), according to a securities filing”

- Malaysia drops criminal charges against Goldman Sachs over 1MDB bond sales: state media
“Malaysian prosecutors on Friday withdrew criminal charges against three Goldman Sachs units accused of misleading investors over $6.5 billion in bond sales they helped organize for a state fund, the Bernama state news agency reported”

- Saudi Arabia’s SABIC starts marketing $1 billion dual-tranche bonds – document
  “Saudi Basic Industries Corp , the world’s fourth-biggest petrochemicals firm, started marketing a $1 billion dual-tranche bond offering on Thursday consisting of 10-year bonds and 30-year Formosa bonds, a document showed”

- Emirates airline got $2 billion injection from Dubai government: document
  “Emirates airline has received 7.3 billion dirhams ($2 billion) from the government of Dubai as it faces a cash crunch caused by the COVID-19 pandemic, a bond prospectus seen by Reuters shows”

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: