European Leveraged Finance Association

BRIEFINGS

LEGAL & REGULATORY

07 December 2020

Legal and Regulatory Updates

30/11/2020 – 04/12/2020

Key Highlights

- This Legal & Regulatory Update covers the week commencing **30/11/2020**.
- BoE publishes its 2020 Annual Report on supervision of financial market infrastructures (FMI).
- FCA responds to IBA's proposed consultation on intention to cease US$ LIBOR.
- FCA reminds firms to be ready for end of transition period.
- FRC publishes consolidated covid-19 guidance for companies and auditors.
- ESMA updates reporting under Money Market Funds Regulation.
- EIOPA consults on insurers' key performance indicators (KPIs) on sustainability for non-financial reporting.
- EIOPA launches discussion paper on methodology for integrating climate change in standard formula.
- EIOPA launches its first pilot dashboard, which depicts insurance protection gap for natural catastrophes.
- EBA reactivates its Guidelines on legislative and non-legislative moratoria.
- European Commission welcomes agreement reached between European Parliament and Council on financial benchmarks.
- European Commission disburses €8.5 billion under SURE to five Member States.
- FINMA publishes transition roadmap for LIBOR.
- IOSCO consults on issues and concerns regarding market data.
- ICE Benchmark Administration (IBA) announces impending consultation on its intention to cease publication of one week and two month USD LIBOR settings at end-December 2021, and remaining USD LIBOR settings at end-June 2023.
- Federal Reserve Board announces extension through March 31, 2021, for several of its lending facilities.
- 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)

03 December 2020: BoE publishes its 2020 Annual Report on supervision of financial market infrastructures (FMI)

The Bank of England (BoE) published its 2020 Annual Report on the supervision of financial market infrastructures (FMI) 2020. The report sets out how the BoE has exercised its responsibilities in respect of supervising FMIs since the last report. It also outlines the BoE's domestic and international policy work to strengthen the regulatory and supervisory frameworks for FMIs.

30 November – 04 December 2020: Speeches, Letters & Publications

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

- PRA gives statement on forthcoming CRD V Policy Statement – this statement explains when to expect further information on the PRA's approach to transposing CRD V, including its approach to revisions to the definition of capital for Pillar 2A
- The Working Group on Sterling Risk-Free Reference Rates publishes its November 2020 Newsletter
- PRA publishes its Regulatory Digest November 2020
- PRA releases statement regarding supervisory cooperation on operational resilience
- Solvency II technical information: The PRA's proposed approach to the publication at the end of the transition period – this PRA Policy Statement provides feedback to responses to Consultation Paper 5/20 'Solvency II technical information: The PRA's proposed approach to the publication at the end of the transition period'. It also contains the PRA's final policy
- The PRA's approach to the publication of Solvency II technical information – the PRA is required to publish technical information necessary for the valuation of insurance liabilities for each relevant currency. This Statement of Policy explains how the PRA will fulfil its obligations in this regard
- The PRA and FCA propose to clarify their expectations for firms notifying them of when a Senior Manager takes temporary leave for longer than 12 weeks
- Bank of England Weekly Report 2 December 2020
- Effective interest rates October 2020
- Money and Credit October 2020
- UK International Reserves November 2020
- Monthly Decision Maker Panel data November 2020
- External business of Monetary Financial Institutions operating in the UK 2020 Q3

- Minutes of the SONIA Stakeholder Advisory Group 02 November 2020
- Some monetary policy options - if more support is needed – Speech by Michael Saunders
- Why Islamic finance has an important role to play in supporting the recovery from Covid and how the Bank of England's new Alternative Liquidity Facility can help – Speech by Andrew Hauser
- The fox and the hedgehog: preparing in a world of high risk and high uncertainty – Speech by Charlotte Gerken

Financial Conduct Authority (FCA)

30 November 2020: FCA responds to IBA's proposed consultation on intention to cease US$ LIBOR

The Financial Conduct Authority (FCA) released a statement responding to the IBA's proposed consultation on intention to cease US$ LIBOR (examined below). IBA intends that, subject to confirmation following its consultation, one week and two month US$ LIBOR settings will cease at end-2021, and that the US$ LIBOR panel will cease at end-June 2023. The FCA explained that it welcomes and supports the extension by panel banks and IBA, together with the proposal to consult on a clear end date to the US$ LIBOR panel, following discussions with the US$ LIBOR panel banks. According to the FCA, this will incentivise swift transition, while allowing time to address a significant proportion of the legacy contracts that reference US$ LIBOR.

The FCA stated that it continues to encourage market participants, which are parties to legacy LIBOR contracts, to continue work to convert these contracts or adopt robust fallbacks, for example, the IBOR Fallbacks Protocol produced by the International Swaps and Derivatives Association (ISDA). The FCA is urging market participants to reach agreement where feasible to transition away from LIBOR, as this is the only way for parties to have certainty and control over their contractual terms when LIBOR ceases or is no longer representative.

30 November – 04 December 2020: Speeches, Letters & Other Publications

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

- FCA reminds firms to be ready for end of transition period – the FCA reminded firms to be ready for the end of the transition period in 1 month's time
- FCA publishes evaluation of its work on the financial advice market – the FCA published an evaluation of the impact of the Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR). Both the RDR and FAMR (the latter carried out in collaboration with HM Treasury) sought to improve the distribution of retail financial services products, and the FCA committed to evaluate their impact, to test whether they delivered their desired outcomes. The aim of the RDR was to establish a resilient, effective and attractive retail investment market that consumers had confidence in and trusted. The objective of FAMR was to identify ways to make the UK's financial advice market work better for consumers
- FCA provides details on cutover plan for firms migrating to FCA FIRDS and FITRS after the Brexit transition period – the FCA provided details on how its moving MiFID reference data and transparency systems away from ESMA as part of the MiFID onshoring process

Financial Reporting Council (FRC)

30 November – 04 December 2020: Speeches, Letters & Other Publications

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

- New research by the FRC supports introduction of standards for Audit Committees – compelling new research commissioned by the FRC has shown that the development of standards for audit committees would support a more consistent approach to promoting audit quality. The research, conducted by YouGov, involved interviews with Audit Committee Chairs on how they carry out their role
- FRC publishes consolidated covid-19 guidance for companies and auditors – the consolidated guidance supersedes all previous FRC guidance for companies and auditors
- FRC consults on annual review of FRS 101 – the FRC issued FRED 77 Draft amendments to FRS 101 Reduced Disclosure Framework – 2020/21 cycle which proposes amendments to FRS 101 as a result of its latest annual review. The annual review aims to ensure that FRS 101 continues to be cost-effective as IFRS, on which it is based, changes. FRED 77 principally proposes a disclosure exemption in relation to IAS 16 Property, Plant and Equipment. Other minor amendments are also proposed as a consequence of changes to IAS 1 Presentation of Financial Statements

European Securities and Markets Authority (ESMA)

04 December 2020: ESMA updates reporting under Money Market Funds Regulation

The European Securities and Markets Authority (ESMA) updated its validation rules regarding the Money Market Fund Regulation (MMFR). This relates to the requirements of Article 37 of MMFR that require MMF managers to submit data to National Competent Authorities, 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 to them. The proposed changes are not related to the published XML schemas. The changes only provide clarifications on existing validation rules in order to fix inconsistencies or ease the understanding of the rules. It also extends the Classification of Financial Instruments (CFI) codes for eligible assets. The updated MMFR reporting validations documentation is available here.

European Insurance and Occupational Pensions Authority (EIOPA)

30 November 2020: EIOPA consults on insurers' key performance indicators (KPIs) on sustainability for non-financial reporting

The European Insurance and Occupational Pensions Authority (EIOPA) started a consultation on the relevant ratios to be mandatorily disclosed by insurers and reinsurers falling within the scope of the Non-Financial Reporting Directive (NFRD) as well as on the methodologies to build those ratios. In this consultation, EIOPA considers whether the mandatory ratios of non-financial undertakings, as set out in the Taxonomy Regulation, are relevant and appropriate to depict insurance and reinsurance activities or whether they need to be 'translated' to the most appropriate and comparable key performance indicators for insurance and reinsurance businesses.

EIOPA suggests requiring two most relevant key performance indicators (KPIs) on sustainability that depict the extent to which:

- the insurer or reinsurer carries out taxonomy-relevant activities - in relation to non-life gross premiums written; and
- the insurer or reinsurer helps funding taxonomy-related activities - in relation to total assets.

EIOPA seeks feedback and comments on the proposed ratios and regarding potential alternative measures, necessary disclosures around the approaches taken and methodologies used as well as on the expected impact of the future mandatory disclosures. The public consultation is open from 30 November 2020 to 12 January 2021.

02 December 2020: EIOPA launches discussion paper on methodology for integrating climate change in standard formula

EIOPA published a discussion paper on a methodology for the potential inclusion of climate change in the Solvency II standard formula when calculating natural catastrophe underwriting risk. This discussion paper is a follow-up to EIOPA's Opinion on Sustainability within Solvency II issued in September last year, which concluded that there is a need to consider if and how climate change-related perils could be better captured in the Solvency II framework under the natural catastrophe risk submodule. EIOPA explained that in order ensure the financial resilience of (re)insurers covering natural catastrophes, the solvency capital requirements for natural catastrophe underwriting risk need to remain appropriate in light of climate change. In line with that, EIOPA is proposing different methodological steps and process changes to integrate climate change in the calculation of natural catastrophe risk and invites all interested stakeholders to provide comments by 26 February 2021.

04 December 2020: EIOPA launches its first pilot dashboard, which depicts insurance protection gap for natural catastrophes

EIOPA launched its first pilot dashboard, which depicts the insurance protection gap for natural catastrophes. The aim is to represent the drivers of a climate-related insurance protection gap in order to identify measures that will help in decreasing society's losses in the event of natural catastrophes. The dashboard brings together data on economic and insured losses, vulnerabilities and exposure as well as insurance coverage across the European Union Member States. This information should allow for evidence-based decision-making on measures to improve society's resilience against natural catastrophes.

At the same time, the pilot dashboard should also help increasing the awareness of the protection gap, promote science-based approach to protection gap management and decision-making. This approach will help in identifying risky regions at risk, protection gap risk drivers as well as defining proactive prevention measures. EIOPA is inviting stakeholders to provide views on the methodology, data used in the dashboard by 31 March 2021 by filling in the survey.

30 November – 04 December 2020: Speeches, Letters & Other Publications

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

- EIOPA publishes its fifth annual analysis on the use and impact of long-term guarantees (LTG) measures and measures on equity risk – the analysis carried out by EIOPA in the annual reports on long-term guarantees measures and measures on equity risk since 2016 has served as a basis for the Opinion on the 2020 review of Solvency II, to be delivered by the end of 2020 with regulatory proposals to improve the design of the measures. Similar to the previous years' analysis, this year's results show that most of the measures are widely used
- EIOPA publishes monthly update of the symmetric adjustment of the equity capital charge for Solvency II end November 2020
- EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures end November 2020

European Banking Authority (EBA)

02 December 2020: EBA reactivates its Guidelines on legislative and non-legislative moratoria

After closely monitoring the developments of the COVID-19 pandemic and, in particular, the impact of the second COVID-19 wave and the related government restrictions taken in many EU countries, the European Banking Authority (EBA) decided to reactivate its Guidelines on legislative and non-legislative moratoria. This reactivation will ensure that loans, which had previously not benefitted from payment moratoria, can now also benefit from them. The EBA's revised guidelines, which will apply until 31 March 2021, include additional safeguards against the risk of an undue increase in unrecognised losses on banks' balance sheet.

As part of the re-activation of its Guidelines on legislative and non-legislative moratoria, the EBA has introduced two new constraints to ensure that the support provided by moratoria is limited to bridging liquidity shortages triggered by the new lockdowns and that there are no operational restraints on the continued availability of credit:

- Firstly, only loans that are suspended, postponed or reduced under general payment moratoria not more than 9 months in total, including previously granted payment holidays, can benefit from the application of the Guidelines; and
- Secondly, credit institutions are requested to document to their supervisor their plans for assessing that the exposures subject to general payment moratoria do not become unlikely to pay. This requirement will allow supervisors to take any appropriate action.

Furthermore, the EBA has enhanced the disclosure requirements related to the use of public moratoria and will soon release, as part of its annual EU-wide Transparency Exercise, additional information on the use of moratoria across the EU banking sector.

03 December 2020: EBA publishes final draft technical standards on treatment of non-trading book positions subject to foreign-exchange risk or commodity risk under FRTB framework

The EBA published final draft Regulatory Technical Standards (RTS) on how institutions are to calculate the own funds requirements for foreign-exchange and commodity risk stemming from banking book positions under the FRTB standardised and internal model approaches. The final draft standards specify the value that institutions are to use when computing the own funds requirements for market risk for banking book positions. In this respect, the standards require institutions to use the last available accounting value or the last available fair value for positions attracting foreign-exchange risk. In addition, institutions are not required to perform a daily re-valuation of banking book positions attracting foreign-exchange risk. However, they must reflect the changes in the position's foreign-exchange component on a monthly basis under the standardised approach and on a daily basis under the internal model approach. For positions attracting commodity risk, institutions are required to use the fair value as a basis of their calculations.

In addition, the final draft standards lay down a prudential treatment for the calculation of the own funds requirements for market risk of non-monetary items held at historical cost that may be impaired due to changes in the foreign-exchange rate. In this respect, the standards identify a specific methodology that institutions should use when capitalising the foreign-exchange risk stemming from those items under the standardised approach. Furthermore, the standards require institutions to model directly the risk of impairment due to changes in the relevant exchange rate in the case of an internal model approach being used.

Finally, the standards specify an ad-hoc treatment with respect to the calculation of the actual and hypothetical changes associated to banking book positions for the purpose of the backtesting and the profit and loss attribution requirements. This is to address the issue of jumps in the value of banking book positions that may lead to over-shootings in the backtesting that are not due to changes of market risk factors.

European Central Bank (ECB)

30 November – 04 December 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 bank interest rate statistics: October 2020
- Consolidated financial statement of the Eurosystem
- Euro area insurance corporation statistics: third quarter of 2020
- ECB data shows gradual change in euro area payment behaviour
- Regulation amending Regulation (EU) No 1333/2014 concerning statistics on the money markets
- Agreement on emergency liquidity assistance (9 November 2020) – this document presents a definition of emergency liquidity assistance (ELA) and describes the allocation of responsibilities, costs, and risks for ELA operations, as well as a framework for provision and exchanges of information and the control of liquidity effects to prevent any provision of ELA from interfering with the objectives and tasks of the European System of Central Banks (ESCB)
- Digitalising banking supervision: an ongoing journey, not a final destination – Speech by Pentti Hakkarainen
- Bank boards and supervisory expectations – Introductory remarks by Elizabeth McCaul
- Who pays the piper calls the tune: The need for and benefit of strong credit risk management – Blog
- Money in the digital era – Blog
- Letter from Andrea Enria, Chair of the Supervisory Board, to Mr Zanni, Ms Donato, Mr Grant and Mr Rinaldi, on non-performing loans
- Letter from Andrea Enria, Chair of the Supervisory Board, to Mr Garicano, MEP, on dividend distributions
- The future of money: innovating while retaining trust – Article by Christine Lagarde
- How do banking groups react to macroprudential policies? Cross-border spillover effects of higher capital buffers on lending, risk-taking and internal markets – Working Paper Series
- Liquidity in resolution: comparing frameworks for liquidity provision across jurisdictions – Occasional Paper Series
- Fiscal transfers and economic convergence – Occasional Paper Series

European Commission (EC)

30 November 2020: European Commission welcomes agreement reached between European Parliament and Council on financial benchmarks

The European Commission (EC) welcomed the agreement reached by the European Parliament and the Council on important amendments to EU rules on financial benchmarks. the EC proposed these amendments on 24 July 2020 to ensure that the EU's financial stability is not harmed when a widely used benchmark is phased out, as will soon be the case with the London Interbank Offered Rate (LIBOR). The agreed amendments to the Benchmark Regulation empower the EC to designate a replacement benchmark that covers all references to a widely used reference rate that is phased out, such as LIBOR, when this is necessary to avoid disruption of the financial markets in the EU.

Furthermore, the European Parliament and the Council also agreed to postpone the entry into application of the rules on third country benchmarks until 31 December 2023, with the possibility of an extension by the Commission afterwards. This means that EU benchmark users will continue to have access to these benchmarks. The agreed amendments will apply immediately after publication in the Official Journal of the European Union.

01 December 2020: European Commission disburses €8.5 billion under SURE to five Member States

The EC has disbursed €8.5 billion in the third instalment of financial support to five Member States under the SURE instrument. The bonds issued by the EU under SURE benefit from a social bond label. This provides investors in these bonds with confidence that the funds mobilised will serve a truly social objective. The SURE instrument can provide up to €100 billion in financial support to all Member States. The EC has so far proposed to make €90.3 billion in financial support available to 18 Member States. The next disbursements will take place over the course of the months ahead, following the respective bond issuances.

30 November – 04 December 2020: Speeches, Letters & Other Publications

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

- EU greenhouse gas emissions fell in 2019 to the lowest level in three decades – the EC adopted its annual EU Climate Action Progress Report, covering the EU's progress in cutting greenhouse gas emissions in 2019. Greenhouse gas emissions in the EU-27 decreased by 3.7 % year-on-year, while GDP grew by 1.5%. Emissions have now been reduced by 24% compared to 1990 levels
- Commission approves €625 million Italian scheme to support tour operators and travel agencies affected by coronavirus outbreak
- Commission approves German "umbrella" scheme to enable capital support to enterprises affected by coronavirus outbreak
- Speech by President von der Leyen at the SME United General Assembly on Next GenerationEU
- Remarks by Executive Vice-President Dombrovskis at the ECOFIN press conference

Central Bank of Ireland (CBI)

30 November – 04 December 2020: Speeches, Letters & Other Publications

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

- CBI releases statement regarding EBA Decision to Reactivate Guidelines on Payment Moratoria – as there is no open national general payment moratoria scheme currently operating in Ireland, this decision has no immediate effect for Irish borrowers
- Protecting investors in a time of great change – Speech by Colm Kincaid, Director of Securities and Markets Supervision

Swiss Financial Market Supervisory Authority (FINMA)

04 December 2020: FINMA publishes transition roadmap for LIBOR

The Swiss Financial Market Supervisory Authority (FINMA) published a transition roadmap for LIBOR. FINMA recommends that the affected supervised institutions follow this, in order to be as prepared as they can possibly be for a discontinuation of LIBOR in various currencies.

Autorité des Marchés Financiers (AMF) of France

30 November – 04 December 2020: Speeches, Letters & Other Publications

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

- AMF Chairman gives speech on the outlook for European regulation discussing DTO in light of Brexit– Speech by Robert Ophèle, AMF Chairman, at ISDA Conference dedicated to European Public Policy
- AMF fines BNP Paribas Securities Services €1 million for breaches of its professional obligations – the AMF's Enforcement Committee found three series of breaches against BNP Paribas Securities Services for acts related to the processing of the voting instructions of its bearer shareholder clients for general meetings
- Asset freezing: reinforcement of the system by order – in accordance with the Pacte Law, the French government published an order on 4 November 2020 to reinforce the asset-freezing system. It will be accompanied by a decree of the Council of State. The AMF provides an analysis on the effects for market participants

Commission de Surveillance du Secteur Financie (CSSF)

30 November – 04 December 2020: Speeches, Letters & Other Publications

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

- CSSF updates it FAQ COVID-19 document: new question No. 21 regarding Less Significant Institutions – in this most recent update, the CSSF provides an answer to the following question "Can Less Significant Institutions temporarily exclude certain exposures to central banks from the leverage ratio calculation pursuant to Article 500b of Regulation (UE) 575/2013 as amended in the context of the COVID-19 pandemic?"

Basel Committee on Banking Supervision (BCBS)

30 November – 04 December 2020: Speeches, Letters & Other Publications

During the week, the Basel Committee on Banking Supervision (BCBS) released the following speeches, announcements and publications that might be of interest to our readers:

- Governors and Heads of Supervision commit to ongoing coordinated approach to mitigate Covid-19 risks to the global banking system and endorse future direction of Basel Committee work – the Group of Central Bank Governors and Heads of Supervision (GHOS), the oversight body of the BCBS, endorsed a coordinated approach to mitigating Covid-19 risks to the global banking system. GHOS members tasked the Basel Committee with continuing to pursue a coordinated approach in responding to the crisis, to preserve a global level playing field and to avoid regulatory fragmentation. The GHOS members also unanimously reiterated their expectation for the full, timely and consistent implementation of all aspects of the Basel III framework. The GHOS also endorsed a series of recommendations from the Basel Committee to focus its policy and supervisory agenda on future risks to the global banking system and its vulnerabilities

Financial Stability Board (FSB)

30 November – 04 December 2020: Speeches, Letters & Other Publications

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

- FSB Sub-Saharan Africa group discusses regional vulnerabilities and enhancing cross-border payments – the FSB's Regional Consultative Group (RCG) for Sub-Saharan Africa held a virtual meeting to discuss recent macroeconomic and financial market developments, including medium and long-term implications to regional financial stability arising from the COVID-19 pandemic. Members reiterated the importance of international cooperation to evaluate and coordinate the policy responses to COVID-19, including their future unwinding

International Organization of Securities Commissions (IOSCO)

03 December 2020: IOSCO consults on issues and concerns regarding market data

The International Organization of Securities Commissions (IOSCO) announced that it is seeking feedback on a consultation report on issues relating to access to market data in secondary equity markets. IOSCO notes that participants in many jurisdictions have raised concerns about the content, costs, accessibility, fairness and consolidation of market data. The IOSCO consultation report on Market Data in the Secondary Equity Markets describes these concerns and asks for industry views on both the issues and possible regulatory responses to them.

The report identifies and describes the issues and concerns relating to:

- the market data necessary to facilitate trading in today's markets;
- fair, equitable and timely access to market data;
- the interchangeability of market data;
- fees for market data;
- the need for and extent of data consolidation; and
- additional products and services related to accessing market data.

IOSCO's work in this area aims to provide useful information for jurisdictions considering their supervisory and regulatory approach to market data. IOSCO welcomes comments on and responses to the questions in this consultation report on or before 26 February 2021.

Other Updates

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

30 November 2020: ICE Benchmark Administration (IBA) announces impending consultation on its intention to cease publication of one week and two month USD LIBOR settings at end-December 2021, and remaining USD LIBOR settings at end-June 2023

ICE Benchmark Administration Limited (IBA) announced its impending consultation on its intention to cease the publication of the one week and two month USD LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. This follows the announcement on November 18, 2020, that IBA would consult on its intention to cease the publication of all GBP, EUR, CHF and JPY LIBOR settings immediately following the LIBOR publication on December 31, 2021.

IBA expects to close the consultation for feedback by the end of January 2021. IBA also emphasised that any publication of the overnight and one, three, six and 12 month USD LIBOR settings based on panel bank submissions beyond December 31, 2021 will need to comply with applicable regulations, including as to representativeness.

30 November 2020: Federal Reserve Board announces extension through March 31, 2021, for several of its lending facilities

The Federal Reserve Board announced an extension through March 31, 2021, for several of its lending facilities that were generally scheduled to expire on or around December 31. The extension, which has also been approved by the Treasury Department, will facilitate planning by potential facility participants and provide certainty that the facilities will continue to be available through the first quarter of 2021 to help the economy recover from the COVID-19 pandemic. The extensions apply to the Commercial Paper Funding Facility, the Money Market Mutual Fund Liquidity Facility, the Primary Dealer Credit Facility, and the Paycheck Protection Program Liquidity Facility. Further details on each facility can be found here.

07 December 2020

In the News

During the week, the Financial Times and Thomson Reuters published the following news that might be of interest to our readers.

Financial Times

- Bond market weaknesses need to be 'dealt with', says ex-BoE deputy
  "Weaknesses that emerged in the bond market at the height of the pandemic-induced market ructions in March must be dealt with and bankers' pay is due an adjustment, Paul Tucker has said"

- UK debt office faces MPs' scrutiny over government bond deals
  "The UK's Debt Management Office is facing questions over whether it has achieved best value for money for the taxpayer in sales of more than £300bn of government bonds over the past decade"

- Ancestry bond deal sparks investor backlash over voting rights
  "The provisions have already caught the attention of European investors as well, keen to make sure it does not make its way into debt documents across the Atlantic. The European Leveraged Finance Association published a letter on Thursday outlining the possible effects of voting caps and urging against their inclusion in European deals"

- Boris Johnson faces uphill battle to make UK global green finance hub
  "His 10-point economic plan unveiled in the Financial Times last month included vows to boost the City's role in green bonds and carbon trading and to introduce new corporate disclosure requirements. Analysts said that should help institutions in London increase their focus on sustainable finance, but added that the UK still had a long way to go"

- Friction hampers EU drive to switch clearing from the UK
  "The UK's impending departure from the single market posed two questions: would the EU be happy to leave the business in London and would it be possible to move the business"

- Investors unwind bets that Bank of England will cut rates below zero
  "Investors have backed off from bets on sub-zero UK interest rates after a series of vaccine breakthroughs fuelled hopes of a sharp economic recovery next year. The Bank of England's main interest rate is now expected to trough at roughly zero per cent in late 2022, according to derivative markets linked to expectations for the path of the bank rate"

- UBS chairman backs London to remain Europe's top financial centre
  "UBS chairman Axel Weber said Brexit would not threaten London's position as Europe's dominant financial centre so long as the continent remained fragmented in terms of regulation and embroiled in internecine competition"

- UK government set for psychedelics investment windfall
  "The UK government is on track for a seven-figure windfall from an investment in a psychedelic drugs company that is readying a float on the Toronto stock exchange. State-backed investor Angel CoFund holds a 5.5 per cent stake in London-based Small Pharma, which has announced its intention to list via a reverse takeover through the Canadian capital pool company Unilock Capital Corp"

- Carlyle sells stake in PA Consulting
  "Carlyle has sold its stake in PA Consulting Group in a deal valuing the UK-based advisory firm at £1.8bn, which ends a highly-acquisitive five-year period of private equity ownership"

- Hipgnosis plans to raise new funds with £1bn of songs in its sights
  "Hipgnosis, the music publishing company that has spent £1.2bn buying up rights to almost 58,000 songs, is plotting another fundraising to double its portfolio"

- Arcadia retail group collapses into administration
  "Philip Green's Arcadia fashion empire has become the highest-profile retail victim of the pandemic, falling into administration and putting more than 13,000 jobs at risk"

- Rio Tinto Mongolia row worsens as US hedge fund issues legal threat
  "Rio Tinto is facing a new front in an escalating dispute over how to finance its biggest project after a US hedge fund threatened the miner with legal action. Pentwater Capital Management, which has a large minority stake in Rio-controlled Turquoise Hill Resources, said it was prepared to file an oppression order unless the company allowed the subsidiary to take on more debt to fund the $6.8bn underground expansion of the Oyu Tolgoi mine in Mongolia's Gobi Desert"

- Vue International warns of 'bumpy road through winter'
  "The group, which operates 229 cinemas in 10 countries, said it had secured waivers on its debt covenants due in November next year on the basis that it maintained minimum liquidity of £30m, according to accounts filed for a UK and Ireland subsidiary"

- Bill Ackman's Pershing Square promoted to UK's FTSE 100
  "Bill Ackman's London-listed investment vehicle will join the UK's most high-profile stocks index after a year of strong returns fuelled by a well-timed bet that coronavirus would spark sweeping lockdowns and destabilise global markets"

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- ECB warns banks are 'all over the place' on bad loan preparations
  "Europe's top banking supervisor is writing to the region's biggest lenders to warn that many of them are failing to do enough to prepare for a likely increase in bad loans due to the fallout from the coronavirus pandemic"
- Eurozone finance ministers strike deal over bailout fund reform
  "Eurozone finance ministers have struck an agreement to revamp the bloc's bailout fund and set up a financial backstop to help ailing lenders in need of cash rescues"
- IMF calls for more support to tackle risk of fresh eurozone downturn
  "The second wave of coronavirus infections and lockdowns poses a considerable risk to the eurozone economy, the IMF has warned, adding that recent progress on vaccines will not deliver a recovery in the near future. The gloomy short-term outlook means the bloc needs more support from both fiscal and monetary policy, the fund said in a report on the conclusions of its latest official visit to the eurozone"
- European bank bonds rally on stronger economic prospects
  "Growing optimism about Europe's economic recovery has pushed investors to buy bank bonds, lowering lenders' financing costs to levels last seen before national lockdowns began sweeping the continent"
- Ursula von der Leyen on European recovery, climate change and life after Brexit
  "The first female president of the European Commission on her post-pandemic priorities"
- Brussels considers creating recovery fund without Hungary and Poland
  "Brussels is considering ways of pushing ahead with the creation of the EU's Covid-19 recovery fund without the participation of Hungary and Poland, a senior European Commission official has warned, piling pressure on the two countries to drop their veto over the union's budget"
- Spain set to approve budget to increase role of state and taxes
  "Spain is set to approve a budget that will lead to an increase in the tax take, more spending on social services and a landmark use of money from the EU's coronavirus recovery fund, according to María Jesús Montero, the minister steering the measure through"
- Covid restrictions weigh on eurozone prices and Spanish factory output
  "Data published on Tuesday pointing to a fourth consecutive month of eurozone deflation and a slowdown in Spanish manufacturing activity underlined the fresh hit to the area's economy from the latest surge in coronavirus infections and resulting restrictions on activity"
- Norwegian Air Shuttle launches emergency rescue plan to save company
  "Norwegian Air Shuttle launched an emergency rescue plan on Thursday to save the struggling airline, unveiling proposals to downsize its fleet and raise new money from investors"
- US banks welcome delay to Libor switch affecting $200tn in assets
  "A surprise reprieve from regulators has spread relief around banks, asset managers and borrowers that were struggling to figure out how to wean themselves off the tainted and outdated US dollar Libor benchmark. The rate, which measures the cost of unsecured borrowing between banks, is due for extinction in most currencies at the end of 2021"
- US senators announce $908bn stimulus proposal
  "A bipartisan group of US senators has proposed a $908bn spending package to break the deadlock on fiscal stimulus as Jay Powell, the chairman of the Federal Reserve, made a new appeal for lawmakers to provide more government support to the economy"
- Janet Yellen calls for action to prevent US economic 'devastation'
  "Janet Yellen warned of more devastation if the US failed to address the economic fallout from the coronavirus pandemic and its disproportionate toll on low-income families as she was introduced by Joe Biden as the next Treasury secretary"
- Global regulators to examine banks' lending caution during pandemic
  "Global financial regulators will examine ways to encourage lending during crises, the top US banking supervisor Randal Quarles said on Wednesday, lamenting the fact that banks did not significantly use their capital and liquidity buffers through the pandemic"
- Why central banks will double down on lending schemes
  "The underlying issue is one that worries all central banks. Will banks still be strong enough to fund the recovery, particularly for small and midsized businesses, when government guaranteed loans expire"
- BlackRock survey points to huge growth for ESG
  "BlackRock, the world's largest asset manager, recently asked 425 of its institutional clients about their plans for the future and found that they intended to double their exposure to environmental, social and governance (ESG) investing over the next five years"

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- Calstrs plans green shift after Joe Biden's victory
  "The world's largest public pension fund for teachers is planning to accelerate changes to its investment portfolio in a bid to become greener following the victory of Joe Biden in the US election. Jack Ehnes, chief executive of the $254bn California State Teachers' Retirement System, said Calstrs would speed up the implementation of its green investment strategy after Donald Trump lost the poll"

- SoftBank abandons its 'Nasdaq whale' bets
  "SoftBank has decided to unwind its large US equity options trades, pulling back from a controversial strategy that has cost the group $2.7bn in derivatives losses"

- Dyal and Owl Rock plan merger in one of largest Spac deals
  "Dyal Capital is in talks to merge with Owl Rock Capital and go public via a blank-cheque vehicle in a complex deal that will value the two asset managers at a combined $13bn"

- S&P Global's $44bn deal shows data is the oil of the 21st century
  "Monday's announcement by S&P Global that it has agreed to buy IHS Markit — the large London-based financial analytics company — for $44bn encapsulated how data is now to the financial industry what oil is to the industrial economy"

- Investors seek inflation protection as economic optimism rises
  "Demand for inflation-protected securities is soaring as investors move to safeguard their portfolios against rising consumer prices given the possibility of a faster economic recovery"

- Investment-grade status regains its lustre after pandemic shock
  "Now, with the possibility that the worst of the crisis is over, companies have to decide what to do with the cash piles built up over the course of this year. For the highest-rated companies, new acquisitions — even if they lead to more debt and a downgrade — could be on the cards, so long as they can remain investment grade. Others may favour rewarding equity investors by buying back stock. But for the majority of companies, early signals are that they are focusing on paying down debt and improving cash flow"

- Covid's legacy is a corporate debt mountain
  "Governments will need to consider measures to support market solutions — especially given the high risk of failures among medium and smaller-scale enterprises. Concerns have already been raised of a concentration of market power among larger companies. A flexible approach towards bankruptcy procedures is important; companies need breathing space to restructure their debts. The goal must be to eliminate debt overhangs without eliminating productive activity"

- The pandemic bankruptcy wave has been delayed, not avoided
  "All the reasons why companies' survival rates have been higher than we may have feared are, unfortunately, reasons to think this will not last. Eventually, both policy-imposed and involuntary delays to the insolvency procedure will catch up with companies weakened by the pandemic"

- Factors that could halt the bull market charge
  "Investor hubris can be pierced when expectations of further gains are as strong as they are now"

- The problem with zero carbon pledges
  "Ambitions to combat climate change, by reducing carbon emissions, are expressed in almost every company press release and annual report. On closer reading, though, some appear a lot more real than others"

- Women outpace men in signing up to investment platforms
  "Women are signing up to investment platforms at faster rates than men, as investors flock to trading to take advantage of market volatility and lower prices"

- Emerging market cycle shows that quality wins over long-term
  "For long-term investors in emerging markets, the current phase in the global economic crisis has echoes of the past. It is not their first rodeo when it comes to dealing with scarred markets recovering from a crisis"

- Global response is needed to prevent a debt crisis in Africa
  "Indeed, based on the latest IMF and World Bank analysis, six sub-Saharan African countries are now in debt distress, while 11 are at high risk of distress. Before the pandemic, sub-Saharan Africa's debt load was forecast at 56.4 per cent of gross domestic product for this year; the current projection is for 65.6 per cent. To stop this rising level of debt turning into a crisis, several steps need to be taken now"

- China's ESG ratings tarnish its allure for sustainable investors
  "Sustainable investing and the opening up of China's once closed markets are two of the hottest investment trends. But the world's second-largest economy has the worst environmental social and governance (ESG) ratings of any major nation and the two approaches may be on a collision course"

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- China rating agencies stand by SOEs despite default spree
  "China's credit rating agencies are standing by their triple A scores for troubled state-owned enterprises, even as a series of defaults reverberates through the country's $4tn corporate debt market. Just five Chinese companies out of more than 5,000 have been downgraded to below double A ratings by domestic rating agencies since Yongcheng Coal and Electricity Holding Group, one of the country's largest coal groups, kicked off a spate of defaults last month, according to data provider Wind"

- Rash of bond defaults tests China's fixed income fund market
  "China's fast growing $15tn onshore bond market has been rattled by a wave of defaults by state-owned enterprises that threaten to expose systemic weaknesses across the financial system of the world's second-largest economy. More bond defaults are expected to follow as Beijing has indicated that it is no longer prepared to help state-owned debtors that run into trouble. But the ending of China's deeply entrenched system of implicit government guarantees has left investors struggling to price credit risks"

- China state-owned group caught in default storm owes banks billions
  "A state-owned Chinese group caught up in the country's spate of defaults owes billions of dollars to lenders, raising concerns that bond market tremors could sweep through the banking sector"

- Shares in China's Xiaomi drop after $4bn fundraising
  "Shares in China's Xiaomi fell as much as 12 per cent after the smartphone maker raised almost $4bn via equity and debt to fund efforts to capture more global market share, as rival Huawei suffers under US sanctions"

- China edges towards greater financial discipline
  "A succession of defaults has rattled China's $15tn bond market and is raising concerns about the country's financial health following a sharp slowdown in economic growth this year. For foreign investors who have snapped up Chinese paper in 2020, the burning question is whether the liquidity crunch will spread. For more general observers, the risk is that bond market defaults may signal deeper structural weaknesses"

- China's move on Ant makes the fight on Big Tech global
  "The desire to curb Big Tech has gone global. One reason for this is that giants such as Amazon, Apple and Alibaba have become so large that they are setting norms and standards for hundreds of millions of people around the world"

- Gulf banks take lead role in companies' bailouts
  "Banks are starting to take more provisions to prepare for the forthcoming deterioration in asset quality, leading returns on assets to halve to 0.8 per cent in the first half of this year compared with 1.5 per cent in the same period last year"

- Investment banks stick with Gulf despite falling fees
  "Fees are falling, oil prices are low and the region's economies are under threat. But top global investment banks say they have no intention of pulling back from the Gulf"

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Thomson Reuters

- EU plan to label climate-harmful investments faces finance industry pushback
  "A European Union plan to label polluting activities as unsustainable is facing resistance from some leading finance firms, amid concerns it could prevent investment getting to companies trying to clean up their act"
- No let-up for central banks as recovery nears: BoE's Tenreyro
  "Central banks must keep up the huge support they have pumped into their economies now that COVID-19 vaccines show that the devastating shock of the pandemic can be bridged, Bank of England interest-rate setter Silvana Tenreyro said"
- BoE's Tenreyro sees little immediate economic boost from COVID-19 vaccine
  "Bank of England policymaker Silvana Tenreyro said on Monday that progress in the development of COVID-19 vaccines was only likely to translate into a significant economic boost once they had been widely rolled out in Britain"
- UK economy won't reach pre-COVID-19 level for at least two years - Reuters poll
  "Britain's economy will contract this quarter and it will take at least two years for GDP to reach pre-COVID-19 levels, according to a Reuters poll which also found London would agree a free-trade deal with the European Union"
- Glasenberg-less Glencore is surprise green champ
  "Glencore is getting a new green-tinged lease on life. On the same day it announced long-term Chief Executive Ivan Glasenberg's successor, the 31 billion pound miner committed itself to net zero carbon dioxide emissions by 2050. Given it plans to get there by running down coal mines while digging up more copper and cobalt, it could become a surprise model citizen of the low-carbon future"
- Aston Martin shareholders green light third capital injection this year
  "Aston Martin said on Friday its shareholders approved a plan to inject 125 million pounds ($168.09 million) in new capital as the luxury carmaker tries to turnaround its loss-making business"
- London Stock Exchange opens Brexit trading hub in Amsterdam
  "The London Stock Exchange's pan-European share trading platform, Turquoise, opened for trading on Monday, a spokeswoman for the exchange said, joining two rival operators"
- Euro zone inflation drop adds to ECB stimulus case
  "Euro zone inflation remained in negative territory for the fourth straight month in November, reinforcing European Central Bank concerns that the dip in prices may be more persistent than feared as deflationary forces intensify amid a deep recession"
- Euro zone economy to gain momentum in 2021 on vaccine hopes: Reuters poll
  "The euro zone economy will contract again this quarter as renewed lockdown measures stifle activity, according to a Reuters poll which showed the bloc's GDP would then return to pre-crisis levels within two years"
- ECB looking at more than two instruments to help euro zone: Lane
  "The European Central Bank will look at more than its two hallmark instruments to support an economy that faces permanent damage from a pandemic-induced recession, ECB chief economist Philip Lane told Reuters"
- Investors upbeat as Europe gets its 'act together'
  "The path to closer euro zone integration is bumpy, but the speed at which the bloc ditched austerity, ramped up spending and sanctioned joint bonds in the face of COVID-19 bodes well for investment, top money managers told a Reuters summit this week"
- Monte dei Paschi to send ECB plan to plug capital shortfall by January 31
  "Italian state-owned bank Monte dei Paschi di Siena (MPS) said on Thursday it would tell the European Central Bank by the end of January how it plans to tackle its capital shortfall"
- Spanish retailer DIA converts 500 million euro debt into new shares
  "Spanish supermarket group DIA said on Monday it agreed with creditors to convert debts of 500 million euros ($598.30 million) owed to its largest shareholder LetterOne into new shares and to extend the maturities of other debts. The company extended the maturity of a 902 million euro syndicated loan to December 2025 from March 2023 and the maturity of 300 million worth of bonds to June 2026 from April 2023, DIA said"
- TUI secures third bailout in COVID travel slump survival battle
  "TUI secured a third bailout on Wednesday, striking a deal with the German government, private investors and banks for an extra 1.8 billion euros ($2.2 billion) as the world's largest holiday company tries to ride out the coronavirus-linked travel slump"
- Fed says extending four emergency liquidity programs to March 31, 2021
  "The U.S. Federal Reserve said Monday it is extending emergency liquidity programs for the commercial paper and other key financial markets through March 31, a step to help financial markets plan through the start of the next year as the economy recovers from the coronavirus pandemic"

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- U.S. government releases more data on millions of businesses that took pandemic aid
  "The Trump administration late on Tuesday released the names of more than 10 million businesses and individuals that took pandemic aid, providing more transparency for the programs which officials say have been plagued by fraud and abuse"

- Analysis: Rising economic risks, but Fed likely won't tweak bond-buying for now
  "The big slowdown in U.S. jobs growth last month and the surge in COVID-19 cases signal more hurt ahead for the world's largest economy, but those rising risks aren't likely to trigger a rush by the Federal Reserve to ramp up or shift its bond-buying when policymakers meet later this month"

- Fed's Evans: comfortable with current bond-buying, not opposed to more easing
  "Chicago Federal Reserve Bank President Charles Evans said on Friday he is comfortable with the Fed's current pace of asset purchases and would likely be so for the next several months, until there's more clarity on the outlook for the economy"

- U.S. bond volatility players eye 2021 inflation bump
  "After a decade of central bank bond buying, fund managers have begun to wonder if there is again money to be made in betting or hedging against volatility in the bond market caused by an economic recovery next year"

- Treasury chief backs $20 billion for U.S. airlines payroll
  "U.S. Treasury Secretary Steven Mnuchin said on Wednesday he backs another $20 billion in additional government payroll support for U.S. airlines"

- Nuveen's CEO Minaya sees good returns from alternative assets
  "Alternative assets like office buildings, farmland and loans to mid-sized businesses will help investors meet their goals as interest rates stay low, said Jose Minaya, CEO of Nuveen, the $1.1 trillion asset management arm of TIAA"

- Citigroup on track for trial over $900 million Revlon mistake
  "A federal judge on Thursday said Citigroup Inc's lawsuit to recoup some of the nearly $900 million it mistakenly paid Revlon Inc's lenders appeared on track for trial next week after receiving assurances he had authority to conduct it"

- Breakingviews - Corona Capital: Merck sells Moderna stake
  "Merck, the $206 billion U.S. drugmaker, said on Wednesday that it's selling its stake in Moderna, the $56 billion biotechnology company that has developed a highly effective Covid-19 jab and seen its share price spike over 600% this year. The pharmaceutical giant's original $50 million investment made in 2015, with a booster shot in 2018, netted a nice gain, Merck says"

- Japan's NTT weighs up to $19 billion bond offering for Docomo acquisition
  "Japan's Nippon Telegraph and Telephone Corp (NTT) is considering bond offerings of up to $19 billion in Japan and overseas to refinance loans for the $40 billion acquisition of its wireless carrier business, the chief executive said"

- Pandemic to stimulate more active stock investment strategies: Nissay Asset CEO
  "Social transformations triggered by the coronavirus pandemic are making index-following, passive stock investments less attractive and could reverse a decline in active stock investments, the chief executive of Nissay Asset Management said"

- Rio Tinto faces threat of legal action from investor in Mongolian project
  "Rio Tinto Ltd said on Tuesday that it would not offer any comment in response to a threat of legal action from the largest minority shareholder in its Mongolian copper project Oyu Tolgoi"

- Ex-Goldman Sachs President Cohn has not returned pay after 1MDB clawbacks: Bloomberg News
  "Goldman Sachs has failed to persuade former president Gary Cohn to return over $10 million he received in pay, as part of the bank's effort to reclaim executive compensation over the 1MDB scandal, Bloomberg News reported"

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Regulators and 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: