European Leveraged Finance Association

BRIEFINGS

LEGAL & REGULATORY

11 March 2021

Legal and Regulatory Updates

01/03/2021 – 05/03/2021

Key Highlights

- This Legal & Regulatory Update covers the week commencing **01/03/2021**.
- PRA publishes its Regulatory Digest February 2021.
- FCA makes announcement on end of LIBOR.
- ESMA proposes rules for Taxonomy-alignment of non-financial undertakings and asset managers.
- ESMA supports increasing corporate transparency through creation of ESAP.
- ESMA proposes improvements to Transparency Directive after Wirecard case.
- ESMA calls for experts on reporting to join consultative stakeholder group.
- EIOPA advises on insurers' key performance indicators on sustainability for non-financial reporting.
- EBA launches public consultation on draft technical standards on Pillar 3 disclosures of ESG risks.
- EBA advises Commission on KPIs for transparency on institutions' environmentally sustainable activities, including a green asset ratio.
- EBA issues new supervisory reporting and disclosures framework for investment firms.
- IOSCO reviews implementation of liquidity risk management recommendations and market participants' responses to COVID-19 induced market stresses.
- ICMA responds to IOSCO's survey on bond ETF in context of March/April 2020 market meltdown.
- ICMA launches new report on developments in Asian bond markets, supported by Hong Kong Monetary Authority (HKMA).
- 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)

01 – 05 March 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 Regulatory Digest February 2021 – 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
- MPC Remit statement and letter and FPC Remit letter – the BoE welcomes the MPC Remit published, which clarifies that the economic strategy of the Government includes supporting the transition to a net zero emissions economy. In the coming months the BoE will provide more information about its proposed approach to adjusting the Corporate Bond Purchase Scheme (CBPS) to account for the climate impact of the issuers of the bonds the BoE holds, with a view to adapting the its approach by the time of its next scheduled round of reinvestment operations in 2021 Q4
- Effective interest rates January 2021
- Monthly Decision Maker Panel data February 2021 – the Decision Maker Panel (DMP) is a survey of Chief Financial Officers from small, medium and large UK businesses. We use it to monitor developments in the economy and to track businesses' views
- Money and Credit January 2021 – monthly statistics on the amount of, and interest rates on, borrowing and deposits by households and businesses are used by the Bank's policy committees to understand economic trends and developments in the banking system
- Getting over Covid – Speech by Andrew Bailey
- challenges to the economic outlook – Speech by Jonathan Haskel
- Organisational culture and bank risk – Staff Working Paper No. 912
- Uneven growth: automation's impact on income and wealth inequality – Staff Working Paper No. 913
- Monetary policy surprises and their transmission through term premia and expected interest rates – Staff Working Paper No. 914

Financial Conduct Authority (FCA)

05 March 2021: FCA makes announcement on end of LIBOR

The Financial Conduct Authority (FCA) announced the dates that panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available. This is an important step towards the end of LIBOR, and the Bank of England and FCA urge market participants to continue to take the necessary action to ensure they are ready.

The FCA confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

The FCA also published statements of policy in relation to some of the proposed new Benchmarks Regulation (BMR) powers. These statements of policy confirm its policy approach, explain its plans set out above and its intention to propose using, as a methodology for any 'synthetic rate', a forward-looking term rate version of the relevant risk-free rate plus a fixed spread aligned with the spreads in ISDA's IBOR fallbacks.

01 – 05 March 2021: Speeches, Letters & Other Publications

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

- FCA welcomes Lord Hill's Listing Review report – the FCA responds to the publication of Lord Hill's recommendations in the UK Listings Review, launched by HM Treasury in November last year
- Locking down market abuse – Speech by Mark Steward, Executive Director of Enforcement and Market Oversight

Financial Reporting Council (FRC)

01 – 05 March 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:

- FRC delivers initial investigation report into KPMG's 2013 audit of Carillion plc
- In Conversation on the FRC's new approach to audit supervision – Podcast

European Securities and Markets Authority (ESMA)

01 March 2021: ESMA proposes rules for Taxonomy-alignment of non-financial undertakings and asset managers

The European Securities and Markets Authority (ESMA) published its Final Report on advice under Article 8 of the Taxonomy Regulation, which covers the information to be provided by non-financial undertakings and asset managers to comply with their disclosure obligations under the Non-Financial Reporting Directive (NFRD).

The recommendations define the Key Performance Indicators (KPIs) disclosing how, and to what extent, the activities of businesses that fall within the scope of the NFRD qualify as environmentally sustainable under the Taxonomy Regulation. The key recommendations relate to the definitions to be used by non-financial undertakings for the calculation of the turnover KPI, the CapEx KPI and the OpEx KPI, and the KPI that asset managers should disclose.

ESMA also proposed that non-financial undertakings and asset managers use standardised templates for their reporting under Article 8 in order to facilitate comparability of these disclosures and enhance their accessibility to investors that will reuse this information.

The European Commission had invited the three European Supervisory Authorities (ESMA, EBA and EIOPA – ESAs) to provide advice on KPIs disclosing how, and to what extent, the activities of businesses that fall within the scope of the NFRD qualify as environmentally sustainable under the Taxonomy Regulation. Along with ESMA, the other two ESAs published their proposals (see below in this report): EBA advice and EIOPA advice.

02 March 2021: ESMA supports increasing corporate transparency through creation of ESAP

ESMA submitted its response and an accompanying letter to the European Commission's targeted consultation on the European Single Access Point (ESAP). ESMA recommends a phased approach, which should prioritise financial and non-financial information of public companies. Furthermore, ESMA explained that full benefit of the ESAP can be reaped only if information included in the single database is comparable in terms of content and rendered in a structured, machine readable format. Therefore, ESMA indicated that it supports an increased use of structured data formats whenever appropriate. However, in light of the complexity of the project, ESMA said that it encourages the European Commission to carefully weight the scope of the ESAP versus feasibility and operability considerations. ESMA's position is aligned with the final recommendations of the High Level Forum on the Capital Markets Union on the ESAP and by the European Parliament Resolution on the CMU.

03 March 2021: ESMA proposes improvements to Transparency Directive after Wirecard case

ESMA wrote to the European Commission with its proposals to improve the Transparency Directive (TD) following the Wirecard case. The letter addresses provisions related to enforcement of financial information.

ESMA recommends that the European Commission considers modifying the TD to meet four aims:

- enhance cooperation between authorities across the EU;
- enhance coordination and governance on a national level;
- strengthen independence of the NCAs; and
- strengthen harmonised supervision of information across the EU.

The proposed modifications to the TD are based on ESMA's experience gained while coordinating the enforcement of financial information in Europe, notably, when preparing reports, discussing supervisory cases or preparing statements and opinions. In addition, the letter addresses some of the deficiencies encountered when conducting the ESMA Peer Reviews on the application of Guidelines on Enforcement of financial information in 2017 and in the context of the Wirecard case.

01 – 05 March 2021: Speeches, Letters & Other Publications

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

- ESMA calls for experts on reporting to join consultative stakeholder group – ESMA published a call for candidates to renew a Consultative Working Group (CWG) for ESMA's Corporate Reporting Standing Committee (CRSC). Interested experts are asked to send their application by 2 April 2021

- ESMA seeks experts on central counterparties to join consultative group – ESMA published a call for candidates to join the newly established Consultative Working Group (CWG) for ESMA's Central Counterparties Policy Committee (CCP PC). Interested experts are invited to send their applications to ESMA by 9 April 2021
- ESMA publishes the results of the annual transparency calculations for equity and equity-like instruments

European Insurance and Occupational Pensions Authority (EIOPA)

01 March 2021: EIOPA advises on insurers' key performance indicators on sustainability for non-financial reporting

The European Insurance and Occupational Pensions Authority (EIOPA) submitted its advice to the European Commission on the mandatory sustainability disclosure of insurers' and reinsurers' key performance indicators within the scope of the Non-Financial Reporting Directive. Relevant, comparable and reliable information on the taxonomy-alignment of financial market participants is decisive for the promotion of the EU's Green Deal and the allocation of capital to economic activities that foster environmental goals. EIOPA's advice is a major step to promote high-quality non-financial reporting by European insurance and reinsurance undertakings.

In its opinion, EIOPA proposes requiring two most relevant key performance indicators on sustainability that depict the extent to which:

- the insurer or reinsurer carries out taxonomy-aligned activities - in terms of non-life gross premiums written
- the insurer or reinsurer is funding or financing taxonomy-aligned economic activities - in relation to total investments

EIOPA considers that these key performance indicators on sustainability provide relevant information to financial markets, depicting fairly the insurers' and reinsurers' business models, underwriting policies and investments, and allows for comparisons with other financial sectors and non-financial undertakings.

01 – 05 March 2021: Speeches, Letters & Other Publications

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

- EIOPA exchanges of letters on co-operation in the area of insurance supervision with the Japan's Financial Services Agency
- EIOPA publishes monthly update of the symmetric adjustment of the equity capital charge for Solvency II end February 2021
- EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures end February 2021
- (EIOPA) launches a European-wide comparative study on non-life underwriting risk in internal models (NLCS 2020)

European Banking Authority (EBA)

01 March 2021: EBA launches public consultation on draft technical standards on Pillar 3 disclosures of ESG risks

The European Banking Authority (EBA) published a consultation paper on draft implementing technical standards (ITS) on Pillar 3 disclosures on Environmental, Social and Governance (ESG) risks. The draft ITS put forward comparable disclosures that show how climate change may exacerbate other risks within institutions' balance sheets, how institutions are mitigating those risks, and their green asset ratio on exposures financing taxonomy-aligned activities, such as those consistent with the Paris agreement goals. The deadline for the submission of comments is 1 June 2021.

In line with the requirements laid down in the Capital Requirements Regulation (CRR), the draft ITS proposes comparable quantitative disclosures on climate-change related transition and physical risks, including information on exposures towards carbon related assets and assets subject to chronic and acute climate change events. They also include quantitative disclosures on institutions' mitigating actions supporting their counterparties in the transition to a carbon neutral economy and in the adaptation to climate change. In addition, they include a GRA, which identifies the institutions' assets financing activities that are environmentally sustainable according to the EU taxonomy, such as those consistent with the European Green Deal and the Paris agreement goals. Finally, the draft ITS provide qualitative information on how institutions are embedding ESG considerations in their governance, business model and strategy and risk management framework.

A public hearing will be organised in the form of a webinar on 26 March from 11:30 to 13:30 CET. The EBA invites interested stakeholders to register using this link.

01 March 2021: EBA publishes final revised Guidelines on money laundering and terrorist financing risk factors

The EBA published its final revised Guidelines on ML/TF risk factors. The revisions take into account changes to the EU Anti Money Laundering and Counter Terrorism Financing (AML/CFT) legal framework and address new ML/TF risks, including those identified by the EBA's implementation reviews. In addition to strengthening financial institutions' risk-based approaches to AML/CFT, the revision supports the development of more effective and consistent supervisory approaches where evidence suggested that divergent approaches continue to exist. The Guidelines are central to the EBA's work to lead, coordinate and monitor the fight against money laundering and terrorist financing.

01 March 2021: EBA advises Commission on KPIs for transparency on institutions' environmentally sustainable activities, including a green asset ratio

The EBA published an Opinion in response to the Commission's call for advice on KPIs and related methodology for the disclosure by credit institutions and by investment firms of information on how and to what extent their activities qualify as environmentally sustainable in accordance with the EU Taxonomy. In the advice, the EBA underlines the importance of the green asset ratio, supported by other KPIs, as a key means to understand how institutions are financing sustainable activities and meeting the Paris agreement targets.

In the Opinion and accompanying report and annexes, the EBA elaborates on the KPIs that institutions should disclose, on the scope and methodology for the calculation of those KPIs, and on the qualitative information they should provide. In addition, the EBA includes some policy recommendations to the Commission to put in place means to facilitate institutions' disclosures and the eventual extension of the KPIs to all relevant assets, including sovereign and central banks' exposures.

The main KPI proposed is the GAR, which identifies the institutions' assets financing activities that are environmentally sustainable according to the EU taxonomy, such as those consistent with the European Green Deal and the Paris agreement goals. Information on the green asset ratio is supplemented by other KPIs that provide information on the taxonomy-alignment of institutions' services other than lending and investing. The EBA has also integrated proportionality measures that should facilitate institutions' disclosures, including transitional periods where disclosures in terms of estimates and proxies are allowed.

03 March 2021: EBA highlights key money laundering and terrorist financing risks across EU

The EBA published its biennial Opinion on risks of money laundering and terrorist financing (ML/TF) affecting the European Union's financial sector. The ML/TF risks identified by the EBA include those that are applicable to the entire financial system, for instance the use of innovative financial services, while others affect specific sectors, such as de-risking. The list also includes ML/TF risks that emerge from wider developments such as the COVID-19 pandemic that has an impact on both firms' AML/CFT compliance and competent authorities' supervision. The Opinion, therefore, sets out recommendations to competent authorities aimed at closing these gaps.

05 March 2021: EBA issues new supervisory reporting and disclosures framework for investment firms

The EBA published its final draft Implementing Technical Standards (ITS) on the supervisory reporting and disclosures of investment firms. These final draft ITS, which are part of the phase 1 mandates of the EBA roadmap on investment firms, will ensure a proportionate implementation of the new prudential framework for investment firms taking into account the different activities, sizes and complexity of investments firms.

The implementing technical standards included in this package set out the main aspects of the new reporting framework in relation to the calculation of own funds, levels of minimum capital, concentration risk, liquidity requirements and the level of activity in respect of small and non-interconnected investment firms. The ITS propose a different set of templates to cover small and non-interconnected investment firms, and to include information that is proportionate to their size and complexity. In addition, the ITS includes a standardised set of templates for the disclosures of own funds. The EBA is issuing a single set of standards with integrated Pillar 3 disclosures and supervisory reporting requirements and standardised formats and definitions with a view to improving consistency between reporting and disclosures requirements, which will facilitate compliance with both requirements.

The disclosure requirements will be applicable from 26 June 2021. The first reporting reference date is September 2021 (for quarterly reports) and December 2021 (for annual reports).

European Central Bank (ECB)

01 – 05 March 2021: Speeches, Letters & Other Publications

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

- Consolidated financial statement of the Eurosystem
- Euro area bank interest rate statistics: January 2021
- Euro area insurance corporation statistics: fourth quarter of 2020
- ECB publishes results of the December 2020 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)
- ECB publishes guide on method of determining penalties for regulatory breaches
- From green neglect to green dominance? – Intervention by Isabel Schnabel, Member of the Executive Board of the ECB, at the “Greening Monetary Policy – Central Banking and Climate Change” online seminar
- Macroprudential policy after the COVID-19 pandemic – Panel contribution by Luis de Guindos, Vice-President of the ECB
- Mind the gap(s): monetary policy and the way out of the pandemic – Speech by Fabio Panetta, Member of the Executive Board of the ECB
- The coronavirus crisis and SMEs – Speech by Christine Lagarde, President of the ECB
- Central clearing and the changing landscape – Welcome address by Fabio Panetta, Member of the Executive Board of the ECB
- ECB-Global 2.0: a global macroeconomic model with dominant-currency pricing, tariffs and trade diversion – Working Paper Series No. 2530

European Commission (EC)

01 – 05 March 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:

- Commission presents updated approach to fiscal policy response to coronavirus pandemic – the European Commission adopted a Communication providing Member States with broad guidance on the conduct of fiscal policy in the period ahead. It provides guiding principles for the proper design and quality of fiscal measures. It sets out the Commission's considerations regarding the deactivation or continued activation of the general escape clause. It also provides general indications on the overall fiscal policy for the period ahead, including the implications of the Recovery and Resilience Facility (RRF) for fiscal policy
- Management plan 2021: Financial stability, financial services and capital markets union – management plan of the Directorate-General for Financial stability, financial services and capital, describing the department's actions and priorities
- Management plan 2021: Climate Action – management plan of the Directorate-General for Climate Action, describing the department's actions and priorities
- Commission publishes roadmap for an EU action plan for social economy – the initiative aims to provide a coherent set of measures and create enabling conditions for the social economy to fulfil its potential to contribute to sustainable and inclusive growth and a fair recovery while achieving the green and digital transitions. The roadmap is open for feedback until the 26th of April 2021
- European Pillar of Social Rights Action Plan – Commission proposes new actions to turn the 20 principles of the Pillar into reality
- EU Sustainable Energy Week (EUSEW) taking place in October 2021 – save the date for the 16th edition of the EU Sustainable Energy Week (EUSEW) 2021

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Central Bank of Ireland (CBI)

01 – 05 March 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:

- Lessons from COVID: A Macroprudential Framework for the Market-Based Finance Sector – Opening Remarks by Governor Gabriel Makhlouf at Banque de France Financial Stability Conference 2021 Roundtable
- "Perspectives on the role of the INED" – Speech by Mary-Elizabeth McMunn, Director of Credit Institutions

Autorité des Marchés Financiers (AMF) of France

01 – 05 March 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:

- AMF amends its policy on real estate investment companies, forestry investment companies and forestry investment groups – the AMF amended its policy on real estate investment companies (SCPI), forestry investment companies (SEF) and forestry investment groups (GFI) in order to clarify how investors are to be informed about multiple directorships held by supervisory board members. The amendment also takes into account the extension in French law of the concept of a public offer after work carried out on the Prospectus Regulation

Commission de Surveillance du Secteur Financie (CSSF)

01 – 05 March 2021: Speeches, Letters & Other Publications

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

- CSSF gives statement on the global situation of undertakings for collective investment at the end of January 2021 – according to the CSSF, as at 31 January 2021, the total net assets of undertakings for collective investment, comprising UCIs subject to the 2010 Law, specialised investment funds and SICARs, amounted to EUR 5,050.132 billion compared to EUR 4,973.780 billion as at 31 December 2020, i.e. an increase of 1.54% over one month. Over the last twelve months, the volume of net assets rose by 5.44%
- CSSF gives statement on the launch of the ESMA Common Supervisory Action on the supervision of costs and fees of UCITS – on 6 January 2021, ESMA launched a Common Supervisory Action (CSA) with national competent authorities (NCAs) on the supervision of costs and fees of UCITS across the European Union. In this context, the CSSF will launch at the beginning of March 2021 the first phase of the CSA by asking a sample of Luxembourg-based UCITS managers to complete a dedicated questionnaire for all UCITS managed, i.e. Luxembourg domiciled UCITS and foreign domiciled UCITS. All concerned Luxembourg-based UCITS managers will be contacted by the CSSF shortly in that context
- CSSF Communication on the launch of e-Prospectus: a new CSSF web platform designed for the submission of prospectuses and relating documents – the CSSF is pleased to announce the launch of its new application named e-Prospectus, designed for the filing of prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market under Regulation (EU) 2017/1129 and the Law of 16 July 2019 on prospectuses for securities. As from 1 March 2021, this new web application replaces the submission of such prospectuses and relating documents, as well as notification requests, to the CSSF by email. It is a further step in the CSSF's continuous drive towards process digitisation

Basel Committee on Banking Supervision (BCBS)

01 – 05 March 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:

- Levelling the playing field or: How I learned to stop worrying about market fragmentation and love global regulatory cooperation – Speech by Ms Carolyn Rogers, Secretary General of the Basel Committee on Banking Supervision, at the ASIFMA virtual event: "Best foot forward: managing regulation-driven market fragmentation in Asia"

International Organization of Securities Commissions (IOSCO)

05 March 2021: IOSCO reviews implementation of liquidity risk management recommendations and market participants' responses to COVID-19 induced market stresses

The International Organization of Securities Commissions (IOSCO) announced that it has launched its Thematic Review of the Recommendations for Liquidity Risk Management for Collective Investment Schemes issued by IOSCO in 2018. The Recommendations are meant to ensure that liquidity risk is managed to safeguard and protect the interests of investors, including in stressed market conditions. They are also designed to address potential structural vulnerabilities in the asset management sector that could impact financial stability.

The Thematic Review – conducted by the IOSCO Assessment Committee (AC) – aims to assess the extent to which the Recommendations have been implemented through member regulatory frameworks. It also aims to gather information about how the responsible entities – to whom the recommendations are directed – have implemented them in practice. The Thematic Review report is expected for Autumn 2022.

Alongside the Thematic Review, IOSCO and the Financial Stability Board (FSB) are currently conducting a joint analysis of the availability, use and impact of liquidity risk management tools for open-ended funds (OEFs). The Joint Analysis is examining the experience of OEFs that faced redemption pressures during the COVID-19 induced market stresses of March and April 2020; the availability, use and impact on the broader market of liquidity risk management tools and how these were linked to the liquidity of underlying assets.

To inform both the Thematic Review and the Joint Analysis, IOSCO issued a Market Participants' Survey. The Market Participants' Survey is specifically designed to collect information from responsible entities both (i) on their adoption and practical implementation of the Recommendations as well as (ii) specific targeted information on their liquidity risk management practices and experiences during the March 2020 market turmoil. The latter information is being gathered through a schedule of supplemental questions within the Market Participants' Survey. The submission deadline is 16 April 2021.

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International Capital Market Association (ICMA)

01 March 2021: ICMA responds to IOSCO's survey on bond ETF in context of March/April 2020 market meltdown

The International Capital Market Association (ICMA) responded to IOSCO's survey on bond ETF in the context of March/April 2020 market meltdown. ICMA's response involved members representing issuers, investors and authorised participants and market makers. According to ICMA, the recent crisis shows that overall the ETF ecosystem functioned well despite extreme circumstances but that there is a need to continue improving the resilience and liquidity of corporate bond markets via its further electronification and appropriately calibrated regulation.

03 March 2021: ICMA launches new report on developments in Asian bond markets, supported by Hong Kong Monetary Authority (HKMA)

The ICMA launched a new report on developments in Asian bond markets, supported by the Hong Kong Monetary Authority (HKMA). The report focuses on the international, offshore bond market in Asia, which is most easily accessible to international market participants. It looks at both primary and secondary markets, examining trends in issuance from China, India, ASEAN, and Japan as well as assessing the market structure and dynamics of bond trading in the region.

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

- Bank of England given new mandate to buy 'green' bonds
  "The Bank of England will change its approach to buying corporate bonds after the government said environmental and climate goals should now be explicitly considered part of monetary policy"

- Bank of England's climate mandate has global resonance
  "This week's Budget saw the UK double down on that ambition, with two big green announcements in chancellor Rishi Sunak's red box. First, the Bank of England's mandate is being updated to include the fight against climate change, which means it will start buying green bonds and purging its books of bonds that fund big polluters. And second, the UK plans to issue £15bn of green bonds this year"

- 'Devil in detail' in green bonds plan
  "Experts indicated that take-up of the UK bonds will be a huge test. If yield rates are low, but investors are still keen to buy, it will send a clear signal to the market that investors are willing to sacrifice returns to invest in investments focused on environmental social and governance (ESG) goals"

- Libor to cease for most currencies by end of 2021
  "The Financial Conduct Authority, which oversees the global benchmarks, said publication of Libor would finish on December 31 for sterling, euro, Swiss franc and Japanese yen. One-week and two-month US dollar settings will also end at that time. Global authorities have pushed banks, asset managers and companies to stop using the rate, which measures the cost of unsecured borrowing between banks, in favour of benchmarks based on overnight rates. Some market participants have complained that the shift opens up problems with some borrowers and lenders and hoped for more time"

- UK investors and companies call for markets reform
  "Mid and small-cap companies should be exempt from overly restrictive Mifid II research rules, say most of the UK investors and companies surveyed in a report by the Quoted Companies Alliance and broker Peel Hunt. Investors complained that under Mifid II rules — which require asset managers to explicitly pay for research — there was too little independent coverage on companies"

- Greensill implosion exposes risks of shadow banking
  "A striking feature of this saga is that Greensill Capital, like the failed payments group Wirecard, owned a regulated German bank while large parts of its operations fell outside mainstream banking regulation. The capacity of shadow banking to spring more dangerous systemic shocks should not be underestimated"

- KPMG agrees £400m sale of restructuring unit to HIG Capital
  "KPMG has become the latest Big Four accountancy firm to sell off its restructuring business, agreeing a £400m deal for the UK unit with private equity firm HIG Capital"

- Cevian calls on boards to end 'ESG box checking' and set pay targets
  "Cevian Capital, Europe's largest activist investor, has warned that it will punish companies that fail to set environmental, social and governance targets when deciding executive pay, in a move it believes will deter ESG box checking. The intervention from Cevian, which oversees more than €10bn, comes as sustainable investing races up the agenda for asset managers, with the pandemic deepening interest from shareholders, policymakers and other stakeholders in issues from climate change to employee rights. The Swedish group said on Tuesday that it would use its vote at annual meetings to call out groups that did not include ESG metrics in executive pay packages by 2022"

- Amundi, Candriam, La Banque Postale and Robeco scoop green fund awards
  "Demand for sustainable funds in Europe was far stronger with investor inflows almost doubling last year to $273bn, pushing assets to a record $1.3tn. New European rules, known as Sustainable Finance Disclosure Regulations, come into effect on March 10. These will require asset managers to provide more information about ESG risks and targets and to explain how these are assessed and monitored. Managers will also have to explain how well their investment strategy marries with relevant sustainability indicators, such as temperature increases"

- Danish pension group criticised for fossil fuel exposure
  "PFA owns more than $400m in bonds linked to environmentally damaging fossil fuel projects even though the Danish pensions and insurance provider has pledged to cut carbon emissions and promote the transition to a more sustainable future. Environmental promises made by pension funds and asset managers are drawing critical scrutiny from campaigners who complain that the finance industry is more interested in flattering its reputation through greenwashing than addressing the task of decarbonising society"

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- Italy raises €8.5bn in Europe's biggest-ever green bond debut
  "Italy's pitch on the environmental impact and reporting of its green projects drew positive reactions from some investors. Saida Eggerstedt, head of sustainable credit at Schroders, which invested in the bond, said the details provided on projects including low-carbon transport, power generation, and biodiversity were really impressive"
- German cabinet backs law to protect human rights in global supply chain
  "Germany's cabinet has approved a law on due-diligence to enforce the protection of human rights and environmental standards along global supply chains, prompting criticism that ministers had either gone too far, or not far enough"
- German regulator files criminal complaint against Greensill Bank
  "Germany's financial watchdog has filed a criminal complaint against Greensill Bank's management for suspected balance sheet manipulation, according to people briefed on the matter. The complaint, filed with criminal prosecutors in Bremen where the bank is based, comes as its parent company, Greensill, prepares to file for insolvency protection in the UK but transfer viable parts of the business to Apollo Global Management"
- Davy's CEO steps down after bond deal revelations
  "The chief executive of Ireland's largest stockbroker has stepped down as the fallout continued over revelations that a group of the firm's staff and executives sought to profit from a bond deal by covertly taking the opposite side of a client's trade"
- Biden's SEC pick signals change of course on ESG rules
  "Big, influential investors will be driving the environmental, social and governance action at the US Securities and Exchange Commission, Joe Biden's pick to lead the agency said on Tuesday. Gary Gensler, Biden's nominee for SEC chairman, told senators that it is the investor community that gets to decide what is material to them"
- Credit Suisse lent $160m to Greensill on top of fund exposure
  "Credit Suisse has larger and broader exposure to Greensill Capital than previously known, with a $160m loan to the ailing finance company on top of an unusual relationship via the Swiss bank's asset management division"
- Companies rush to issue convertible debt at rock-bottom rates
  "Companies have issued a record amount of convertible debt since the start of the year, rushing to lock in rock-bottom interest rates in case recent wobbles in stock and bond markets dent investor enthusiasm. Convertible bonds come with the right to swap the debt for shares in the issuing company at a pre-agreed price, making them a hybrid instrument sensitive to the outlook for both markets"
- Corporate America bounces back from the pandemic
  "The recovery in earnings of big US companies from the depths of the coronavirus pandemic has already been striking. Despite the resurgence in Covid-19 cases that began in the autumn and an extension of US restrictions, record fiscal and monetary stimulus helped make earnings much more resilient in 2020 than expected, while a number of large companies benefited from remote working trends. And now Wall Street is growing increasingly optimistic about first-quarter earnings"
- Outlook for US airlines remains cloudy despite further $15bn aid injection
  "Stimulus bill extends payroll support to October but recovery is further out"
- Bond ETFs might have short changed market makers during 2020 panic
  "Bond ETFs may have prevented runs on their funds during last year's market panic by short-changing the market makers and investment banks that service them, according to the Bank for International Settlements"
- Financial bubbles also lead to golden ages of productive growth
  "Albeit with excessive enthusiasm, financial markets have bet on a greener future and begun funding the technologies needed to bring it to life. But, just as in previous technological revolutions, politicians must now play their part in shaping a productive result"
- Big business fails to promote women to top jobs
  "The world's biggest companies are still recruiting far more men than women for top jobs despite long-running campaigns by shareholders, policymakers and other groups to improve gender diversity at all levels of business. A quarter of the largest 500 companies named a new chief executive or executive chair in the past two years, but only one in 10 of those appointed were women, according to SquareWell, a shareholder advisory company"

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Thomson Reuters

- Breakingviews - Capital Calls: Bank of England goes green
“The Bank of England is taking on climate change. UK Chancellor Rishi Sunak has updated the central bank’s monetary policy remit and its target to support the government’s economic policies”
- Britain starts countdown on Libor’s ‘final chapter’
“Britain’s financial regulators on Friday called a formal halt to nearly all Libor rates from the end of this year, as expected, piling pressure on markets to speed the switch in interest rates used in $260 trillion of contracts around the world”
- Britain launches new pandemic loan support scheme
“Britain’s finance minister Rishi Sunak on Wednesday launched a new state-backed loan scheme for businesses hit by the COVID-19 pandemic, replacing existing programmes that have seen struggling businesses borrow some 73 billion pounds so far”
- Banks in EU to publish world’s first ‘green’ yardstick from next year
“Banks in the European Union would have to publish a groundbreaking green asset ratio (GAR) as a core measure of their climate-friendly business activities from next year, the EU’s banking watchdog proposed”
- EU should keep borrowing limits suspended in 2022 – Commission
“The European Union should keep borrowing limits for governments suspended in 2022, as it has this year and last, to help the 27-nation bloc’s economies return to pre-pandemic levels, the European Commission said”
- EU regulators approve $24 billion French scheme to help virus-hit companies
“EU competition enforcers on Thursday cleared a 20-billion-euro ($24 billion) French scheme to help virus-hit companies via quasi-equity loans and subordinated debt. The European Commission said the scheme consists of a state guarantee for private investment vehicles, funded by private investors, that will acquire participating loans distributed by commercial banks as well as subordinated bonds, aimed at improving their capital position”
- Activist investor Cevian urges inclusion of ESG targets in pay plans
“Swedish activist investor Cevian Capital on Wednesday urged all European companies to include environmental, social, and governance (ESG) targets in their management pay plans. Cevian, which counts ABB, Ericsson and Thyssenkrupp among its top holdings, asked companies to develop proposals to incorporate ESG targets into incentive plans in time for their annual general meetings (AGMs) in 2022”
- Biggest wealth fund puts Kirin on watch list over Myanmar link
“The Norwegian central bank said on Wednesday it had put Japan’s Kirin Holdings on a watch list for possible exclusion from its $1.3 trillion sovereign wealth fund over the beverage giant’s business ties to Myanmar’s military”
- Spanish energy companies to carry the torch for renewable deals
“Several Spanish clean energy companies are planning stock market listings or stake sales within the next two years, taking advantage of a market boom in green assets to raise funds to build more wind farms and solar parks. Rising demand for environmentally friendly investments is focusing attention on Spain’s under-exploited solar and more established wind sector, helped by government targets in line with international requirements to decarbonise economies and stem climate change”
- ‘Opportunity of a lifetime’: Investment at heart of Biden climate strategy, McCarthy says
“National climate advisor Gina McCarthy told oil and gas industry executives on Thursday that rebuilding the COVID-19 battered U.S. economy is a once-in-a-lifetime opportunity to invest in a rapid transition to clean energy. McCarthy headlined the CERAWeek virtual conference, where she pitched an optimistic picture of a low-carbon economy based on electric vehicles and renewable energy for the next four years”
- U.S. markets regulator deploys team to target climate, ESG misconduct
“The U.S. Securities and Exchange Commission has formed an enforcement task force to examine misconduct related to environmental, social and governance issues as the regulator ramps up a focus on climate and other hot-button topics. The SEC has deployed a 22-person team that will focus on disclosures from public companies related to issues such as climate change, investment-advisor activities and funds dedicated to ESG investments, the agency said”
- U.S. markets regulator names climate risks, fintech as 2021 priorities
“The U.S. Securities and Exchange Commission (SEC) on Wednesday continued to ramp up its focus on climate-related investment risks, naming it a 2021 examination priority alongside fintech and conflicts of interest for brokers and investment advisors. The SEC has already made moves under President Joe Biden to heighten scrutiny over how companies handle the issue, from alerting public companies it will be reviewing their disclosures on the subject to warning investors to be cautious of investing in so-called Environmental, Social and Governance (ESG) funds”

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- Breakingviews - Capital Calls: Exxon shareholders get an ESG vote
  “The proposal by BNP Paribas Asset Management wants the company to report on how its lobbying fits with climate change risks. Exxon argued that a previously issued report addressed these issues, saying its lobbying is aligned with the Paris Climate Agreement. That argument, and the idea that shareholders shouldn’t micromanage companies, has persuaded regulators in similar past disputes. This time, the SEC has told Exxon it needs to put it to a shareholder vote”
- Value of existing energy pipelines grows as ESG targets block new projects
  “Existing energy pipelines in North America are becoming increasingly valuable because investor focus on environmental, social, and corporate governance (ESG) issues is making it more difficult to finance new infrastructure, midstream industry executives said”
- Analysis: Fixed-income markets wary of Fed decision on bank capital relief
  “Anxiety is building in bond and short-term funding markets over a pending regulatory change that could cause big Wall Street banks to pare their securities holdings and lending, industry sources said. Fears about a rule called the supplementary leverage ratio, or SLR, come as fixed income markets have become more volatile”

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Regulators and Associations Monitored

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

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