European Leveraged Finance Association

BRIEFINGS

LEGAL & REGULATORY

11 January 2021

Legal and Regulatory Updates

04/01/2021 – 08/01/2021

Key Highlights

- This Legal & Regulatory Update covers the week commencing **04/01/2021**.
- PRA publishes its regulatory digest December 2020.
- FCA's MoUs with European authorities in areas of securities, insurance and pensions, and banking come into effect.
- FCA publishes coronavirus financial resilience survey data.
- ESMA withdraws registrations of six UK-based credit rating agencies and four trade repositories.
- ESMA launches Common Supervisory Action with NCAs on supervision of costs and fees of UCITS.
- EIOPA's MoUs with UK authorities in area of insurance and pensions come into effect.
- 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)

04 January 2021: PRA publishes its regulatory digest December 2020

The Prudential Regulation Authority (PRA) published its regulatory digest December 2020. The PRA Regulatory Digest is for people working in the UK financial services industry and highlights key regulatory news and publications delivered for the month.

04 – 08 January 2021: Speeches, Letters & Publications

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

- PRA publishes Consultation Paper (CP)/21 Solvency II: Deep, liquid and transparent assessments, and GBP transition to SONIA – this CP sets out the PRA's proposed approach to deep, liquid and transparent (DLT) assessments and the transition of Solvency II technical information (TI) from the London Interbank Offered Rate (Libor) to the Sterling Overnight Index Average (SONIA) in 2021. This consultation closes on Wednesday 31 March 2021
- Capital Issuance November 2020
- Effective interest rates November 2020
- Money and Credit November 2020
- UK International Reserves December 2020
- Monthly Decision Maker Panel data December 2020
- Bank of England Weekly Report 6 January 2021
- Bank of England Weekly Report 30 December 2020
- Bank of England Weekly Report 23 December 2020
- Why central banks need new tools for dealing with market dysfunction – Speech by Andrew Hauser looking at the evolving role of the central bank as a provider of market liquidity. Additionally, Andrew examines what can be learnt from the 'dash for cash' in March, and he explores what features a new set of central bank tools might have
- Terms-of-trade shocks are not all alike – Staff Working Paper No. 901

Financial Conduct Authority (FCA)

04 January 2021: FCA's MoUs with European authorities in areas of securities, insurance and pensions, and banking come into effect

The Financial Conduct Authority (FCA) announced that its Memoranda of Understanding (MoUs) with European authorities in the areas of securities, insurance and pensions, and banking came into effect at the end of the transition period.

On 1 February 2019, the FCA announced the agreement of MoUs with the European Securities and Markets Authority (ESMA) and EU regulators covering cooperation and exchange of information. The MoUs are:

- A multilateral MoU with EU and EEA National Competent Authorities (NCAs) covering supervisory cooperation, enforcement and information exchange.
- An MoU with the European Securities and Markets Authority (ESMA) covering supervision of Credit Rating Agencies and Trade Repositories.

On 5 March 2019, the FCA announced the agreement of MoUs with the European Insurance and Occupational Pensions Authority (EIOPA), the Prudential Regulation Authority (PRA) and EU insurance supervisors covering supervisory cooperation and exchange of information. The MoUs are:

- A multilateral MoU with EU and EEA National Competent Authorities (NCAs) covering supervisory cooperation, enforcement and information exchange between UK and EU/EEA national supervisors.
- An MoU with EIOPA covering information exchange and mutual assistance between the UK authorities and EIOPA in the field of insurance regulation and supervision.

Additionally, on 20 March 2019, the FCA announced the agreement of a template MoU with the PRA and European Banking Authority setting out the expectations for supervisory cooperation and information-sharing arrangements between UK and EU/EEA national authorities.

07 January 2021: FCA publishes coronavirus financial resilience survey data

The FCA published the results of its coronavirus (Covid-19) financial resilience surveys. In response to the crisis, the FCA has been monitoring the effects of the economic downturn on firms' solvency by rapidly increasing the data it collects on firms. The surveys, which are one of the data sources used to monitor financial resilience, have been sent to 23,000 solo-regulated firms to understand the real-time effect the pandemic is having on the finances of the firms the FCA prudentially regulates. The FCA has also been using existing regulatory reporting data, enhanced data purchased from a third-party provider and in-depth analysis of liquidity for a number of the most significant firms.

The survey results show that between February (pre-lockdown) and May/June (during the impact of the first lockdown), firms across the sectors experienced significant change in their total amount of liquidity. This was defined as cash, committed facilities and other high-quality liquid assets. Three sectors saw an increase in liquidity between the 2 reporting periods: Retail Investments (8%), Retail Lending (8%) and Wholesale Financial Markets (83%), the latter seeing the greatest increase. The other 3 sectors saw a decrease in available liquidity: Insurance Intermediaries & Brokers (30%), Payments & E-Money (11%) and Investment Management (2%). When asked whether they expected coronavirus to have a negative impact on their net income, 59% of respondents had said that they did. Of these, 72% expected the impact to be between 1% and 25%. 3% expected the impact to be 76%+ within the next 3 months of the survey being taken.

For the firms that responded to this question the greatest decrease in profitable firms between February and May/June was seen in the Retail Lending sector (10 percentage points) followed by Payments & E-Money (9 percentage points). The other 4 sectors saw a small increase in profitable firms between February and May/June as follows: Insurance Intermediaries & Brokers (2 percentage points), Investment Management (2 percentage points), Wholesale Financial Markets (2 percentage points) and Retail Investments (1 percentage point). Proportionately, Retail Lending had made most use of the available government support (49% of Retail Lending firms had furloughed staff and 36% had received a government backed loan), followed by Insurance Intermediaries & Brokers (44% had furloughed staff and 19% had received a loan), Retail Investments (37% had furloughed staff and 15% had received a loan), Payments & E-Money (36% had furloughed staff and 11% had received a loan), Wholesale Financial Markets (16% had furloughed staff and 11% had received a loan) and finally Investment Management (8% had furloughed staff and 3% had received a loan).

As this survey is one of 4 ways the FCA is monitoring firms, caution should be taken about using this data to make predictions. In addition, this survey was conducted before the extension of the government's furlough scheme, the positive vaccine developments and the announcement of new rules and restrictions. The FCA will repeat the survey as the situation evolves.

Financial Reporting Council (FRC)

04 – 08 January 2021: 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:

- UK adopts Amendments for IBOR Phase 2 and Amendments to IFRS 4 – the Secretary of State for Business, Energy and Industrial Strategy (BEIS) adopted on 5 January 2021, the following amendments: 1) Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and 2) Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)
- FRC publishes the report of the Disciplinary Tribunal following the sanctions against Deloitte and former partners for audits of Autonomy – the FRC published the report of the independent Disciplinary Tribunal detailing its findings of Misconduct by Deloitte and former partners Richard Knights and Nigel Mercer together with sanctions, in relation to the audits of the published financial reporting of Autonomy Corporation Plc. The FRC previously announced the sanctions on 17 September 2020
- The UK Endorsement Board (UKEB) has launched a new website to keep stakeholders up to date with key developments – UKEB is being set up as the body responsible for influencing the development and subsequently endorsing and adopting new or amended international accounting standards, issued by the International Accounting Standards Board (IASB), for use by UK companies, from 1 January 2021
- Using Technology To Enhance Audit Quality – Webinar
- Podcast: Reflections from the Financial Reporting Lab – in this episode, Andrew Hyland and Marie Claire Tabone, both Project Managers in the Financial Reporting Lab, reflect on the work of the Lab over 2020 which includes guidance relating to reporting in times of uncertainty, tips for section 172 statements and the use of video in corporate reporting. They also discuss the Lab's ongoing projects which focus on stakeholder reporting and the reporting of risks, uncertainties and scenarios

European Securities and Markets Authority (ESMA)

04 January 2021: ESMA withdraws registrations of six UK-based credit rating agencies and four trade repositories

The European Securities and Markets Authority (ESMA) announced that it has withdrawn the registrations of the following UK based CRAs: AM Best Europe-Rating Services Ltd; DBRS Ratings Ltd; Fitch Ratings Ltd; Fitch Ratings CIS Ltd; Moody's Investors Service Ltd; The Economist Intelligence Unit Ltd; and the following UK-based TRs: DTCC Derivatives Repository Plc; UnaVista Limited; CME Trade Repository Ltd; and ICE Trade Vault Europe Ltd.

The ratings issued by the above mentioned CRAs cannot be used for regulatory purposes in the EU unless endorsed by an EU CRA. ESMA, in a previous communication on 27 October 2020, confirmed that all UK-based CRAs except the Economist Intelligence Unit Ltd took steps to ensure that an EU CRA is willing and able to endorse its credit ratings. Furthermore, as a result of these withdrawal decisions, EU derivatives and securities financing transactions subject to the reporting obligation under EMIR and SFTR can no longer be reported to any of the TRs above but need to be reported to an EU established TR. An updated list of the available TRs is included on ESMA's register webpage.

ESMA's decisions follow the end of the transition period of the UK's withdrawal from the EU, which occurred on 31 December 2020. The CRA Regulation and the European Market Infrastructure Regulation (EMIR), as well as the Regulation on transparency of securities financing transactions and of reuse (SFTR), require ESMA to withdraw the registration of a firm where it no longer meets the conditions under which it was registered, including being a legal person established in the EU.

05 January 2021: ESMA publishes its first set of Financial Instruments Reference Data System (FIRDS) files following end of Brexit transition period

ESMA published its first set of Financial Instruments Reference Data System (FIRDS) files following the end of the Brexit transition period. The FIRDS delta files (DLTINS) published by ESMA contain information about:

- termination of all UK financial instruments: (ISIN, MIC) records for MICs in the UK and which were still active have been terminated and their termination date has been set to 31 December 2020 at 22:59:59 UTC; and
- updated Relevant Competent Authority (RCA) for all financial instruments which previously had GB as RCA and which will continue to be traded in the EU.

The FIRDS full files (FULINS) published by ESMA contain information on all financial instruments which are active on EU trading venues, along with their latest descriptions and RCA information.

06 January 2021: ESMA promotes transparency for TLTRO III transactions

ESMA issued a public statement promoting transparency in the IFRS financial statements of banks regarding accounting for the third series of the European Central Bank's (ECB) Targeted Longer-Term Refinancing Operations (TLTRO III). In the statement, ESMA emphasises the importance of providing an adequate level of transparency regarding the accounting treatment of these transactions in the financial statements of banks.

The main recommendations for affected banks are:

- to provide entity-specific disclosures of the significant accounting policies and of the significant judgements and assumptions related to the TLTRO III transactions;
- to ensure transparency about risks arising from financial instruments, addressing banks' assessment of the possible achievement of conditions or covenants attached to the TLTRO III loans; and
- to disclose the carrying amount of TLTRO III liabilities at the end of the reporting period and the related interest expense.

06 January 2021: ESMA launches Common Supervisory Action with NCAs on supervision of costs and fees of UCITS

ESMA announced that it is launching a Common Supervisory Action (CSA) with national competent authorities (NCAs) on the supervision of costs and fees of UCITS across the EU. The CSA will be conducted during 2021. The CSAs aim is to assess the compliance of supervised entities with the relevant cost-related provisions in the UCITS framework, and the obligation of not charging investors with undue costs. For this purpose, the NCAs will take into account the supervisory briefing on the supervision of costs published by ESMA in June 2020. The CSA will also cover entities employing Efficient Portfolio Management (EPM) techniques to assess whether they adhere to the requirements set out in the UCITS framework and ESMA Guidelines on ETFs and other UCITS issues.

Ensuring greater convergence in the supervision of costs is an integral part of ESMA's broader efforts on the cost of retail investment products and is key to improving investors' confidence in financial markets and reducing costs associated with obtaining financial products. The topic of costs and performance for retail investment products was identified as one of the Union Strategic Supervisory Priorities for NCAs. Under this Priority, ESMA said that NCAs would undertake supervisory action in 2021, coordinated by ESMA, on costs and fees charged by fund managers.

07 January 2021: ESMA and CFTC sign enhanced MOU related to certain recognised central counterparties

ESMA and the Commodity Futures Trading Commission (CFTC) announced the signing of a new Memorandum of Understanding (MOU) regarding cooperation and the exchange of information with respect to certain registered derivatives clearing organisations established in the United States that are central counterparties (CCPs) recognised by ESMA under the European Market Infrastructure Regulation (EMIR). Through the MOU, ESMA and the CFTC express their desire for enhanced cooperation as to the larger U.S. CCPs operating in the European Union with provisions that expand upon the collaboration set out in the 2016 CFTC-ESMA MOU related to recognised CCPs. The MOU reflects ESMA's and the CFTC's commitment to strengthening their mutual cooperative relationship.

08 January 2021: ESMA published its first Financial Instruments Transparency System (FITRS) file following end of Brexit transition period

ESMA published its first Financial Instruments Transparency System (FITRS) file following the end of the Brexit transition period. In particular, the equity transparency calculation results delta file (DLTECR) published by ESMA contains updated transparency calculation results for equity instruments which previously had a UK venue as the most relevant market.

European Insurance and Occupational Pensions Authority (EIOPA)

08 January 2021: EIOPA's MoUs with UK authorities in area of insurance and pensions come into effect

The European Insurance and Occupational Pensions Authority (EIOPA) announced that its memoranda of understanding (MoUs) with UK authorities in the area of insurance and pensions came into effect at the end of the transition period. On 5 March 2019, EIOPA and all national competent authorities (NCAs) of the European Economic Area (EEA) with competencies in insurance agreed MoUs with the Bank of England in its capacity as the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) of the UK. The MoUs took effect on 1 January 2021, at the end of the transition period following the departure of the UK from the European Union.

The following MoUs were agreed:

- A multilateral MoU on supervisory cooperation, enforcement and information exchange between the EEA NCAs and the UK Authorities.
- A bilateral MoU between EIOPA and the UK Authorities on information exchange and mutual assistance in the field of insurance regulation and supervision.

These MoUs ensure cooperation in the fields of insurance prudential and conduct supervision, for mutual assistance and regular exchange of information. In addition, EIOPA has agreed a multilateral memorandum of understanding with the Pensions Regulator, which also came into effect on 1 January 2021.

04 – 08 January 2021: 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 monthly update of the symmetric adjustment of the equity capital charge for Solvency II end December 2020
- EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures end December 2020

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European Central Bank (ECB)

04 – 08 January 2021: 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:

- ECB Economic Bulletin, Issue 8/2020
- ECB Survey of Monetary Analysts (SMA), January 2021
- The long-term effects of the pandemic: insights from a survey of leading companies – Published as part of the ECB Economic Bulletin, Issue 8/2020
- Assessing short-term economic developments in times of COVID-19 – Published as part of the ECB Economic Bulletin, Issue 8/2020
- The impact of the COVID-19 pandemic on the euro area labour market – Published as part of the ECB Economic Bulletin, Issue 8/2020
- Understanding the impact of the COVID-19 pandemic through an import-adjusted breakdown of euro area aggregate demand – Published as part of the ECB Economic Bulletin, Issue 8/2020
- The digital economy and the euro area – Published as part of the ECB Economic Bulletin, Issue 8/2020
- The European exchange rate mechanism (ERM II) as a preparatory phase on the path towards euro adoption: the cases of Bulgaria and Croatia – Published as part of the ECB Economic Bulletin, Issue 8/2020
- Liquidity conditions and monetary policy operations in the period from 22 July to 3 November 2020 – Published as part of the ECB Economic Bulletin, Issue 8/2020
- Developments in the tourism sector during the COVID-19 pandemic – Published as part of the ECB Economic Bulletin, Issue 8/2020
- Assessing wage dynamics during the COVID-19 pandemic: can data on negotiated wages help? – Published as part of the ECB Economic Bulletin, Issue 8/2020
- The scarring effects of past crises on the global economy – Published as part of the ECB Economic Bulletin, Issue 8/2020
- Draft budgetary plans for 2021: A review in times of the Covid-19 crisis – Published as part of the ECB Economic Bulletin, Issue 8/2020
- Who's asking? Interviewer effects on unit non-response in the Household Finance and Consumption Survey – Statistics Paper Series

European Commission (EC)

04 – 08 January 2021: Speeches, Letters & Other Publications

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

- European Innovation Council Fund: first equity investments of €178 million in breakthrough innovations

Basel Committee on Banking Supervision (BCBS)

04 – 08 January 2021: 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:

- Interview with Ms Carolyn Rogers, Secretary General of the BCBS, about the Committee's policy agenda – Interview

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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

- Forecasts of rapid UK rebound fall foul of lockdown
  "The rapid change in economists' forecasts triggered by the latest lockdown underlines how much the UK's economic fortunes depend on bringing the virus under control. Few economists believe that ministers and central bankers have further fiscal or monetary policy tools they can use in the near term"

- Up to 4,000 UK financial services firms at risk because of pandemic, warns FCA
  "Up to 4,000 financial services firms are at heightened risk of failure because of the coronavirus pandemic and its impact on almost a third of these low resilience businesses could cause harm to consumers, the UK regulator has warned"

- Investors sceptical over Bank of England's QE programme
  "The Bank of England is on course for a difficult 2021, after a Financial Times survey found investors believe the central bank's quantitative easing programme is a thinly veiled attempt to finance the government's deficit to keep its borrowing costs down"

- Activists eye targets in weak and vulnerable corporate UK
  "Corporate Britain is a top target for activist investors in 2021, with funds looking for opportunities in the relatively weak stock market and pandemic-ravaged economy. Harlan Zimmerman, senior partner at Cevian, Europe's biggest activist investor, said most countries in the region should see more campaigns to drive value this year"

- ESG might prove the UK activists' best friend
  "Move fast and break things up. That has long been the motto of the activist investment funds, which are said to be homing in on Britain to take advantage of its underperforming stock market and battered economy"

- Letter: Be wary of banks bearing 'green' gifts
  "Banks offering green retail products should be treated with caution and checked to see if the claims are purely superficial"

- HSBC targeted by shareholders over fossil fuel financing
  "HSBC is under fire for financing the fossil fuel industry after a group of investors including Amundi and Man Group filed a climate resolution ahead of the bank's annual meeting in April"

- Debt dangers hang over markets
  "For the moment, though, investors' most pressing financial concern should be the reality that the world economy is hostage to debt and wayward monetary policy. There will, in the end, be a reckoning. But the timing of any market crunch is inherently unpredictable — nor how it hits any particular country such as the UK"

- Debt collectors want bigger role in recovering bounce back loans
  "Debt collectors in the UK are pushing the government to give them a bigger role in recovering unpaid loans from its £44bn business rescue programme, as the Treasury faces growing questions over how to minimise taxpayer losses from the scheme"

- Business debt/UK lockdown: counting the cost
  "An implosion is yet to materialise. UK business insolvencies last year were lower than in many preceding years. They are set to rise despite low rates and leeway for pushing out maturities. A proportion of pandemic-era loans will never be repaid"

- Next/consumer credit: the loan view
  "Shoppers offer hope that debt-fuelled consumption is creeping back, but households are still deleveraging"

- City Bulletin: Greggs cautions 2020 will be a lossmaking year
  "Greggs said it had extended revolving credit facilities having repaid a Bank of England emergency loan under the Covid Corporate Financing Facility, which reduced its net cash position to £37m at the year end"

- Nest plans bold expansion into private markets
  "Nest, one of the UK's largest workplace pension schemes with 10m members, is planning an aggressive push into private markets which could "comfortably" exceed a fifth of its entire £13bn investment portfolio"

- TP ICAP seeks rights issue to pay for $575m Liquidnet purchase
  "TP ICAP has launched a rights issue that is equal to 40 per cent of its existing share capital to help pay for the interdealer broker's planned $575m acquisition of Liquidnet"

- EU urged to push UK harder on tackling tax avoidance and money laundering
  "The EU is being urged to withhold legal permits allowing UK financial services companies easy access to the single market until Brussels gets tougher commitments from London to crack down on money laundering and tax avoidance"

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- Brexit can mean London loses even if the EU doesn't gain
  "London's dominance of the spot currencies market, for example, is shielded as it is not covered by the kind of strict regulations that govern other trading activity. The London insurance market, whose global credentials stretch back to the 17th century, appears to be thriving, with pandemic-related losses pushing up premium rates. Two new insurers, Inigo and Conduit Re, have just launched in London. But highly regulated financial activity — the shares, bonds and derivatives trading of investment banks and asset managers — is undeniably at risk. Business and jobs will follow the money"

- EU recovery plan faces bottleneck, economists warn
  "Italy and Spain, the two largest recipients of Brussels' €750bn Covid-19 recovery fund, face administrative bottlenecks in spending unprecedented EU financial support over the coming years, experts and economists have warned"

- EU lobbying by fund groups fuels fears over vested interest
  "BlackRock's growing influence on the public stage is a sign of the times. After long being overshadowed by banks, asset managers are increasingly in the spotlight due to the sector's huge growth since the 2008 financial crisis. This has prompted them to forge closer links with important decision makers and ramp up lobbying"

- Analysts expect as much as $500bn of green bonds in bumper 2021
  "Investors are braced for a green bond rush this year, as policymakers seek a sustainable recovery from the coronavirus crisis. Governments and companies are expected to issue $500bn in green debt in 2021, nearly half the total that has been raised since the asset class's inception, according to a projection from Swedish bank SEB. In the first 11 months of 2020, global borrowers sold $270bn of the debt"

- BlueBay CIO: it's time to think about debt cancellation
  "When a fixed income asset manager like me is saying there is too much debt in the world, there must be something seriously wrong. Many EU countries have already breached the bloc's fiscal rules on debt levels and there is little room for manoeuvre. Debt cancellation needs to be an option in the toolkit"

- Natixis to sell its stake in H2O Asset Management
  "Natixis has agreed to sell its majority stake in H2O to the latter's management, as the French bank severs ties with an investment firm that brought both high returns and controversy"

- Commerzbank raises bad loan provisions as lockdown drags on
  "Commerzbank raised its provisions for bad loans for the second time since November, as Germany's second-largest bank braces for a bigger hit from the country's latest lockdown"

- Eni bolsters oil price defences after 'year of war'
  "The company has issued bonds, slashed billions of euros in capital spending, cut costs and is selling off assets. It also cut its dividend and introduced a new payout policy linked to the Brent crude price. Eni is also acutely focused on its longer-term ability to raise cash"

- Credit Suisse to post quarterly loss as it adds $850m to litigation reserves
  "Credit Suisse has set aside a further $850m for legal costs related to US residential mortgage-backed securities, pushing it to a fourth-quarter loss and dealing another blow to its attempts to move on from a turbulent 2020"

- Top US banks set to buy back $10bn of shares in Q1
  "A strong end to 2020 has paved the way for America's top banks to buy back more than $10bn of their shares in the first quarter, as the loan losses of the pandemic year recede and capital markets fire on all cylinders"

- Alibaba plans to raise up to $8bn in dollar bond sale
  "Alibaba will tap international debt markets for as much as $8bn this month in what could be one of the country's biggest ever dollar bonds at a time when the company is being squeezed by regulators and rivals"

- Brookfield seeks to take real estate arm private in $5.9bn deal
  "Brookfield Asset Management has made an offer to take private its real estate arm Brookfield Property Partners, one of America's biggest mall operators, in a $5.9bn deal"

- SoFi to go public in latest blank cheque deal from Social Capital
  "Fintech company SoFi is to go public in a $8.7bn deal with a blank-cheque company set up by Chamath Palihapitiya, extending a frenzied run of dealmaking by the former Facebook executive"

- SkyBridge has worst year since 2008 after structured credit hit
  "SkyBridge Capital, the fund of hedge funds led by Anthony Scaramucci, has recorded its worst annual performance since 2008, losing about 7.5 per cent of its value while its peers posted positive returns in a strong year for bonds and equities alike"

- US credit market off to a record start in 2021
  "Casino operator Studio City, technology company Broadcom and DIY shop Home Depot have helped kick off a frenetic start to US credit markets in 2021, with companies issuing more dollar bonds in the first two days of the year than ever before. In total, almost $50bn of new debt has already been lapped up by investors, according to data from Refinitiv, as companies look to take advantage of low borrowing costs to refinance bonds and fund takeovers"

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- US bonds/Blue Wave: the king is dead
  "The timing reflexively promoted by Wall Street junk bond underwriters last year happened to be perfect, though. High-yield bond sales hit record levels with global issuance topping $500bn. Yields and spreads plumbed lows thanks to implicit and explicit support from the Federal Reserve"
- Distressed debt specialist Howard Marks warns on corporate borrowing burden
  "Companies may find themselves excessively indebted after the coronavirus pandemic even if their businesses rebound, Oaktree Capital founder Howard Marks has warned, underlining the strain facing corporate America"
- Joe Biden must take a global lead on climate risk disclosure
  "Consistent, comparable and reliable information on how companies manage these risks will not only improve capital market efficiency, and unlock sustainable, inclusive economic growth. It can help avert a climate catastrophe"
- Miners face up to climate challenge
  "Without a credible path to carbon neutrality, big miners will struggle in their efforts to present themselves as vital in the shift to a green economy through their production of energy transition metals — copper, cobalt, nickel and zinc"
- Green finance/Macquarie: hospitable climate
  "Green finance need not involve much more than a favourable nudge from the government. Let markets price in a greener future, not taxpayers"
- Global tech, emerging markets and pandemic uncertainties: opportunities and risks in 2021
  "What does 2021 hold for the investment world? For a fund manager, that is a multibillion-dollar question. FTfm asked investment bosses and strategists at 10 of the world's biggest asset managers to gaze into their crystal ball"
- OECD warns governments to rethink constraints on public spending
  "The economic impact of the coronavirus pandemic should transform governments' attitude to public spending and debt, according to the chief economist of the OECD, who has warned that fresh austerity would risk a popular backlash"
- Pemex drains reserves of quick fixes as cash crunch looms
  "Facing a New Year cash crunch, Pemex is running out of quick fixes to cover debt payments, and analysts warn that life-saving reforms are needed to the tax structure of the world's most indebted oil company"
- China will vie to become world financial centre, says Ray Dalio
  "China will emerge as a rival to New York and London as the world's financial centre, according to Bridgewater founder Ray Dalio, who is betting heavily on what would be an epochal shift in the global economy"

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Thomson Reuters

- Central banks must arm up for next market upheaval, BoE's Hauser says
“Financial markets are likely to be hit more often by the kind of upheaval unleashed by the COVID-19 pandemic, and central banks need new tools to deal with powerful investment firms at the heart of the turmoil, a Bank of England official said”
- Bank lending to plastics industry faces scrutiny as pollution concerns mount
“With European and U.S. banks increasingly spurning the most polluting fossil fuel projects to help slow climate change, campaigners want lenders to take a similar approach to plastics by making loans conditional on measures to boost recycling”
- A 2021 vision: what every fund manager is buying (or selling)
“Dump the dollar! Buy emerging markets! Stay sustainable! These are among the consensus trades investment banks and asset managers reckon will dominate financial markets in 2021”
- ECB should explore yield curve control, de Cos says
“The European Central Bank should explore the option of moving to yield curve control to raise inflation as such a policy could even reduce the volume of bond purchases, ECB Governing Council member Pablo Hernandez de Cos said”
- EU fiscal rules must remain flexible until 2022 -Portugal finance minister
“Flexible EU fiscal rules meant to help member states weather the pandemic and return to growth should stay in place until 2022, Portugal's finance minister said in an interview, adding that a smooth implementation of the EU's recovery fund was essential”
- Italy to spend 222 bln euros of EU funds to revive economy – draft
“Italy plans to spend more than 222 billion euros ($272 billion) from various European Union funds to revive its coronavirus-battered economy, a draft government document seen by Reuters showed”
- Exclusive: Italy could take on $17 billion of UniCredit bad loans to ease MPS sale – sources
“Italy is working on a plan to take on about 14 billion euros ($17 billion) of UniCredit's impaired loans to make a takeover of state-owned Monte dei Paschi more attractive for the country's second-biggest bank, sources told Reuters”
- UniCredit's Italian investors opposed to Monte dei Paschi deal – sources
“Eyewear tycoon Leonardo Del Vecchio, who owns 1.9% of UniCredit, opposes the lender taking over rival Monte dei Paschi and is in touch with other large Italian investors who share concerns about a potential deal, two people close to the matter said”
- Louis Dreyfus owner rescheduled $450 million in debt due by end-2020
“Margarita Louis-Dreyfus, the main shareholder of commodities merchant Louis Dreyfus Company (LDC), rescheduled deadlines for repaying about $450 million in loans from Credit Suisse that had been due by the end of 2020, a company filing showed”
- LafargeHolcim to buy Firestone Building Products in $3.4 billion deal
“LafargeHolcim, the world's biggest cement maker, on Thursday announced a $3.4 billion deal to buy Firestone Building Products from Japan's Bridgestone Corporation in its biggest acquisition in more than a decade”
- Mercuria taps Singapore fund manager Envysion for new source of finance
“Trading house Mercuria and Singapore-based asset manager Envysion Wealth Management have agreed to co-invest in mining and energy projects, as default-hit banks tighten their purse strings and leave commodities firms seeking other funding”
- Trafigura received $7 billion Russian loan for Vostok Oil deal - Bloomberg News
“Global commodities trader Trafigura's purchase of a 10% stake in Rosneft's Vostok Oil project in the Arctic was funded by a $7 billion loan from a Russian bank, Bloomberg News reported”
- Fed's Harker says he doesn't expect to taper bond purchases until late 2021, early 2022
“The Federal Reserve is unlikely to pare back the pace of its bond purchases in the near future, and may not make changes until the end of 2021 or early 2022, Philadelphia Fed Bank President Patrick Harker said”
- Fed says bond-buying changes hinge on ‘qualitative’ call on economy
“The Federal Reserve was nearly unanimous in its decision last month to leave its bond-buying program unchanged, but left a wide berth for officials to decide in the future if and when changes should be made, according to minutes of the U.S. central bank's December policy meeting”
- Fed's Mester says outlook calls for asset purchases to stay steady in 2021
“If the U.S. economy behaves as expected - slowing down in the first half of 2021 and picking up in the second half as more Americans are vaccinated against the coronavirus - it is unlikely the Federal Reserve will need to make changes to its asset purchases this year, Cleveland Fed President Loretta Mester said”
- Biden to unveil trillions in pandemic economic relief spending next week
“U.S. President-elect Joe Biden said Americans need more economic relief from the coronavirus pandemic now and that he will deliver a plan costing trillions of dollars next week”

11 January 2021

- U.S. bankruptcy filings hit 35-year low thanks to government pandemic aid
  "U.S. bankruptcy filings for 2020 hit their lowest level since 1986 as a flood of government support programs offset at least temporarily the full brunt of the coronavirus pandemic and a related recession, Epiq AACER reported"

- U.S. to relaunch small business pandemic aid program Monday with new fraud checks
  "The U.S. government is introducing new robust safeguards when the third round of the country's main small business pandemic aid program launches on Monday after fraudsters and ineligible companies claimed cash last year, administration officials said"

- Fintech startup Affirm aims for over $9 billion valuation in U.S. IPO
  "Affirm Holdings Inc, founded by PayPal Holdings Inc co-founder Max Levchin, is aiming for a valuation of over $9 billion in its initial public offering, the lending startup said in a filing"

- Bustle Digital hires bank to explore deal to go public -source
  "Bustle Digital Group (BDG), the U.S. media platform whose publications include fashion magazine W and Bustle, is exploring a potential merger with blank-check acquisition companies which would take it public, according to a person familiar with the matter"

- How Airbnb's CEO succumbed to an IPO he resisted
  "Airbnb CEO Brian Chesky resisted calls from his investors for years to follow the lead of other Silicon Valley unicorns and take the home rental startup public, as he pursued his dream of turning it into a one-stop shop for leisure and travel. He is now pressing ahead with a stock market debut just as the COVID-19 pandemic hits its peak"

- Chinese telecom firms lose $5.6 billion in value as index providers drop them
  "Index providers MSCI Inc, FTSE Russell and S&P Dow Jones Indices said they would cut three Chinese telecom companies from benchmarks, part of a widening fallout from a U.S. investment ban that has battered their share prices"

- Breakingviews - Becoming a bank would shrink but not squash Ant
  "Becoming a bank will shrink Ant. Regulators are set to treat Jack Ma's financial group more like a regular Chinese lender. Though it has enough capital to support its existing online credit business, growth prospects will dim and its $300 billion-plus valuation will shrivel"

- Grab Holdings and subsidiary seek $750 mln 5-yr term loan - term sheet
  "Southeast Asian ride-hailing and food delivery firm Grab Holdings Inc. and one of its subsidiaries are seeking a five-year loan of $750 million on Monday, according to a term sheet seen by Reuters"

- First Abu Dhabi Bank sells $500 million sukuk as Gulf bonds heat up
  "First Abu Dhabi Bank, the largest lender in the United Arab Emirates, sold sukuk, or Islamic bonds, worth $500 million on Thursday, as Gulf issuers start tapping debt investors in what is likely to be another record year for regional bonds"

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**

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