European Leveraged Finance Association

BRIEFINGS

LEGAL & REGULATORY

1 February 2021

Legal and Regulatory Updates

25/01/2021 – 29/01/2021

Key Highlights

- This Legal & Regulatory Update covers the week commencing **25/01/2021**.
- BoE convenes members of public and businesses to join climate change debate.
- FCA and FRC issue joint statement reminding companies that extended financial information timelines continue to apply.
- FCA gives speech on life without LIBOR from end-2021.
- FCA publishes Research Note on Fixed Income ETFs: secondary market participation and resilience during times of stress.
- ESMA calls for legislative action on ESG ratings and assessment tools.
- ESMA publishes its Newsletter N°20.
- EBA provides additional clarity on implementation of selected COVID-19 policies.
- EBA launches 2021 EU-wide stress test exercise.
- ESAs consult to amend technical standards on mapping of ECAIs' credit assessments.
- ECB sets up climate change centre.
- ECB to invest in Bank for International Settlements' green bond fund.
- ESRB responds to European Commission consultation on review of AIFMD COVID-19 policies.
- European Commission launches Green Consumption Pledge, with first set of companies committing to concrete actions towards greater sustainability.
- European Commission releases results of its screening of websites for 'greenwashing'.
- Basel Committee proposes amendments to rules on haircut floors for securities financing transactions.
- ICMA compiles FinTech and sustainable finance library, with a focus on bond markets.
- 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)

29 January 2021: BoE convenes members of public and businesses to join climate change debate

The Bank of England (BoE) explained that climate change continues to be a key strategic priority, and released information on its ambitious work programme that ranges from assessing climate-related financial risks of the largest UK banks and insurers to working internationally with the Network for Greening the Financial System, a network of more than 80 central banks. The BoE explained that its objective is to build a UK financial system that is resilient to the risks from climate change and supportive of the transition to a net-zero economy.

Sarah Breeden, the BoE's Executive Director Sponsor for climate change, led two virtual events this month designed to increase understanding and engagement on the issue:

- Business leaders event on 14 January 2021, which was attended by more than 650 businesses who are contacts of the Bank's network of Agents across the UK; and
- Citizens' Panel event on 26 January 2021, which saw around 70 members of the Bank's Citizens' Panels participate in a series of small discussion sessions and a Q&A with Bank staff.

25 – 29 January 2021: Speeches, Letters & Publications

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

- BoE publishes its initial response to the Environmental Audit Committee letter to the Governor – the BoE explained that climate change is a strategic priority. The BoE emphasised that it has an ambitious work programme on climate change, from the stress testing of the largest UK banks and insurers against climate-related financial risks through to working internationally with the central bank network for greening the financial system. The BoE will respond in full to the Environmental Audit Committee letter in due course
- BoE provides an update on the Covid Corporate Financing Facility (CCFF) Market Notice 9 October 2020
- Lessons from the pandemic: Has the simpler post-2008 financial system held up? And where do we go from here? – Speech by Christina Segal-Knowles
- Bank of England Weekly Report 27 January 2021
- Statistical Notice 2021/01
- Capital Issuance December 2020
- Asset Purchase Facility Quarterly Report 2020 Q4
- Credit union quarterly statistics 2020 Q3

- Results of the Semi-Annual FX Turnover Surveys in October 2020
- What types of businesses have used government-guaranteed loan schemes? – Bank Overgorund
- The more the merrier? Evidence from the global financial crisis on the value of multiple requirements in bank regulation – Staff Working Paper No. 905
- On the origin of systemic risk – Staff Working Paper No. 906

Financial Conduct Authority (FCA)

27 January 2021: FCA and FRC issue joint statement reminding companies that extended financial information timelines continue to apply

The Financial Conduct Authority (FCA) and the Financial Reporting Council (FRC) issued a statement to remind companies of the measures that remain valid and which provide some flexibility. This includes allowing listed companies an additional two months to publish their audited annual financial reports. Additionally, the FCA and the FRC explained to investors and other users of financial information, including lenders assessing covenant breaches arising solely because of changes in reporting timetables, that reporting timetables for companies might be extended for these reasons and that these changes must be viewed in the context of current events. The FCA and FRC are also encouraging all stakeholders including in particular boards of listed companies to (1) re-familiarise themselves with the measures and (2) use them in light of any resourcing constraints in finance and/or audit teams to ensure the quality of reporting is not compromised during this period.

25 – 29 January 2021: Speeches, Letters & Other Publications

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

- LIBOR: are you ready for life without LIBOR from end-2021? – Speech by Edwin Schooling Latter, Director Markets and Wholesale Policy at the FCA
- Why does the FCA care about diversity and inclusion? – Speech by Georgina Philippou, Senior Adviser to the FCA on the Public Sector Equality Duty
- Fixed Income ETFs: secondary market participation and resilience during times of stress – in this Research Note, the authors analyse the exchange-traded fund (ETF) secondary market from the perspective of financial stability
- FCA publishes an update on mortgages, consumer credit, banking and payments during coronavirus

Financial Reporting Council (FRC)

25 – 29 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:

- Podcast: Future of Corporate Reporting project – in this episode Deepa Raval, Director of Narratove Reporting and Jen Sisson, Deputy Director of Stakeholder Engagement and Corporate Affairs discuss the FRC's Future of Corporate Reporting project and how stakeholders can share their views ahead of the deadline for comments on 05 February
- IFoA publishes first thematic review: actuarial factors used calculate benefits in UK pension schemes – the Institute and Faculty of Actuaries (IFoA) has begun a programme to carry out regular thematic reviews looking at particular topics, roles and/or areas of work relevant to actuaries. This involves reviews of how work is carried out in practice by actuaries, including reviews of the work itself

European Securities and Markets Authority (ESMA)

29 January 2021: ESMA calls for legislative action on ESG ratings and assessment tools

The European Securities and Markets Authority (ESMA) wrote to the European Commission (EC) sharing its views on the main challenges in the area of ESG ratings and assessment tools. ESMA highlighted the need to match the growth in demand for these products with appropriate regulatory requirements to ensure their quality and reliability.

ESMA identified the following key points for consideration:

- the market for ESG ratings and other assessment tools is currently unregulated and unsupervised. When combined with increasing regulatory demands for consideration of ESG information, there are increased risks of greenwashing, capital misallocation and products mis-selling;
- there should be a common definition of ESG ratings that covers the broad spectrum of possible ESG assessments currently on offer. This will help future-proof any regulatory framework and mitigate against possible obsolescence;
- the supervisory and regulatory regime should be adapted to the current market structure and accommodate both large multi-national providers who may be subject to existing regulatory frameworks, as well as smaller entities; and
- ESG rating providers can be part of larger groups providing services such as green bond certification and credit ratings. On the other hand, smaller players would also benefit from having access to an EU-wide regime. Given this overlap, and to benefit from economies of scale in supervision, ESMA explained that it is ready to support possible future supervisory responsibilities in this area.

ESMA's letter builds on its response to the EC's consultation on the Renewed Sustainable Finance Strategy in July 2020, where specific issues in relation to the ESG ratings and assessment tools were raised.

29 January 2021: ESMA publishes its Newsletter N°20

ESMA published its Newsletter N°20. Since the last newsletter, ESMA's key publications have been its Brexit-related Statement MiFID II's requirements on 3rd country firms offering services to investors, ESMA's Common Supervisory Action on UCITS costs and fees and a call for candidates to join the Consultative Working Group (CWG) for the ESMA's Commodity Derivatives Task Force (CDTF). In this month's edition, ESMA also introduces the first of an occasional series of articles focusing on specific areas of ESMA's work; this month ESMA looks at its role in the development and implementation of global standards for derivatives reporting.

25 – 29 January 2021: Speeches, Letters & Other Publications

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

- ESMA consults on appropriateness and execution-only under MiFID II – this Consultation Paper builds on relevant parts from ESMA's Guidelines on certain aspects of the MiFID II suitability requirements, while adjusting these to the appropriateness and execution-only framework. In addition, it takes into account the insights of supervisory activities conducted by national competent authorities (NCAs) on the application of the appropriateness and execution-only requirements, in particular resulting from the 2019 common supervisory action (CSA) on appropriateness. This CSA showed that there was insufficient convergence in the understanding and application of several areas of the appropriateness and execution-only requirements by firms in different Member States, and often

within Member States themselves, creating problems for achieving a consistent level of investor protection in the EU
- ESMA updates SFTR Q&As – the Q&As were updated to clarify: Reporting of events that were not duly reported on time; Updates to records of outstanding SFTs by the Trade Repositories based on reports made by the counterparties; and Operational aspects concerning the reporting by financial counterparties on behalf of small non-financial counterparties pursuant to the Article 4(3) of SFTR
- ESMA updates its Q&As relating to the Prospectus Regulation – the Q&As provide clarification on the following aspects: Order of information in a prospectus; Financial information which only covers short periods; Use of the same prospectus to make several offers; Disclosure requirements concerning statements prepared by an expert; Application of an exemption in Article 1(5) of the Prospectus Regulation; and Which disclosure annexes should be applied when drawing up a prospectus
- ESMA updates EMIR Q&As – the updated Trade Repository (TR) Q&A 3b explains how to report the direction of derivatives in specific cases that are described. A new Q&A for Trade Repositories clarifies the steps to be taken for the due termination of derivatives when the reporting counterparty ceases to exist. It also specifies how to deal with non-terminated reports of inactive (dissolved) counterparties to ensure that accurate information is provided to the authorities
- ESMA supports the endorsement of IFRS 17 insurance contracts

European Insurance and Occupational Pensions Authority (EIOPA)

25 – 29 January 2021: Speeches, Letters & Other Publications

During the week, the European Insurance and Occupational Pensions Authority (EIOPA) released the following speeches, letters and publications that might be of interest to our readers:

- EIOPA consults on open insurance – this consultation focuses on the access to and sharing of insurance-related data. In its Discussion Paper, EIOPA explores questions on whether and how far insurance value chains should be 'opened' up by the sharing of insurance-related and specific policyholder data amongst insurance and non-insurance firms, to protect policyholder rights and to allow for innovation in products and services
- EIOPA publishes annual report on the use of capital add-ons under Solvency II – the objective of the capital add-on measure is ensure that the regulatory capital requirements reflect the risk profile of the undertaking or of the group. This analysis included in the report is based on 2019 year-end data collected under Directive 2009/138/EC (Solvency II) as reported by the undertakings and insurance groups and complemented by a survey that entailed both qualitative and quantitative questions
- EIOPA publishes the second paper on the methodological principles of insurance stress testing with focus on liquidity – the paper sets out methodological principles that can be used to design bottom-up stress test exercises to assess the vulnerability of insurers to liquidity shocks. The conclusions are based on the current understanding and knowledge of the liquidity risk in the insurance industry
- EIOPA publishes its Consumer Trends Report – with a risk heat-map providing a snapshot of the impact of the COVID-19 crisis on the insurance and pension sector from a consumer protection perspective as of 30 June 2020

European Banking Authority (EBA)

29 January 2021: EBA provides additional clarity on implementation of selected COVID-19 policies

The European Banking Authority (EBA) published additional clarifications on the application of the prudential framework in response to issues raised as a consequence of the COVID-19 pandemic. These clarifications update the FAQ section of the EBA Report on COVID-19 implementation policies, which provides clarity on the implementation of (i) the EBA Guidelines on moratoria and (ii) the EBA Guidelines on COVID-19 reporting and disclosure. This is part of the EBA's wider monitoring of the implementation of COVID-19 policies as well as of the application of existing policies under these exceptional circumstances.

29 January 2021: EBA launches 2021 EU-wide stress test exercise

The EBA launched the 2021 EU-wide stress test and released the macroeconomic scenarios. Following the postponement of the 2020 exercise, due to the COVID-19 pandemic, this year's EU-wide stress test will provide valuable input for assessing the resilience of the European banking sector. Accordingly, the adverse scenario is based on a narrative of a prolonged COVID-19 scenario in a 'lower for longer' interest rate environment, in which negative confidence shocks would prolong the economic contraction. The EBA expects to publish the results of the exercise by 31 July 2021.

European Supervisory Authorities (ESAs)

29 January 2021: ESAs consult to amend technical standards on mapping of ECAIs' credit assessments

The European Supervisory Authorities (ESAs) launched a public consultation to amend the Implementing Regulations on the mapping of credit assessments of External Credit Assessment Institutions (ECAIs) for credit risk. The amendments are needed to assign mappings for two newly established ECAIs and to reflect the outcomes of a monitoring exercise on the adequacy of existing mappings, namely changes to the Credit Quality Steps (CQS) allocation for two ECAIs and the introduction of new credit rating scales for nine ECAIs. The Implementing Regulations are part of the EU Single Rulebook for banking and insurance aimed at creating a safe and sound regulatory framework consistently applicable across the European Union. The consultation runs until 5 March 2021.

European Central Bank (ECB)

25 January 2021: ECB sets up climate change centre

The European Central Bank (ECB) decided to set up a climate change centre to bring together the work on climate issues in different parts of the bank. This decision reflects the growing importance of climate change for the economy and the ECB's policy, as well as the need for a more structured approach to strategic planning and coordination. The new unit, which will consist of about ten staff working with existing teams across the bank, will report to the ECB's President, Christine Lagarde, who oversees the ECB's work on climate change and sustainable finance.

The climate change centre will shape and steer the ECB's climate agenda internally and externally, building on the expertise of all teams already working on climate-related topics. Its activities will be organised in workstreams, ranging from monetary policy to prudential functions, and supported by staff that have data and climate change expertise. The climate change centre will start its work in early 2021. The new structure will be reviewed after three years, as the aim is to ultimately incorporate climate considerations into the routine business of the ECB.

25 January 2021: ECB to invest in Bank for International Settlements' green bond fund

The ECB decided to use part of its own funds portfolio to invest in the euro-denominated green bond investment fund for central banks (EUR BISIP G2) introduced by the Bank for International Settlements (BIS). With this investment, the ECB contributes, within its mandate, to global efforts to promote environmental objectives – including the EU climate goals – and to combat climate change. The BIS green bond fund invests in renewable energy production, energy efficiency and other environmentally friendly projects.

This investment in the EUR BISIP G2 is part of the ECB's sustainable and responsible investment (SRI) strategy that targets an increase in the share of green securities in its own funds portfolio. Such investment complements direct purchases of green bonds in secondary markets. The ECB already holds green bonds amounting to 3.5% of its own funds portfolio, which has a total market value of €20.8 billion. The ECB plans to increase this share over the coming years.

The ECB is also taking steps to increase sustainable and responsible investments in its staff pension fund. In 2020, all conventional equity benchmark indices tracked by the staff pension fund were replaced with low-carbon equivalents, which has significantly reduced the carbon footprint of the equity funds. The ECB is exploring a possible expansion of the use of low-carbon benchmark indices to fixed-income asset classes within its pension fund.

25 – 29 January 2021: Speeches, Letters & Other Publications

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

- ECB asks banks to address credit risk and improve efficiency – the ECB published the outcome of its 2020 Supervisory Review and Evaluation Process (SREP) and announced its supervisory priorities for 2021
- Consolidated financial statement of the Eurosystem
- Monetary developments in the euro area: December 2020
- Euro area economic and financial developments by institutional sector: third quarter of 2020
- Climate change and central banking – Speech by Christine Lagarde
- Sustainable finance: transforming finance to finance the transformation – Speech by Fabio Panetta
- Macroeconomic policies in the short term and the medium term – Panel contribution by Philip R. Lane
- The sovereign-bank-corporate nexus – virtuous or vicious? – Speech by Isabel Schnabel
- Issuance and valuation of corporate bonds with quantitative easing – Working Paper Series
- LSIs' exposures to climate change related risks: an approach to assess physical risks – Working Paper Series
- Risk aversion and bank loan pricing – Working Paper Series
- The implications of liquidity regulation for monetary policy implementation and the central bank balance sheet size: an empirical analysis of the euro area – Working Paper Series
- Transforming 'sympathetic interlocutors' into veto players – Working Paper Series
- Text-based recession probabilities – Working Paper Series
- Global impacts of US monetary policy uncertainty shocks – Working Paper Series
- Statistical decision functions with judgment – Working Paper Series
- One size fits some: analysing profitability, capital and liquidity constraints of custodian banks through the lens of the SREP methodology – Occasional Paper Series
- The macroeconomic impact of the Next Generation EU instrument on the euro area – Occasional Paper Series
- How much capital should banks hold? – Research Bulletin No. 80

European Systemic Risk Board (ESRB)

25 – 29 January 2021: Speeches, Letters & Other Publications

During the week, the European Systemic Risk Board (ESRB) released the following speeches, letters and publications that might be of interest to our readers:

- ESRB responds to the European Commission consultation on the review of AIFMD
- ESRB publishes the adverse macro-financial scenario for the EU-wide banking sector stress test to be carried out by the EBA in 2021 – this scenario, which has been approved by the General Board of the ESRB, highlights adverse conditions that are relevant to this sector

European Commission (EC)

25 January 2021: European Commission launches Green Consumption Pledge, with first set of companies committing to concrete actions towards greater sustainability

The European Commission (EC) launched its new Green Consumption Pledge, which is the first initiative delivered under the New Consumer Agenda. The Green Consumption Pledge is part of the European Climate Pact which is an EU-wide initiative inviting people, communities and organisations to participate in climate action and build a greener Europe. With their signatures, companies promise to accelerate their contribution to a green transition. The pledges have been developed in a joint effort between the Commission and companies. Their aim is to accelerate the contribution of businesses to a sustainable economic recovery and to build consumer trust in the environmental performance of companies and products. Colruyt Group, Decathlon, LEGO Group, L'Oréal and Renewd are the first pioneering enterprises that are participating in this pilot project. The functioning of the Green Consumption Pledges will be assessed in a year from now, before next steps are taken.

28 January 2021: European Commission releases results of its screening of websites for 'greenwashing'

The EC released the results of a screening of websites (sweep), an exercise carried out each year to identify breaches of EU consumer law in online markets. This year, for the first time ever, the sweep focused on 'greenwashing', the practice by which companies claim they are doing more for the environment than they actually are. The sweep analysed green online claims from various business sectors such as garments, cosmetics and household equipment. According to the exercise, national consumer protection authorities had reason to believe that in 42% of the cases the claims were exaggerated, false or deceptive and could potentially qualify as unfair commercial practices under EU rules. The findings of this sweep will feed into the impact assessment to be prepared for the new legislative proposal to empower consumers for the green transition, which was announced in the New Consumer Agenda.

25 – 29 January 2021: Speeches, Letters & Other Publications

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

- European Commission successfully places first EU SURE bond in 2021 – the EC issued a €14 billion social bond under the EU SURE instrument to help protect jobs and people in work. The issuing consisted of two bonds, with €10 billion due for repayment in June 2028 and €4 billion due for repayment in

November 2050. There was high demand among investors, which once again enabled the Commission to obtain very good pricing conditions
- European Commission adopts equivalence decision for US central counterparties – the EC adopted an equivalence decision determining that the United States Securities and Exchange Commission (SEC) regime for US central counterparties (CCPs) is equivalent to EU rules. The decision is an important first step for US CCPs registered with the SEC to be recognised in the European Union. It will allow such US CCPs to apply for recognition by the European Securities and Markets Authority (ESMA). Once recognised by ESMA, these US CCPs will be able to provide central clearing services in the EU
- Commission opens formal investigation into possible trade restrictions by Mondelēz – the EC opened a formal antitrust investigation to assess whether Mondelēz has restricted competition in a range of national markets for chocolate, biscuits and coffee by hindering the cross-border trade of these products between EU Member States, which would be in breach of EU antitrust rules
- European Commission launches targeted consultation on the review of the crisis management and deposit insurance framework – this targeted consultation is part of the overall consultation strategy for the review of the bank crisis management and deposit insurance framework and focuses on three EU legislative texts: the Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism Regulation (SRMR), and the Deposit Guarantee Schemes Directive (DGSD). The consultation seeks to gather stakeholders' experience with the current crisis management and deposit insurance framework as well as their views on the revision of the framework, which is part of the debate on the completion of the banking union and in particular its third and missing pillar EDIS. In parallel to this more technical targeted consultation, a general public consultation, available in all official EU languages, will be launched in mid-February
- Banking and Finance Newsletter January 2021
- Discussion Paper: Financial Spillover and Contagion Risks in the Euro Area in 2007-2019 – this paper provides an empirical analysis of the main direct and indirect transmission channels of financial spillovers and contagion risks in the euro area

Central Bank of Ireland (CBI)

25 – 29 January 2021: 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:

- Ready for change: The new prudential regime for Investment Firms – Speech by Gerry Cross, Director of Policy & Risk and Asset Management and Investment Banks (Interim)
- "We must look beyond the pandemic to improve our understanding of longer term risks" – Remarks by Governor Gabriel Makhlouf
- The Year Ahead – Speech by Governor Gabriel Makhlouf
- 2020: A year to remember and a year to forget – Governor's Blog

Swiss Financial Market Supervisory Authority (FINMA)

25 – 29 January 2021: Speeches, Letters & Other Publications

During the week, the Swiss Financial Market Supervisory Authority (FINMA) released the following speeches, letters and publications that might be of interest to our readers:

- FINMA's Takeover and State Liability Committee dismisses request of 7 January 2021 from Liwet Holding AG for an amendment of FINMA decision of 6 December 2019 regarding Swiss Steel Holding AG (formerly Schmolz+Bickenbach AG) and referred request for a statement of facts to Swiss Takeover Board (TOB)

Autorité des Marchés Financiers (AMF) of France

25 – 29 January 2021: 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:

- The AMF, Le Swave, France FinTech and the ACPR join forces to organise the first French FinTech Week
- The AMF publishes a dashboard of active retail investors on the stock market

Commission de Surveillance du Secteur Financie (CSSF)

25 – 29 January 2021: Speeches, Letters & Other Publications

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

- CSSF publishes Law of 22 January 2021 – amending the Law of 5 April 1993 on the financial sector, as amended, and the Law of 6 April 2013 on dematerialised securities
- CSSF announces that it will publish, on 15 February 2021, the annual online survey for the year 2020 collecting standardised key information concerning money laundering and terrorist financing (ML/TF) risks to which the professionals under supervision are exposed and the implementation of related risk mitigation and targeted financial sanctions measures – answers to the survey questions will have to be submitted through the CSSF eDesk portal by 15 March 2021
- CSSF publishes Key-takeaways from the AML/CFT virtual conference held on 25 January 2021 for Specialised Professionals of the Financial Sector (PSF)
- Luxembourg finalises the first money laundering and terrorist financing vertical risk assessment on virtual asset service providers

Basel Committee on Banking Supervision (BCBS)

26 January 2021: Basel Committee proposes amendments to rules on haircut floors for securities financing transactions

The Basel Committee on Banking Supervision (BCBS) published for consultation two technical amendments to the standard on minimum haircut floors for securities financing transactions (SFTs). The technical amendments seek to address an interpretative issue relating to collateral upgrade transactions and correct for a misstatement of the formula used to calculate haircut floors for netting sets of STFs. Technical amendments are defined as changes in standards that are not substantial in nature but that cannot be unambiguously resolved based on the current text. Comments on the proposed technical amendments should be submitted by Wednesday 31 March 2021.

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International Capital Market Association (ICMA)

26 January 2021: ICMA compiles FinTech and sustainable finance library, with a focus on bond markets

The International Capital Market Association (ICMA) compiled a non-exhaustive list of recent publications on the topic of FinTech and sustainable finance, with a focus on bond markets. The FinTech and sustainable finance library intends to complement other ICMA members' resources and help inform broader discussions on this topic. The library aims to highlight the current views from academic, market, and official sector studies on the potential of FinTech to further sustainable debt capital markets. Recent literature on this topic tends to focus on the underlying requirement of data, the opportunities presented by digital innovation, and the use of DLT to grow the market. The list will be updated on an ongoing basis as the discussions on the role of FinTech in sustainable bond markets evolve and the impacts become clearer.

25 – 29 January 2021: Speeches, Letters & Other Publications

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

- ICMA AMIC responds to EC consultation on the review of the European long-term investment funds (ELTIF) regulatory framework
- ICMA publishes first edition of the ICMA Corporate Issuer Forum Newsletter

International Organization of Securities Commissions (IOSCO)

27 January 2021: IOSCO issues sound practices to assist members in enhancing complaint handling and protect retail investors

The International Organization of Securities Commissions (IOSCO) published a report that sets forth nine Sound Practices aimed at assisting its members in developing and improving their complaint handling procedures and mechanisms for retail investors. The report, titled Complaint Handling and Redress System for Retail Investors, which was prepared through the Board's Committee on Retail Investors, offers a comparative analysis of informal complaint handling processes used by financial service providers and regulators; alternative dispute resolution; and formal legal complaint handling for investors pursuing claims for money damages and other remedies. The report serves as a resource for jurisdictions seeking to identify and address possible gaps in their complaint handling and redress systems.

1 February 2021

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

- MPs push Bank of England to step up green standards in bond purchases
  "MPs have urged the Bank of England to start aligning its corporate bond portfolio with the international climate agreement before November's COP26 summit, describing the central bank's purchase of high-carbon assets as a moral hazard"

- State takes stakes in UK start-ups under £1bn convertible loan scheme
  "The government has started taking equity stakes in British start-ups as part of the £1bn pandemic emergency loan scheme that has offered a funding lifeline to some of the most promising companies in the UK. State loans given to often lossmaking start-ups under the UK's Future Fund have begun to convert into equity, according to officials, with more likely to follow as companies seek additional funds"

- Companies raise $400bn over three weeks in blistering start to 2021
  "Companies have raised $400bn in funds in the first three weeks of 2021 as the torrent of government and central bank stimulus to rescue global economies cascades across capital markets. The global bond and equity fundraising spree marks one of the biggest hauls of the past two decades for the comparable period and is about $170bn above the average for this time of year"

- Aviva will use its 'ultimate sanction' to force action on global warming
  "One of Britain's top asset managers has warned it will use the ultimate sanction and ditch stakes in 30 of the world's largest oil, gas, mining and utilities companies unless they do more to tackle climate change. The blunt message from Aviva Investors, which manages £355bn, marks a departure from the current blueprint of most asset managers, which is to stay invested in the oil and gas industry while urging companies to do more on global warming. The London-based investment group has written to the companies, calling on them to set net zero emission goals and integrate climate risks into their strategy, including their plans for capital expenditure. If companies fail to meet its expectations over the next one to three years, Aviva said will divest across both its equity and credit portfolio"

- UK pension schemes face new climate risk reporting rules
  "The UK's largest workplace pension schemes must comply with new mandatory requirements to take action on climate change under government measures that will also pile pressure on the fund management industry. From October, trustees of pension plans with more than £5bn in assets will have a legal duty to report on the financial risks of climate change within their portfolios"

- The next big green IPO — with shades of grey
  "This is an exquisite time for Foresight Group to go public. During the dotcom boom, the investment fund was focused on tech. It has since pivoted to the latest hot market: environmental, social and governance investing. And now Foresight itself is listing on the London Stock Exchange, just as ESG reaches new levels of hype"

- Broker TP ICAP forced to stop serving some EU clients
  "UK broker TP ICAP has been forced to stop serving some customers in Europe after the pandemic delayed its post-Brexit plans to shift 80 to 100 employees to a new office in Paris. British brokers can no longer supply investment services to customers in the EU after the UK left the single market last month and European regulators are taking a hard line despite the disruption caused by coronavirus"

- Rolls-Royce warns travel restrictions are putting a squeeze on cash
  "Rolls-Royce has warned that cash outflows will be more than double the expected level as global travel restrictions cut into flying times. But the company stuck with a forecast to turn cash flow positive during the second half of the year. The jet engine maker said that it now expected a cash outflow of around £2bn in 2021 — much worse than a consensus forecast for a £864m outflow"

- Cineworld shareholders approve £65m bonus plan
  "Cineworld shareholders have approved a bonus scheme that could award the cinema chain's chief executive and his deputy up to £65m each in shares, even as the majority of its employees remain on state-funded furlough schemes"

- US private equity firm bids for UK pub group Marston's
  "Marston's, the UK pub company, has received an informal takeover proposal from Platinum Equity, the Beverly Hills-based private equity firm whose founder Tom Gores owns the Detroit Pistons basketball team"

- Cairn Energy threatens to seize Indian assets over $1.2bn tax dispute
  "Cairn Energy has threatened to seize Indian government assets if New Delhi fails to pay the UK oil and gas explorer $1.2bn after losing a bitter dispute over retrospective taxes."

- Tullow Oil secures extra month of breathing room from its banks
  "Tullow Oil has secured an additional month from its banks before it faces a test on a key lending facility, as the oil explorer and producer continues refinancing talks with its creditors. A test on Tullow's reserve-based lending facility — a form of funding where a company's oil and gas reserves are used as collateral for loans — had been due to conclude in January but lenders have agreed to an extension of up to a month to allow more time to review a strategy unveiled by its chief executive Rahul Dhir in November"

1 February 2021

- Long-term bet on airlines drives investors to aircraft leasing bonds
  "A string of successful bond deals for aircraft leasing companies reflects a view among investors that this niche of the travel industry is a safer way to bet on a recovery in the sector. In total, seven leasing companies, which own planes they lease to airlines, have raised a combined $14.9bn in January, according to data from Dealogic, with several receiving cut-price borrowing costs"

- EasyJet sets sights on winning business from national flag carriers
  "EasyJet's chief executive has set his sights on using the coronavirus crisis to win market share from Europe's national flag carriers, rather than going head-to-head with low-cost rivals when the industry emerges from the pandemic"

- Nine banks ate into capital buffers under ECB's pandemic relief
  "Nine eurozone banks took advantage of the European Central Bank's relaxed rules to fall below its minimum capital requirements last year as part of supervisory efforts to keep credit flowing during the coronavirus crisis"

- EU recovery fund 'too slow and complicated', says French minister
  "France has called on the EU to overcome blockages to ensure faster disbursement of its €750bn recovery fund to member states, and said the coronavirus pandemic will require re-evaluating eurozone fiscal constraints"

- Corporate Italy lashes out at 'disconnected' Covid recovery plan
  "Italy is set to be the main beneficiary of the EU's Covid-19 recovery fund, receiving 28 per cent of a total €750bn in grants and loans over the next six years. Mr Colao's detailed 53-page plan for spending it, outlining 100 investment proposals divided according to complexity, timing and funding needs, was delivered in June. But it was immediately sidelined by political infighting"

- Wolfgang Schäuble issues warning on EU recovery fund
  "Europe risks failing in its mission to boost its growth prospects via the €750bn coronavirus recovery fund, Germany's former finance minister has warned, as he questioned whether member states had the capacity to implement tough economic reform"

- InPost listing delivers €2.8bn present for Advent
  "In 2017, Advent bought Polish parcel locker operator InPost and its main shareholder Integer in deals valuing the pair's equity at 430m zlotys (€102m). On Wednesday the private equity group and two small co-investors sold 35 per cent of InPost for €2.8bn as it debuted in Amsterdam in Europe's biggest listing so far this year. The sale is the latest sign of investor hunger for ecommerce stocks as the pandemic drives an ever larger share of shopping online"

- European discount chain Pepco reports 'resilient' growth
  "Pepco, the European discount chain that owns Poundland, has reported resilient sales growth in its most important trading quarter to the end of December as its owner restarted the process of selling it off"

- BBVA to launch share buyback and resume dividend
  "Spanish bank BBVA intends to buy back 10 per cent of its shares and return to paying 35-40 per cent of its profits in dividends, the lender with a market capitalisation of €26bn said as it announced fourth-quarter profits of €1.32bn"

- Jay Powell says 'we have not won this yet', as Fed holds rates steady
  "The Federal Reserve held its main interest rate close to zero and its asset purchases steady as Jay Powell warned that the battle against the economic fallout from the pandemic was far from over"

- Merger Monday for Spacs with $15bn worth of deals
  "Special purpose acquisition companies struck mergers worth more than $15bn on Monday, in a sign of how Wall Street's euphoria for launching blank-cheque vehicles is becoming a major force for taking privately held businesses public. Five deals worth more than $1bn were reached with Spacs, led by the $7.3bn merger of Alight, a cloud HR-benefits provider controlled by private equity group Blackstone, with a vehicle launched by US billionaire Bill Foley"

- AMC chief says bankruptcy 'off the table' after $917m fundraising
  "Alongside equity sales and $100m borrowed from Mudrick Capital Management through the sale of risky payment-in-kind notes — which carry an interest rate up to 17 per cent — the company said it has raised $917m since mid-December"

- EQT to buy Exeter Property Group in $1.9bn deal
  "EQT has agreed to buy Philadelphia-based real estate investor Exeter Property Group for $1.9bn in a deal that will add $10bn to the Swedish private equity group's assets under management"

- BlackRock pushes companies to adopt 2050 net zero emissions goal
  "BlackRock, the world's largest asset manager, will push companies to commit to achieving net zero emissions by 2050 and raised the prospect of dumping companies that fail to do so from its actively managed funds. In a pair of letters sent on Tuesday to chief executives and to BlackRock's clients, chief executive Larry Fink said a tectonic shift in the investment landscape was happening faster than he expected."

- Wall Street's new mantra: green is good
  "Bankers once saw tackling climate change as a niche issue. Now it is a chance to fuel future profits. Is it a turning point?"

- The ESG investor's dilemma: to engage or divest?
  "Seen historically as a pressure tactic reserved for students and religious investors, divestment has become an issue that the world's biggest asset managers can no longer ignore"

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- Companies must prepare to share much more non-financial data
  "The implications of these developments are significant. Disclose too little — or inconsistent data — and face regulatory or legal consequences, or brand and shareholder devaluation resulting from distrust among staff and consumers. But it is also an opportunity for a company to promote commitment and progress in these areas"

- Big data helps put numbers on sustainability
  "Accounting pioneers are enabling stock markets to take account of the impacts companies have on society and the environment by incorporating these factors into financial statements"

- Too many boardrooms are climate incompetent
  "When researchers combed through the biographies of 1,188 board members at the 100 largest US companies, guess how many directors they found had specific climate expertise? Three. That's 0.2 per cent of the total, just 6 per cent of whom had broader environmental experience. At a time of ballooning investor demand for climate action, these numbers highlight the stark gap between what companies are saying about cutting carbon emissions and what they are actually doing"

- Black Lives Matter ushers in new era for diversity officers
  "Data published by recruitment website Glassdoor paint a vivid picture of companies adjusting their priorities. During the first half of 2020, diversity and inclusion-related job openings in the US slumped. One month after Floyd's killing, on May 25, the number of positions listed had surged 55 per cent from their low point; by the end of November, the increase was 245 per cent, with nearly 1,500 openings, far above pre-coronavirus levels"

- Investors call for more clarity on Singapore ESG fund labels
  "Authorities should respond to the growing interest in Singapore in investing according to environmental, social and governance principles and take measures to improve ESG fund labelling, industry figures say"

- Thematic ETFs can deliver significant losses, academics find
  "Interest in thematic exchange traded funds has accelerated in recent years, but research shows buyers should beware. Academics have found that thematic ETFs, which serve specialist investment interests such as biotechnology, renewable energy or gender equality, on average underperform the stock market on a risk-adjusted basis by about 4 percentage points a year for at least five years following their launch"

- M&A in 2021: asset management primed for consolidation
  "The top 10 asset managers only account for 35 per cent of market share, making it the most fragmented industry globally after capital goods, according to Morgan Stanley. But, for all the signs pointing towards further consolidation, sceptics highlight that asset management transactions are hard to execute because integrating different cultures and structures has traditionally been challenging"

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Thomson Reuters

- Bank of England told to stop buying 'high carbon' bonds
  "A group of British members of parliament said on Monday that the Bank of England should stop buying bonds from businesses whose activities accelerate global warming"

- UK picks HSBC and J.P. Morgan to advise on first green gilt
  "Britain said on Wednesday it had picked HSBC and J.P. Morgan to advise on the issuance of the country's first 'green' government bond due later this year, after a tendering process"

- Any 'yes' from BoE on negative rates is likely to be cautious
  "Heavy caveats and caution are likely to couch any Bank of England announcement next week that negative interest rates are technically possible in Britain, judging from feedback from major banks"

- Britain starts work on post-Brexit asset management sector
  "Britain set out options on Tuesday for increasing the global attractiveness of its 9.9 trillion pound ($13.59 trillion) asset management sector after Brexit put European Union retail fund investors out of reach. The finance ministry said in a public consultation paper that ideas for change include exempting authorised funds from tax and creating an unauthorised tax-exempt fund structure for investment in alternative assets"

- LSE looks at 'blank cheque' deals to keep London ahead after Brexit
  "Britain should replicate New York's blank cheque listings to boost London's appeal as a global financial centre after Brexit, London Stock Exchange Chief Executive David Schwimmer said"

- Wizz Air presses crisis advantage as easyJet pulls back
  "Wizz Air vowed to use the coronavirus crisis to win market share from rivals including easyJet, as the no-frills airlines both posted sharp falls in quarterly revenue"

- ION Group nears $1.8 bln deal to buy Italy's Cedacri – sources
  "Financial data and technology firm ION Group is nearing a deal to buy Italian banking software provider Cedacri for about 1.5 billion euros ($1.8 billion), two sources familiar with the matter told Reuters"

- EU watchdog says rules needed to avoid 'greenwashing' of ESG ratings
  "The European Securities and Markets Authority (ESMA) said it had written to urge the bloc's executive European Commission to bring in new rules to regulate ratings on the environmental, social and governance (ESG) aspects of companies"

- ECB should think green when picking assets: policymakers
  "The European Central Bank should consider climate risk when buying assets or accepting them as collateral, top ECB policymakers said on Monday though Bundesbank President Jens Weidmann cautioned that price stability not saving the planet remained the ECB's top priority"

- ECB can price climate risk better than the market, Panetta says
  "The European Central Bank can price climate risk better than market participants and should make its own environmental analysis when conducting monetary policy, ECB board member Fabio Panetta said"

- ECB focuses on bank credit, bonds in gauging financing conditions -Lane
  "The European Central Bank primarily focuses on bank credit conditions and bond yields when assessing if financing conditions are favourable, ECB Chief Economist Philip Lane said on Monday, fleshing out key conditions for setting stimulus"

- European lenders exit Amazon oil trade after scrutiny by campaigners
  "Credit Suisse, Dutch lender ING and France's BNP Paribas have decided to stop financing trade in crude oil from Ecuador, the banks said on Monday, after pressure from campaigners aiming to protect the Amazon rainforest"

- Exclusive: Regulators press Deutsche Bank CEO to drop investment bank role
  "Regulators are pressing Deutsche Bank CEO Christian Sewing to relinquish day-to-day oversight of its sprawling investment bank, two people with knowledge of the matter said"

- Norway plans $1.9 bln extra pandemic spending, including Norwegian Air
  "Norway's government on Friday proposed 16.3 billion Norwegian crowns ($1.9 billion) in extra fiscal spending this year to aid municipalities and businesses struggling as a result of the COVID-19 pandemic, the finance ministry said"

- Seismic surveyor Polarcus defaults on debt, shares plunge
  "Oslo-listed seismic surveyor Polarcus has defaulted on its bank loans and bonds, it said on Tuesday, sending the company's shares plunging more than 30%"

- Corporate loans boost Bankia's lending income
  "Spanish state-owned Bankia reported a recovery in its lending income in the last three months of 2020 on Thursday, boosted by an increase in loans, especially to companies"

- UBS reaps rich rewards from pandemic with strongest performance since 2006
  "UBS reported its highest annual pre-tax profit of the post financial crisis era on Tuesday, as lending to the world's ultra-rich and bumper trading volumes during the global pandemic triggered a surge in revenue"

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- Bond market watching for ongoing Fed reassurance on purchases
  "The U.S. bond market will be watching for ongoing reassurance from the Federal Reserve that it will maintain its bond purchases for the foreseeable future - or risk a disorderly rise in yields"

- Citi hires Black-owned firms for $2.5 bln bond distribution
  "Citigroup Inc has hired four Black-owned firms to distribute a $2.5 billion bond issuance to investors, as part of its work to promote racial equity in the capital markets and broader financial services industry, the bank said"

- Cathay Pacific raises $870 mln in convertible bonds to shore up liquidity
  "Hong Kong's Cathay Pacific Airways Ltd said on Thursday it would issue HK$6.74 billion ($869.51 million) of convertible bonds to shore up liquidity as it navigates the challenges posed by the COVID-19 pandemic"

- Sustainable fund assets hit record $1.7 trln in 2020: Morningstar
  "Demand to invest in funds which focus on environmental, social and governance (ESG) issues jumped in 2020, driving assets under management up 29% in the fourth quarter to nearly $1.7 trillion, industry tracker Morningstar said"

- Global green bond issuance hit new record high last year
  "Green bonds are a growing category of fixed-income securities that raise capital for projects with environmental benefits, such as renewable energy or low-carbon transport. Although issuance reached a new record in 2020, the figure was just above 2019's total of $266.5 billion as issuance slowed in the second quarter due to the effects of the coronavirus crisis before rebounding in the third quarter"

- Who needs to sit next to a trader? Asset managers embrace outsourcing
  "More pension funds, insurers and asset managers are outsourcing part or all of their dealing desks to specialist traders as they seek to cut costs and adapt their operations to deal with the coronavirus crisis, industry sources say"

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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