European Leveraged Finance Association

BRIEFINGS

LEGAL & REGULATORY

22 March 2021

Legal and Regulatory Updates

15/03/2021 – 19/03/2021

Key Highlights

- This Legal & Regulatory Update covers the week commencing **15/03/2021**.
- BoE releases Monetary Policy Summary and minutes of Monetary Policy Committee meeting.
- UK Government issues White Paper setting out its proposals to improve UK's audit, corporate reporting, and corporate governance systems.
- FRC welcomes proposals to strengthen UK corporate governance, audit, and reporting.
- ESMA publishes its first Trends, Risks and Vulnerabilities (TRV) Report of 2021.
- ESAs consult on Taxonomy–related product disclosures.
- AMF states its position regarding review of Alternative Investment Fund Managers Directive (AIFMD).
- 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)

18 March 2021: BoE releases Monetary Policy Summary and minutes of Monetary Policy Committee meeting

At its meeting ending on 17 March 2021, the Bank of England's (BoE) Monetary Policy Committee (MPC) judged that the existing stance of monetary policy remains appropriate. The MPC voted unanimously to maintain Bank Rate at 0.1%. Additionally, the Committee voted unanimously for the BoE to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee also voted unanimously for the Bank of England to continue with its existing programme of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the stock of these government bond purchases at £875 billion and so the total target stock of asset purchases at £895 billion.

15 – 19 March 2021: Speeches, Letters & Publications

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

- Agents' summary of business conditions 2021 Q1 – the BoE regularly publishes a summary of reports compiled by its twelve regional Agents following discussions with at least 700 businesses across the UK every reporting period
- Latest results from the Decision Maker Panel survey 2021 Q1 – the Decision Maker Panel (DMP) is a survey of Chief Financial Officers from small, medium and large UK businesses. The BoE uses it to monitor developments in the economy and to track businesses' views. This is a summary of results up until February 2021 on the impact of Covid-19 and UK-EU trade arrangements on UK businesses
- Bank of England publishes its Weekly Report 17 March 2021
- Statistical Notice 2021/02 – Statistical Notices update the definitions and guidance contained in the Banking Statistics Yellow Folder
- Consolidated worldwide claims 2020 Q4 – this statistical release covers the consolidated worldwide external claims and unused commitments of UK-owned monetary financial institutions (excluding central banks) and their branches and subsidiaries worldwide
- Brave new world: Sam Woods says regulation of the insurance sector in the UK is about to change – Speech by Sam Woods

Financial Conduct Authority (FCA)

15 – 19 March 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:

- FCA announces supervisory flexibility on RTS 27 reports and 10% depreciation notifications – the FCA is putting in place temporary measures with respect to RTS 27 reports and 10% depreciation notifications while we consult on changes to these requirements later this Spring. These temporary measures will be in place until the end of 2021
- A forward look at regulation of the UK's wholesale financial markets – Keynote speech by Edwin Schooling Latter, Director of Markets and Wholesale Policy at the FCA, delivered at the ISLA's Post Trade Conference
- Why diversity and inclusion are regulatory issues – Speech by FCA CEO, Nikhil Rathi, at the launch of the HM Treasury Women in Finance Charter Annual Review
- From regulator to firm to consumer: a virtuous chain of events – Speech by Georgina Philippou, Senior Adviser to the FCA on the Public Sector Equality Duty, delivered at the Building Ethnic Diversity and Inclusion in Investment Management

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UK Government

18 March 2021: BEIS issues White Paper setting out Government's proposals to improve UK's audit, corporate reporting and corporate governance systems

The Department for Business, Energy & Industrial Strategy (BEIS) published its White Paper on financial reporting reform – Restoring trust in audit and corporate governance. The 232-page consultation paper sets out a package of measures aimed at improving a number of aspects of the UK's audit, corporate reporting and corporate governance systems.

The proposals set out how:

- companies should report on their governance and finances;
- reports should be audited;
- audit and the audit market should change; and
- these should be overseen by a new regulator.

The objectives of these reforms are to:

- restore public trust in the way that the UK's largest companies are run and scrutinised;
- ensure that the UK's most significant corporate entities are governed responsibly;
- empower investors, creditors, workers, and other stakeholders by giving them access to reliable and meaningful information on a company's performance; and
- keep the UK's legal frameworks for major businesses at the forefront of international best practice.

The publication of the Government's proposals is the response to the three independent reviews by Sir John Kingman, Sir Donald Brydon and the Competition and Markets Authority. The proposed reforms in this consultation address the findings of each review and include new measures in relation to directors, auditors and audit firms, shareholders and the audit regulator. They are focused on the largest companies because that is where there is greatest public interest in ensuring that audit and corporate reporting are functioning effectively. The consultation closes on 8 July 2021. You can respond to the consultation here.

Financial Reporting Council (FRC)

15 – 19 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 welcomes proposals to strengthen UK corporate governance, audit and reporting – the FRC announced that it welcomes the consultation launched by the Department for Business, Energy and Industrial Strategy (BEIS) - Restoring trust in audit and corporate governance to reform the UK's audit, corporate reporting and corporate governance system
- Reminder: Submitting your Stewardship Code application – If your organisation is applying to become a signatory to the Stewardship Code this spring, then the first assessment deadline for Stewardship Reports for asset managers and service providers is 31 March 2021

European Securities and Markets Authority (ESMA)

15 – 19 March 2021: Speeches, Letters & Other Publications

During the week, the European Securities and Markets Authority (ESMA) released the following speeches, announcements, letters and publications that might be of interest to our readers:

- ESMA publishes its first Trends, Risks and Vulnerabilities (TRV) Report of 2021 – the Report analysis the impact of COVID-19 on financial markets during the second half of 2020 and highlights the increasing credit risks linked to significant corporate and public debt overhang, as well as the risks linked with investments in non-regulated crypto-assets
- ESMA clarifies application of position limits pending MiFID II change – ESMA issued a public statement on its supervisory approach to position limits for commodity derivatives
- ESMA to allow decision on reporting of net short position of 0.1% and above to expire – ESMA has decided not to renew its decision to require holders of net short positions in shares traded on a European Union (EU) regulated market, to notify the relevant national competent authority (NCA) if the position reaches, exceeds or falls below 0.1% of the issued share capital. The measure, which has applied since 16 March 2020, will expire on 19 March 2021

European Banking Authority (EBA)

15 – 19 March 2021: Speeches, Letters & Other Publications

During the week, the European Banking Authority (EBA) released the following speeches, announcements, letters and publications that might be of interest to our readers:

- EBA releases its annual assessment of the consistency of internal model outcomes for 2020 – the EBA published two Reports on the consistency of risk weighted assets (RWAs) across all EU institutions authorised to use internal approaches for the calculation of capital requirements for 2020. The Reports cover credit risk for high and low default portfolios (LDPs and HDPs), as well as market risk
- EBA reports on the monitoring of the LCR implementation in the EU – the EBA published its second Report on the monitoring of liquidity coverage ratio (LCR) implementation in the EU. This Report, which complements the one published on 12 July 2019, highlights areas in which further guidance is deemed useful for banks and supervisors in order to foster a common understanding and harmonisation of the application of the liquidity standard across the EU, as well as to reduce some level playing field issues
- The EBA will make its Basel III monitoring exercise mandatory – the published a decision, which will change the Basel III monitoring exercise from its current voluntary nature to a mandatory exercise from December 2021. This change stems from the need to expand the sample to more jurisdictions and credit institutions, making it more representative, as well as to reach a stable sample over time by providing authorities with a sound legal basis that frames institutions' participation. This decision will assist the EBA to represent, effectively, the interests of EU institutions in the Basel Committee on Banking Supervision (BCBS) and to provide informed opinions and technical advice to the European Commission, the European Parliament and the Council regarding the implementation of the BCBS standards into the Union law

- EBA consults on changes to its Guidelines on Risk-based AML/CFT supervision – the EBA launched a public consultation on changes to its Guidelines on Risk-Based Supervision of credit and financial institutions' compliance with anti-money laundering and countering the financing of terrorism (AML/CFT) obligations. The proposed changes address the key obstacles to effective AML/CFT supervision that the EBA has identified during its review of the existing Guidelines, including the effective use of different supervisory tools to meet the supervisory objectives. The Guidelines are central to the EBA's mandate to lead, coordinate and monitor the EU financial sector's fight against money laundering and terrorist financing. The consultation runs until 17 June 2021
- EBA consults on its draft Guidelines for institutions and resolution authorities on improving resolvability – the EBA published a consultation on Guidelines for institutions and resolution authorities on improving resolvability. These Guidelines represent a significant step in complementing the EU legal framework in the field of resolution. The consultation runs until 17 June 2021
- EBA consults on its revised Guidelines on recovery plan indicators – the EBA published a consultation paper on its revised Guidelines on recovery plan indicators. While maintaining overall stability to the current recovery plan indicators framework, the revised Guidelines provide additional guidance on indicators' calibration, monitoring and breaches notifications. The amendments aim at strengthening the quality of recovery indicators framework and contributing to effective crisis preparedness of institutions
- EBA launches call for papers for its 2021 Policy Research Workshop – the EBA launched a call for research papers in view of its 2021 Policy Research Workshop taking place on 16-17 November 2021 on the topic "New technologies in the banking sector – impacts, risks and opportunities". The submission deadline is 9 July 2021
- EBA updates phase 2 of its 3.0 reporting framework – the EBA published the phase 2 of its reporting framework v3.0. The technical package supports the implementation of the reporting framework by providing standard specifications and includes the validation rules, the Data Point Model (DPM) and the XBRL taxonomies for v3.0
- EBA acknowledges adoption by the European Commission of standards on institutions' public disclosures – the EBA acknowledged the adoption by the European Commission of the Implementing Act laying down implementing technical standards (ITS) on institutions Pillar 3 disclosures. The ITS on institutions' public disclosure provide a comprehensive Pillar 3 disclosure framework that seeks to facilitate its implementation by institutions and to improve clarity for users of this information. They also implement regulatory changes introduced by the Capital Requirements Regulation (CRR2) and align the disclosure framework with international standards

European Supervisory Authorities (ESAs)

17 March 2021: ESAs consult on Taxonomy-related product disclosures

The European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) issued a Consultation Paper seeking input on draft Regulatory Technical Standards (RTS) regarding disclosures of financial products investing in economic activities that contribute to an environmental investment objective. These economic activities are defined by the EU Regulation on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation).

The proposed draft RTS aim to:

- facilitate disclosures to end investors regarding the investments of financial products in environmentally sustainable activities.; and
- create a single rulebook for sustainability disclosures under the Regulation on sustainability-related disclosures in the financial services sector (SFDR) and the Taxonomy Regulation. This will be done by amending the draft RTS under the SFDR, to minimise overlapping or duplicative requirements between the two regulations.

The consultation paper includes additional taxonomy-related disclosures concern information about which environmental objectives the investments of the product contribute to, and information about how, and to what extent, the activities funded by the product are Taxonomy-aligned.

The ESAs' proposal on how and to what extent activities funded by the product are taxonomy- aligned, consist of two elements:

- a graphical representation of the taxonomy-alignment of investments of the financial product and a key performance indicator calculation for that alignment; and
- a statement that the activities funded by the product that qualify as environmentally sustainable, are compliant with the detailed criteria of the Taxonomy Regulation.

The ESAs also propose to standardise the presentation of the disclosures by amending the templates for the pre-contractual and periodic disclosures proposed in the draft RTS under the SFDR, by adding a new section that includes the disclosures required under the Taxonomy Regulation. By amending the SFDR, the Taxonomy Regulation empowered the ESAs to develop draft RTS on additional pre-contractual, and periodic disclosure, obligations for financial products making sustainable investments with environmental objectives.

The closing date for responses to the consultation is 12 May 2021. Following the consultation period, the draft RTS will be finalised and submitted to the European Commission.

15 – 19 March 2021: Speeches, Letters & Other Publications

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

- ESAs publish Joint Q&As on Bilateral Margining – the ESAs published three Joint Questions and Answers (Q&A) on RTS 2016/2251 on bilateral margin requirements under the European Markets Infrastructure Regulation (EMIR). The Joint Q&As on Bilateral Margining clarify different aspects regarding the bilateral margin regime under EMIR: the relief covered by a partial intragroup exemption from bilateral margin requirements; the procedure to grant intragroup exemptions from bilateral margin requirements between a financial counterparty and a non-financial counterparty that are based in different Member States; and the exemption regime from bilateral margin requirements for derivatives entered into in relation to covered bonds

European Central Bank (ECB)

15 – 19 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:

- ECB starts publishing compounded euro short-term rate (€STR) average rates on 15 April 2021 – the ECB will start publishing compounded €STR average rates and a compounded index based on the euro short-term rate (€STR) on 15 April 2021. Publication will take place on each TARGET2 business day at 09:15 CET and will include compounded €STR average rates for tenors of 1 week, 1 month, 3 months, 6 months and 12 months, as well as a compounded €STR index enabling the derivation of compounded rates for any non-standard tenor. The ECB is responding to market feedback in favour of having compounded rates based on the €STR published regularly by a trusted authority
- Consolidated financial statement of the Eurosystem
- Shining a light on climate risks: the ECB's economy-wide climate stress test – Blog post by Luis de Guindos, Vice-President of the ECB
- NPL management and the COVID-19 crisis – Speech by Elizabeth McCaul, Member of the Supervisory Board of the ECB, at the NPL Summit 2021
- European banks in the post-COVID-19 world – Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, at the Morgan Stanley Virtual European Financials Conference
- Banking union: achievements and challenges – Speech by Luis de Guindos, Vice-President of the ECB
- Euro area money markets over the past 15 years: changes, driving factors and implications for monetary policy – Research Bulletin No. 82
- Forbearance vs foreclosure in a general equilibrium mode – Working Paper Series No. 2531
- Networking the yield curve: implications for monetary policy – Working Paper Series No. 2532
- Best practices applied by financial market infrastructures in their business continuity plans during the COVID-19 pandemic – Other Publications

European Systemic Risk Board (ESRB)

15 – 19 March 2021: Speeches, Letters & Other Publications

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

- Procyclical asset management and bond risk premia – Working Paper Series No 116 / March 2021
- Cross-border credit derivatives linkages – Working Paper Series No 115 / March 2021

European Commission (EC)

15 – 19 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 disburses further €9 billion under SURE to seven Member States – the European Commission disbursed €9 billion to seven EU Member States in the fifth instalment of financial support to Member States under the SURE instrument. This is the second disbursement in 2021. The bonds issued by the EU under SURE benefit from a social bond label. This provides investors in these bonds with confidence that the funds mobilised will serve a truly social objective
- European Commission adopts the first strategic plan for Horizon Europe – Horizon Europe is the new EU research and innovation programme worth €95.5 billion in current prices. The strategic plan is a novelty in Horizon Europe and sets the strategic orientations for the targeting of investments in the programme's first four years. It ensures that EU research and innovation actions contribute to EU priorities, including a climate-neutral and green Europe, a Europe fit for the digital age, and an economy that works for people

Central Bank of Ireland (CBI)

15 – 19 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:

- Statement: Ireland's Securities Settlement Market successfully migrated from the UK to Belgium – the CBI welcomed the successful migration of Ireland's securities settlement from Euroclear UK to Euroclear Bank Belgium with effect from Monday 15 March 2021. Irish market participants selected Euroclear Bank Belgium, as the preferred provider of a long-term central securities depository (CSD) for the Irish market
- Conduct, culture and trust: priorities for 2021 – Speech by Derville Rowland, Director General, Financial Conduct to the BPFI Membership Forum

Autorité des Marchés Financiers (AMF) of France

17 March 2021: AMF states its position regarding review of Alternative Investment Fund Managers Directive (AIFMD)

Ahead of the Alternative Investment Fund Managers Directive (AIFMD) review, the Autorité des Marchés Financiers (AMF) outlined its recommendations for a more effective supervision of alternative investment fund managers. The AMF advocates an improved and harmonised regulatory framework for asset management, through amendments to the AIFMD which could also be reflected in amendments to the UCITS Directive with the objective of reducing unnecessary differences between the two directives. In order to promote a more effective supervision that is better adapted to key risks such as liquidity risks, the AMF puts forward several proposals regarding supervision in the context of the use of the management passport, delegation, reporting, liquidity management tools, as well as consistency between the AIFMD, UCITS and MIFID directives.

In this context, the AMF supports the following proposals:

- in situations where supervision is fragmented between several authorities due to the use of the management passport, a leading supervisory role should be given to the competent authority in charge of supervising the fund manager to monitor its activities across the EU. This would include a comprehensive access to relevant supervisory information on all funds managed by this entity;
- while acknowledging the benefits of delegation to structure businesses and source expertise, as highlighted by ESMA, certain types of extensive delegation arrangements – such as those where fund managers solely provide middle and back-office services without retaining any portfolio management expertise – should be scrutinized to ensure AIFM and UCITS managers remain ultimately in charge of the key business functions and decisions;

- a thorough examination of the current reporting requirements is necessary to enhance regulators' capacity to supervise investment funds and monitor the different types of risks that may arise from their activities, from both a micro and macro perspective;
- a common EU framework is needed in order to make the use of LMTs available in all EU jurisdictions with gates becoming a mandatory LMT; and
- further harmonisation and consistency should be introduced between AIFMD, UCITS and MIFID to reduce unnecessary differences in obligations between entities providing the same services.

Regarding this last proposal, the AMF recommends a common set of rules for asset managers in areas such as conflicts of interest, reporting, delegation, liquidity risk management as well as the definition of leverage.

15 – 19 March 2021: Speeches, Letters & Other Publications

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

- The AMF updates its policy on performance fees – after incorporating the ESMA's guidelines on performance fees in UCITS and certain types of AIFs (ESMA34-39-992) into its new position DOC-2021-01, the AMF has updated its policy on UCITS and AIFs

Commission de Surveillance du Secteur Financie (CSSF)

15 – 19 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:

- The EU Commission's Digital Finance Package – Podcast by Natasha Deloge, head of the CSSF's Financial innovation division, analysing the EU Commission's Digital Finance Package impact on the market

Swiss Financial Market Supervisory Authority (FINMA)

15 – 19 March 2021: Speeches, Letters & Other Publications

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

- FINMA publishes its annual assessment of recovery and resolution planning by the systemically important Swiss financial institutions – FINMA noted that for the first time all domestic systemically important banks (PostFinance, Raiffeisen and Zürcher Kantonalbank) have credible resolution strategies. FINMA also noted that the two large banks (Credit Suisse and UBS) have made further improvements to their global resolvability

Financial Stability Board (FSB)

15 – 19 March 2021: Speeches, Letters & Other Publications

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

- COVID-19: a watershed for the FSB's work agenda – Remarks by Dietrich Domanski at the launch of the of the International Regulatory Strategy Group's (IRSG) latest report

International Capital Market Association (ICMA)

15 – 19 March 2021: Speeches, Letters & Other Publications

During the week, the International Capital Market Association (ICMA) released the following speeches, announcements and publications that might be of interest to our readers:

- ICMA AMIC statement on ESG transparency of Asset-Backed Securities – ICMA AMIC has set up an ad hoc working group to discuss ESG transparency of Asset-Backed Securities. As a first step the working group has issued a statement laying down current challenges for this specific asset class and the buy-side. Next steps are to identify key performance indicators for three sub asset classes (auto-loans, RMBS and CLOs) which could then be embraced by market participants and/or regulators
- Podcast: Whatever happened to underwriting? – Bond market veteran Chris O'Malley examines the role of underwriting and underwriting risk over 60 years in the cross-border bond markets
- Podcast: An insight into the Australian and New Zealand sustainable bond market – ICMA's Mushtaq Kapasi speaks with David Jenkins, Global Head of Sustainable Finance at National Australia Bank, about the Australian and New Zealand sustainable bond market. They delve into how investors are viewing recent product innovations and whether they are willing to pay a premium for sustainability. They also explore opportunities for further growth of the market, and the steps needed to make these possible

22 March 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

- Europe's green taxonomy: the new Basel?
  "Will Europe's green taxonomy become the green equivalent of the Basel banking rules? That is a question that Moral Money has often wondered, for reasons that are good and bad. On the good side of the ledger, the European Commission deserves credit for attempting to define green standards and improve the reporting system, just as the Basel banking rules did three decades ago with capital buffers. But on the bad side, the Basel rules were so rigid and backward looking — partly because they were drawn up by a committee of bureaucrats — that they were quickly arbitrated by financiers. So too, perhaps, with the EU green taxonomy. We have not yet seen the final version of the rules, but financiers are already sounding alarms"
- BlackRock steps up drive to protect natural environment
  "BlackRock intends to push companies to step up their efforts to protect the environment from deforestation, biodiversity loss and pollution of the oceans and freshwater resources. In guidelines published on Thursday, the world's largest asset manager said it was ready to vote against the re-election of directors if companies had not effectively managed or disclosed risks related to the depletion of natural capital, the world's stock of natural resources. It may also vote in favour of shareholder proposals that highlight natural capital risks"
- Berkshire Hathaway opposes shareholder call for climate disclosures
  "Warren Buffett's Berkshire Hathaway urged shareholders to vote down two proposals that would force the nearly $600bn industrials-to-insurance conglomerate to disclose its efforts to tackle climate change and diversity and inclusion in the workforce. The company told investors that it did not consider a formal annual assessment of how it manages climate-related risks as necessary, noting that the board already received regular reports on the matter, according to proxy materials mailed to shareholders. Berkshire's response comes as investors make a broad push for greater climate-related disclosures from companies operating in every sector of the economy"
- Half of FTSE 100 companies link executive pay to ESG targets
  "Almost half of FTSE 100 companies have linked executive pay to environment, social or governance (ESG) targets as investors step up demands for companies to adopt these non-financial goals in the upcoming annual general meeting season. Just over a third have an ESG measure in their bonus plans, with an average weighting of 15 per cent of this payout linked to meeting these goals. About one in five in the FTSE 100 include such targets in their long-term incentive plans (LTIPs). However, nearly half of ESG measures used in judging CEO pay are not deemed material to shareholder value, according to a report from London Business School and PwC. The report uses materiality measures set out by the Sustainability Accounting Standards Board, the independent standards-setting organisation"
- Investors scrutinise 'real' assets on sustainability credentials
  "As demand for sustainable investing has boomed, asset managers have come under pressure to focus on environmental, social and governance (ESG) issues when buying stocks and bonds. But attention is now turning to a less liquid, but highly influential, asset class: real assets. Some so-called real, or physical, assets — which include property, infrastructure and farmland — are already playing a big role in addressing investors' ESG concerns. Renewable energy, including wind, solar and battery projects, have already proved popular with investors seeking to counter climate change. However, other real assets have come under less scrutiny on ESG grounds — from both asset managers and their clients — despite often having a substantial environmental or social impact"
- Accounting needs to be stepped up for climate change costs
  "Listed companies appear to be competing with each other to be the most forthcoming on climate change disclosure. We are in an era where investing on the principles of environmental, social and governance matters is on the rise and companies have responded. The ESG sections of company annual reports now provide expansive information on the environmental impact of such things as carbon emissions. Less good though is the disclosure on the financial impact of climate change issues. If, say, a company was likely to face a bill in the future to buy permits to emit carbon, that is an impact that could be accounted for. Likewise if an ageing steel plant had to be written down in value because its longevity is curtailed by tougher environmental standards, then an impairment is required. But how and which costs should be accounted are still being defined"
- AI can shine digital sunlight on to company greenwashing
  "So sneer about greenwashing, if you want. But we should also cheer the new data transparency, from robots or anywhere else. Then pray that this digital sunlight does not just combat corruption but forces policy change, in tandem with ESG. Heaven knows our planet needs it"
- Big fund houses fail to promote female portfolio managers
  "Fewer than one in five portfolio managers at the world's biggest asset managers are women, despite long-running campaigns to improve gender diversity in the investment industry and research that indicates female investors outperform. The Financial Times contacted more than 20 of the world's biggest asset managers and found that while women make up more than 40 per cent of employees on average, they account for just 18 per cent of portfolio managers"

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- Bank of England upgrades outlook for UK economy
  "The Bank of England upgraded its outlook for the UK economy on Thursday, but stressed it was in no hurry to reduce its support to boost the recovery from the coronavirus crisis. After the March Monetary Policy Committee meeting, the central bank said that financial market moves in the past six weeks, which have seen sterling and the cost of government borrowing rise, had been warranted by the better immediate prospects for recovery. In the minutes of the meeting, the BoE followed the US Federal Reserve in not taking any action to return financial market interest rates to the levels in early February"
- Stonegate hit by £746m loss on back of pandemic-led pub closures
  "Stonegate, the UK's largest pub company, has reported a £746m pre-tax loss after the coronavirus regulations forced it to close the majority of its pubs and turn to investors and debt markets for an extra £1.4bn funding"
- Greensill Capital: opacity a red flag for creditors
  "Financial engineering can shift money to unexpected places — and make skimpily-capitalised business appear stronger than they really are. Each new revelation adds to the uncertainties around Greensill. That opacity is ominous for creditors
- European bond sale order books grow to 'ridiculous' levels
  "ECB asset purchases have inflated what was once a key yardstick for judging investor demand"
- H2O upped investment in opaque vehicle created after bond scandal
  "Troubled fund manager H2O Asset Management has poured more of its own money into an opaque private investment vehicle it established in the wake of a scandal involving illiquid bonds tied to controversial financier Lars Windhorst. Corporate filings show that H2O owns 37 per cent of H2O Deep Value, which was set up in July 2019, just weeks after the FT revealed that H2O had invested more than €1bn in illiquid bonds linked to Windhorst, triggering €8bn of investor redemptions"
- Biden's $1.9tn stimulus set to return global economy to pre-Covid path
  "The $1.9tn Biden stimulus package — which will add 9 per cent of national income to US spending power — is designed to boost the US recovery. But it also promises to propel the global economy towards its pre-pandemic path, through increased US demand for goods such as Chinese-made trainers, French wine and car parts from Mexico"
- Fed signals no rate rise until at least 2024 despite growth upgrade
  "Federal Reserve officials signalled that they expect to keep interest rates close to zero until at least 2024, even as they sharply upgraded their US growth forecasts because of a massive fiscal stimulus and an accelerating vaccine rollout. The Fed maintained its dovish stance at the end of a two-day meeting of its top policymakers, noting the improving outlook while cautioning that a full recovery remained distant, the path ahead was uncertain, and the economy still required ultra-easy monetary policy"
- Treasury sell-off sweeps in to US corporate bond market
  "The ferocious sell-off in US government debt markets has spilled into corporate bonds, nudging companies' borrowing costs higher during a time when the economy is still recovering from the pandemic shock. The average yield across US investment-grade bonds hit 2.28 per cent at the end of last week, according to an index compiled by ICE Data Services, up 0.17 percentage points since the end of February and 0.5 points so far in 2021. The rise in yields, which reflects a fall in prices, marks the bonds' worst performance since Covid-19 struck a year ago"
- Corporate bond investors still reeling as economic recovery picks up
  "Having cheered the US Federal Reserve's swift and comprehensive response a year ago that rescued corporate debt markets and helped erase their losses, investors are now lamenting those same policy measures eating into their returns this year. Fearing rising inflation is cutting into the returns earned from fixed-income debt, investors are calling for details on when crisis measures like the Fed's bond-buying programme will be pared"
- State Street hits ESG sweet spot with US corporate bond ETF
  "The ETF invests in US-dollar denominated, investment grade corporate bonds. Its underlying index was developed in collaboration with the Sustainability Accounting Standards Board and uses an ESG scoring system developed by SPDR, SSGA's ETF business. Fixed income ETFs with an ESG overlay gathered almost 25 per cent of the total net inflows that went into fixed income ETFs listed in Europe last year, according to SSGA"
- Airlines struggle to take off in face of $300bn debt headwinds
  "The world's largest airlines have built up a mountain of more than $300bn in net debt, a sign the pandemic will hamper recovery for years as carriers face paying back huge bills from rescue financing and state support. With hopes of a limited restart to travel in the summer, attention is turning to how quickly airlines can heal their balance sheets after the biggest crisis in aviation history"
- Airlines tap stock and bond markets as they prepare for surge in bookings
  "British Airways owner International Airlines Group was set to raise €1.2bn in the bond markets on Thursday, just a day after US carrier Sun Country Airlines soared in its Wall Street debut. The fundraisings come as investors seek to tap into the reopening trade in which companies that lagged behind during the height of the pandemic are likely to lead the way as countries lift curbs on social activity"

- Vanguard suspends push for China fund licence
  “Vanguard has halted plans to obtain a fund management licence in China just months after moving its main Asia office to Shanghai, as the US group’s low-cost model hit speed bumps in a fast-growing market. The world’s second-largest asset manager said on Tuesday it was pausing”its application for a licence. Vanguard added that it would instead focus on its investment advisory partnership with Ant Group, the Chinese payments business controlled by billionaire Jack Ma”

- Spac boom eclipses 2020 fundraising record in single quarter
  “Blank-cheque companies have already surpassed last year’s fundraising record in the first quarter of 2021, reflecting the insatiable appetite for special purpose acquisition companies among both institutional and retail investors. Spacs have raised $79.4bn globally since the start of the year, eclipsing the $79.3bn that flooded into vehicles in 2020, according to data provider Refinitiv, as of Tuesday night. So far in 2021, 264 new Spacs have been launched, overtaking last year’s record 256”

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Thomson Reuters

- Breakingviews - Corporate debt party will survive rate storm
  "A rise in government bond yields is dragging up companies' borrowing costs. While this might dampen ebullience in the $40 trillion global credit markets, it won't end the party. Higher yields on the safest bonds mean there's less incentive to buy riskier corporate debt. There were outflows from U.S. long-term corporate bond funds in 13 of the past 15 weeks, according to EPFR. But so far the withdrawal is orderly: the premium that investors demand to hold corporate rather than government securities hasn't moved much"
- Analysis: Sheen comes off green in crowded climate investment space
  "The booming market in green finance faces a test this year as more investors balk at lofty share price tags even on loss-making companies and a gradual economic recovery from the pandemic boosts returns on conventional energy assets. Driven by government promises to deliver a low carbon recovery, flows into funds investing on environmental, social and corporate governance (ESG) principles doubled last year from 2019 to $326 billion, Morningstar data showed"
- UK financial watchdog looks to toughen diversity push
  "Financial companies face a regulatory crackdown unless they improve diversity among staff and boards, Britain's Financial Conduct Authority said on Wednesday. The watchdog will consider whether diversity of management teams at the firms it regulates should form part of its senior managers regime whereby a firm must name a senior member of staff who is accountable for an activity, FCA Chief Executive Nikhil Rathi said"
- Some UK financial firms blame COVID for missing target of women in senior roles
  "Most financial firms and institutions signed up to a UK finance ministry backed charter met their 2020 targets for women in senior management as those who fell behind blamed hiring freezes due to COVID-19, a review said on Wednesday. A group of 81 firms were due to hit their target by the end of 2020, but 44 of them failed to do so, citing deliberately ambitious targets, and recruitment or promotion freezes due to COVID, the review said"
- 'Green' funds shown to herd less, cutting climate shock risk: EU watchdog
  "Funds investing in brown or polluting companies would be hit far harder than environmentally-friendly "green" funds in a climate-related market shock, the European Union's securities watchdog said on Wednesday in its first study of its kind. Brown funds spread investments over a large number of the same companies, while green funds herd less, with each one investing in a different selection of companies, the European Securities and Markets Authority (ESMA) said"
- Analysis: Why Biden's securities regulator faces climate crackdown challenges
  "The Securities and Exchange Commission (SEC) has set up a taskforce to police public companies that fail to disclose material business risks stemming from climate change, such as the potential depreciation of fossil fuel assets or supply chain disruption caused by flooding or wildfires. The 22-person team, housed within the enforcement division, will also scrutinize investment advisers and funds touting sustainable products for so-called greenwashing and other compliance issues, the agency said"
- SEC advisers consider new diversity disclosures
  "An adviser to the top U.S. securities regulator said on Friday his subcommittee will likely recommend new disclosures about diversity from registered investment advisers and other steps to improve minority representation in finance. The ideas, which would need further approval, mark the latest effort to shed more light on the small role held by women and ethnic minorities in the money management industry, although they could also show the obstacles regulators face in taking on social issues"
- BlackRock ups focus on 'natural capital' ahead of AGM season
  "BlackRock on Thursday warned companies that rely on nature or have an impact on natural habitats to publish a no deforestation policy and their strategy on biodiversity or face pushback from the asset manager at their annual meetings. The world's biggest asset manager is keen to position itself as a leader in sustainable finance and over the last year has looked to take a tougher position on companies not performing on environmental, social and governance related issues. How companies manage 'natural capital,' such as water and forests, is seen as an integral part of their response to climate change and a driver of value for shareholders"
- Apple Inc spending from 'green bonds' hits $2.8 billion
  "Apple Inc said on Wednesday it allotted $2.8 billion raised from "green bonds" that last year funded 17 projects that will generate 1.2 gigawatts of renewable energy. It said the projects will avoid an average of 921,000 metric tons of carbon emissions each year, which it said is equal to removing nearly 200,000 cars from the road. Apple, one of the largest private-sector issuers of such bonds, is using the capital as part of its effort to become carbon neutral across its sprawling manufacturing supply chain by 2030. The company has issued three sets of green bonds since 2016 totaling $4.7 billion"
- British Airways owner IAG raises $1.4 billion to ride out travel turmoil
  "British Airways owner IAG raised 1.2 billion euros ($1.43 billion) in a bond issue it said would help it survive a potentially longer than expected travel downturn. Airlines are counting on a summer travel reboot after a year of minimal income because of coronavirus restrictions, but rising case numbers in some countries and delays to Europe's COVID-19 vaccine rollout could derail the recovery. IAG, which is burning through about 185 million euros a week as a result of the pandemic, has been cutting costs while flying only 20% of its normal capacity"

- France has spent more to help virus-hit companies than Germany: EU data
  "France has supported its virus-hit companies to the tune of 155.36 billion euros ($185.5 billion), just over a quarter of the 544 billion euros spent by EU countries to prop up businesses, with Germany in third place, European Commission data showed"
- Euro zone ministers pledge to extend fiscal support through 2022
  "Euro zone finance ministers promised on Monday to extend public support for the economy through 2021 and 2022 to help the common currency area emerge from the coronavirus crisis, saying they would deal with rising debt only once recovery is on track"
- U.S. companies issue more fixed-rate debt as yields rise
  "U.S. companies are opting to issue bonds with fixed coupons rather than floating rates as the spectre of a rapid rise in yields impels them to lock in their costs of borrowing. Refinitiv data showed U.S. companies have issued $456 billion through fixed-coupon bonds until March 15, a 12% increase over the same period last year. At the same time, they have borrowed just $77 billion through floating-rate bonds in that period, a 33% decline"
- Analysis: Private equity investors fret over record U.S. buyout prices
  "Private equity firms are paying more for leveraged buyouts to keep pace with soaring valuations of acquisition targets, making some investors leery of whether the industry can keep delivering on promises of lucrative returns. Private equity firms paid an average 13.2 times a company's annual earnings before interest, tax, depreciation, and amortization (EBITDA) for U.S. leveraged buyouts in 2020, an all-time high, up from 12.9 times in 2019, according to financial data provider Refinitiv"
- IMF sees signs of stronger global recovery, but significant risks remain
  "The No. 2 official at the International Monetary Fund on Saturday pointed to emerging signs of a stronger global economic recovery, but warned that significant risks remained, including the emergence of mutations of the coronavirus"
- DBS Private Bank targeting more than 50% assets in sustainable investments by 2023
  "The private banking arm of Southeast Asia's largest bank DBS aims to expand its suite of sustainable investments to more than half of its assets under management by 2023. DBS Private Bank will also work with its clients to adopt environmental, social and governance (ESG) standards in their investments, it said in a statement"
- Campaign group asks S&P to review Adani Ports in DJ Sustainability index
  "Environmental campaign group Market Forces has asked S&P Global to review the inclusion of India's Adani Ports and Special Economic Zone Ltd in a Dow Jones Sustainability Index, citing its ties to the Myanmar military and role in developing a new thermal coal mine"
- UPDATE 1-Malaysia's Petronas prices $600 mln bond offering at premium to U.S. paper
  "Malaysia's state energy firm Petronas on Thursday said it has priced a $600 million single tranche seven-year note at a premium to U.S. treasuries. Petronas said in a statement the notes were priced at 85 basis points over the seven-year U.S. Treasury paper to yield 2.112%"

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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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