1 March 2021

Legal and Regulatory Updates

22/02/2021 – 26/02/2021

Key Highlights

- This Legal & Regulatory Update covers the week commencing **22/02/2021**.
- FCA publishes results of its MiFID II product governance review for asset management firms.
- FRC encourages more transparency when reporting against UK Corporate Governance Code.
- ESMA publishes its Newsletter N°21.
- EBA consults on draft technical standards to improve supervisory cooperation for investment firms.
- ESAs issue recommendations on application of Regulation on sustainability-related disclosures (SFDR).
- FSB Chair updates Finance Ministers and Central Bank Governors on FSB's key priorities for 2021.
- ICMA issues note following publication of ESAs' final recommendations for regulatory technical standards (RTS) of Sustainable Finance Disclosure Regulation (SFDR).
- IOSCO sees urgent need for globally consistent, comparable, and reliable sustainability disclosure standards and announces its priorities and vision for a Sustainability Standards Board under IFRS Foundation.
- IOSCO issues statement on enhancing collaboration between IASB and FASB on accounting for goodwill.
- IOSCO publishes its work program for 2021-2022.
- 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)

22 – 26 February 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:

- BoE releases capital issuance statistics – capital issuance statistics consist of UK-based primary market issuance of bonds, commercial paper and equity, representing finance raised in the UK
- Minutes of the Working Group on Sterling Risk-Free Reference Rates January 2021 – the Working Group on Sterling Risk-Free Reference Rates, which is comprised of a diverse set of market participants, is working to catalyse a broad-based transition to SONIA by end-2021
- Minutes of the Productive Finance Working Group February 2021 – this is the first technical expert group meeting. Investment in productive finance refers to investment that expands productive capacity, furthers sustainable growth and can make an important contribution to the real economy. Examples of this include plant and equipment (which can help businesses achieve scale), research and development (which improves the knowledge economy), technologies (for example, green technology), infrastructure and unlisted equities related to these sectors
- PRA releases statement on EBA Guidelines and EU Regulatory Technical Standards relating to approaches to credit risk following the end of the transition period – this statement provides clarity on the PRA's approach to published European Banking Authority Guidelines and EU Regulatory Technical Standards relating to the Standardised and Internal Ratings Based approaches to credit risk following the end of the transition period
- Jonathan Haskel's, External Member of the Monetary Policy Committee, Annual Report to the Treasury Select Committee
- Ben Broadbent's, Deputy Governor Monetary Policy, Annual Report to the Treasury Select Committee
- Inflation: a tiger by the tail? – Speech by Andy Haldane
- The UK's progress on resolvability – Speech by Dave Ramsden
- Solvency distress contagion risk: network structure, bank heterogeneity and systemic resilience – Staff Working Paper No. 909
- How do secured funding markets behave under stress? Evidence from the gilt repo market – Staff Working Paper No. 910
- Optimal policy with occasionally binding constraints: piecewise linear solution methods – Staff Working Paper No. 911
- How has Covid affected the performance of machine learning models used by UK banks? – Bank Overground

Financial Conduct Authority (FCA)

26 February 2021: FCA publishes results of its MiFID II product governance review for asset management firms

The Financial Conduct Authority (FCA) published the results its MiFID II product governance review for asset management firms. This review looked at product governance in a sample of 8 asset management firms. It examined how these firms, as product providers (manufacturers), take MiFID II's product governance regime (PROD) rules into account, particularly the interests of the end clients, throughout the product lifecycle.

The results of the review provide that some asset managers are not undertaking activities in line with MiFID II's PROD regime. This increases the risk of investor harm, particularly where investors buy products that may not be appropriate. As a result, the FCA believes that there is a significant scope for asset managers to improve their product governance arrangements. Additionally, the FCA explained that the reliance on intermediated services in the UK investment market also means manufacturers commonly rely on those who distribute their products to give them relevant information on the end consumer. However, according to this review, distributors rarely pass this information on to asset managers, hindering firms' ability to effectively meet best practice on product governance. The FCA explained that asset managers and product distributors need to prioritise effective cooperation and information sharing to address the potential harm to consumers from poor product design and distribution processes.

As a result of this review, the FCA will consider whether it needs to make further changes to its product governance rules and guidance, for both asset managers/manufacturers and distributors and whether these changes will better address the key sources of harm throughout the product lifecycle.

Financial Reporting Council (FRC)

26 February 2021: FRC encourages more transparency when reporting against UK Corporate Governance Code

The Financial Reporting Council (FRC) issued advice for companies on how to report transparently and effectively when departing from certain provisions of the UK Corporate Governance Code. The Code sets high standards for Corporate Governance. It recognises that companies have differing circumstances and so offers flexibility through its 'comply or explain' approach to reporting. The FRC explained that it encourages companies to embrace the flexibility offered by the Code so that investors and wider stakeholders benefit from reporting that clearly demonstrates a commitment to good governance, and clearly sets out a company's circumstances.

To this end, the FRC explained that it is important that companies:

- embrace the flexibility offered by the Code and develop bespoke governance processes and practices which raise standards;
- make it easy for readers to find out which Provisions of the Code they have departed from in their annual report; and
- ensure that they provide full, clear and meaningful explanations for any such departures.

This new guidance is part of the FRC's ongoing drive to promote good practice and support companies to continually improve their reporting against the Code.

22 – 26 February 2021: Speeches, Letters & Other Publications

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

- FRC Launches Technical Actuarial Standards Post Implementation Review – the FRC is carrying out a post implementation review of the Technical Actuarial Standards (TASs) and issued a call for feedback for the current Framework for TASs, Technical Actuarial Standard 100 (TAS 100), and potential actuarial standards in relation to IFRS 17
- Operational separation of audit practices – in July 2020, the FRC published the principles for operational separation of the audit practices of the 'Big 4' firms. The FRC asked the firms to submit their implementation plans by 23 October 2020. The FRC announced that it has reviewed these plans and discussed them with the firms individually, and that it has also made some changes to the principles. The FRC is now content for the firms to move to the next stage of implementation. The objectives of operational separation, which is world leading, are to ensure that audit practices are focused above all on delivery of high-quality audits in the public interest, and do not rely on persistent cross subsidy from the rest of the firm

European Securities and Markets Authority (ESMA)

22 – 26 February 2021: Speeches, Letters & Other Publications

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

- ESMA publishes its Newsletter N°21 – during February, key publications include ESMA's annual reports on waivers and deferrals for equity and non-equity instruments, the ESAs report on sustainability-related disclosures in the financial services sector (SFDR), ESMA's consultation paper and first Q&A on crowdfunding and calls for candidates to join Consultative Working Groups (CWGs). Additionally, the newsletter contains information on next month's speaking appearances of ESMA staff, closing consultations and vacancies. A full overview of all publications in February can be found at the very end of this newsletter
- ESMA consults on methodology to calculate a benchmark in exceptional circumstances – ESMA launched a consultation on draft guidelines detailing the obligations applicable to administrators that use a methodology to calculate a benchmark in exceptional circumstances under the Benchmarks Regulation (BMR). During exception circumstances such as the COVID-19 pandemic, administrators can use an alternative methodology to calculate a benchmark. This methodology should be made publicly available. The Consultation Paper seeks input on clarifications and specifications regarding the adjustments of benchmarks in exceptional circumstances
- ESMA appoints new chair of its Corporate Reporting Standing Committee – ESMA appointed Annemie Rombouts, Deputy Chair of the Belgian Financial Services and Markets Authority, as Chair of the Corporate Reporting Standing Committee (CRSC)
- ESMA publishes Guidelines to harmonise CCP supervisory reviews and evaluation under EMIR – the guidelines address common procedures and methodologies for the review of arrangements, strategies, processes and mechanisms implemented by CCPs. This includes the evaluation of risks, covering requirements for CCPs to address financial, organisational, operational, and prudential risks as laid down in EMIR
- ESMA updates Q&As, templates and technical instructions for securitisation reporting – ESMA published 4 new Q&As and modified 11 existing Q&As. ESMA also updated reporting instructions and an XML schema for the templates set out in the technical standards on disclosure requirements

European Insurance and Occupational Pensions Authority (EIOPA)

22 – 26 February 2021: Speeches, Letters & Other Publications

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

- The opportunity to design real catastrophe insurance is now – Interview
- Gabriel Bernardino, EIOPA's outgoing Chair, reflects on the last 10 years and shares his thoughts on the future – The EIOPA Podcast
- 10th Anniversary Conference – Conference Report

European Banking Authority (EBA)

24 February 2021: EBA consults on draft technical standards to improve supervisory cooperation for investment firms

The European Banking Authority (EBA) launched two public consultations on regulatory technical standards (RTS) and Implementing Technical Standards (ITS) on cooperation and information exchange between competent authorities involved in prudential supervision of investment firms. These draft standards provide a solid framework for (i) cooperation in the supervision of investment firm groups though colleges of supervisors and (ii) for information exchange for investment firms operating through branches or the free provision of services. These draft standards are part of the phase 2 mandates of the EBA roadmap on investment firms, and aim at improving cooperation and information exchanges between the supervisors of investment firms. Both consultations run until 23 April 2021, and a public hearing will take place on 7 April 2021.

The draft RTS on colleges of supervisors for investment firms groups specify the conditions under which colleges of supervisors exercise their tasks. The RTS target the investment firm groups falling under the remit of the Investment Firms Directive (IFD) and are built on the experience gained over the years in the colleges of supervisors of credit institutions and larger and more complex investment firms groups that have been established in accordance with the Capital Requirements Directive (CRD).

The draft RTS and ITS on information exchange between the competent authorities of home and host Member States complement the RTS on colleges of supervisors and address situations where investment firms operate in another Member State through branches or the free provision of services, where colleges may not be established. In particular, the draft RTS specify the information that host Member State competent authorities and home Member State competent authorities shall exchange with each other, whereas the draft ITS establish standard forms, templates and procedures for sharing the information specified in the RTS.

European Supervisory Authorities (ESAs)

25 February 2021: ESAs issue recommendations on application of Regulation on sustainability-related disclosures (SFDR)

The Three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) published a joint supervisory statement on the effective and consistent application and national supervision of the Regulation on sustainability-related disclosures in the financial services sector (SFDR). The statement aims to achieve an effective and consistent application and national supervision of the SFDR, promoting a level playing field and protecting investors. This statement complements the recently released Final Report including the draft regulatory technical standards issued by the ESAs Joint Committee on 4 February 2021.

In the statement, the three ESAs recommend the draft RTS be used as a reference when applying the provisions of the SFDR in the interim period between the application of SFDR (as of 10 March 2021) and the application of the RTS at a later date. The ESAs also set out in the Annex more specific guidance on the application of timelines of some specific provisions of the SFDR, in particular on the application timeline for entity-level principal adverse impact disclosures and for financial products' periodic reporting. In addition, the Annex includes a summary table of the relevant application dates of the SFDR, the Taxonomy Regulation and the related RTS.

European Central Bank (ECB)

22 – 26 February 2021: Speeches, Letters & Other Publications

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

- Nothing compares to your loan officer, continuity of relationships and loan renegotiation – Research Bulletin No. 81
- Inventory management, dealers' connections, and prices in OTC markets – Working Paper Series No. 2529
- Investing in our climate, social and economic resilience: What are the main policy priorities? – Speech by Christine Lagarde, President of the ECB
- ESCB Legal Conference 2020 – Conference Report
- The compass of monetary policy: favourable financing conditions – Speech by Philip R. Lane, Member of the Executive Board of the ECB
- Unconventional fiscal and monetary policy at the zero lower bound – Keynote speech by Isabel Schnabel, Member of the Executive Board of the ECB
- Sources of risk and vulnerabilities for financial stability – Presentation by Luis de Guindos, Vice-President of the ECB
- Regional economic impact of Covid-19: the role of sectoral structure and trade linkages – Working Paper Series No. 2528
- Monetary developments in the euro area: January 2021
- Consolidated financial statement of the Eurosystem as at 19 February 2021
- ECB Survey of Monetary Analysts (SMA), March 2021

European Commission (EC)

22 – 26 February 2021: Speeches, Letters & Other Publications

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

- European Commission publishes its Banking and Finance Newsletter February 2021 – Newsletter
- European Commission adopts a new EU Strategy on Adaptation to Climate Change – the Strategy outlines a long-term vision for the EU to become a climate-resilient society, fully adapted to the unavoidable impacts of climate change by 2050. Complementing the EU's ambitious goal to become climate neutral by mid-century, this strategy aims to reinforce the adaptive capacity of the EU and the world and minimise vulnerability to the impacts of climate change, in line with the Paris Agreement and the proposal for the European Climate

Law. The new Strategy seeks to step up action across the economy and society in synergy with other Green Deal policies such as biodiversity protection and sustainable agriculture. This will be done by making adaptation smarter, swifter and more systemic, as well as stepping up international action on adaptation
- Questions and Answers: New EU strategy on adaptation to climate change – Q&As
- Executive Vice President Timmermans' remarks at the press conference on the new EU Climate Adaptation Strategy – Remarks
- European Commission publishes report on Public Finances in EMU 2020 – this annual report presents a review of key policy developments and analytical findings in the area of public finances
- European Commission publishes Quarterly Report on the Euro Area (QREA), Vol. 20, No. 1 (2021) – focussing on the euro area, QREA Volume 20 N. 1 (2021) examines the structural economic impact of the COVID-19 pandemic. It also looks at climate change and mitigation, as well as the fiscal policy implications of uncertain fiscal outcomes, and the economic benefits of the euro
- Eurostat: Annual inflation up to 0.9% in the euro area – the euro area annual inflation rate was 0.9% in January 2021, up from -0.3% in December. A year earlier, the rate was 1.4%. European Union annual inflation was 1.2% in January 2021, up from 0.3% in December. A year earlier, the rate was 1.7%. These figures are published by Eurostat, the statistical office of the European Union
- European Commission and UN Environment Programme agree to reinforce cooperation in tackling the climate, biodiversity, and pollution crises – a stronger focus on the promotion of circular economy, the protection of biodiversity and the fight against pollution lie at the heart of a new agreement signed on 26 February 2021 for enhanced cooperation between the European Commission and the UN Environment Programme (UNEP)
- EU launches Global Alliance on Circular Economy and Resource Efficiency (GACERE) – GACERE aims to provide a global impetus for initiatives related to the circular economy transition, resource efficiency and sustainable consumption and production. It will build on efforts being deployed internationally and put the EU at the forefront of the green transition. Eleven countries (Canada, Chile, Colombia, Japan, Kenya, New Zealand, Nigeria, Norway, Peru, Rwanda and South Africa) and the EU have joined the Alliance to date
- European Commission publishes contributions to public consultations on EU climate legislation – the European Commission published the contributions received to four open public consultations on forthcoming revisions of EU law to align it with the new 2030 target to reduce net greenhouse gas emissions by at least 55% compared to 1990 levels
- EU to set up new European Partnerships and invest nearly €10 billion for the green and digital transition – Commission proposed to set up 10 new European Partnerships between the European Union, Member States and/or the industry. The goal is to speed up the transition towards a green, climate neutral and digital Europe, and to make European industry more resilient and competitive. The EU will provide nearly €10 billion of funding that the partners will match with at least an equivalent amount of investment. This combined contribution is expected to mobilise additional investments in support of the transitions, and create long-term positive impacts on employment, the environment and society

Central Bank of Ireland (CBI)

22 – 26 February 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:

- 'Property funds and the Irish commercial real estate market' – Financial Stability Note
- 'Government income supports significantly mitigated impact of COVID-19 on household incomes' – Economic Letter
- The importance of listening: Good communication requires that central banks listen well – Blog

Commission de Surveillance du Secteur Financie (CSSF)

22 – 26 February 2021: Speeches, Letters & Other Publications

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

- CSSF communication regarding the regulatory reporting format applicable to investment firms under the Regulation IFR – the CSSF explained that the XBRL solution will be adopted as method of collection of the new prudential reporting applicable to investment firms as from 30 September 2021
- CSSF announced simplification of the submission process for a new sub-fund via a new questionnaire – the CSSF announced that the request for approval of a new sub-fund under an existing fund structure must be transmitted via one single new questionnaire. This specific application questionnaire will further standardise the information necessary for the examination of the application
- CSSF published Circular CSSF 21/766 (only in French) – update of Circular CSSF 19/724 on technical specifications regarding the submission to the CSSF of documents under Regulation (EU) 2017/1129 and the Law of 16 July 2019 on prospectuses for securities and general overview of the regulatory framework on prospectuses
- CSSF publishes results of the enforcement of the 2019 financial information published by issuers subject to the Transparency Law

Financial Stability Board (FSB)

25 February 2021: FSB Chair updates Finance Ministers and Central Bank Governors on FSB's key priorities for 2021

The Financial Stability Board (FSB) published a letter from its Chair Randal K. Quarles to G20 Finance Ministers and Central Bank Governors ahead of their virtual meeting on 26 February. In this letter, the FSB notes that its ambitious work programme for 2021 seeks to address vulnerabilities directly related to COVID-19, to increase resilience of non-bank financial intermediation (NBFI), and to improve the understanding of climate-related risks. The FSB also aims to support strong, sustainable, and balanced growth in a post-COVID world.

Key priorities for the FSB in 2021 include:

- Addressing COVID-19 related vulnerabilities – the FSB will produce an assessment of initial lessons learned from the COVID Event for financial stability. The FSB will report in April on factors needed for an orderly unwinding of support measures, as part of its work to support international coordination on COVID-19 policy responses. The FSB will also publish in April the final version of its evaluation of too-big-to-fail reforms for banks;
- Increasing the resilience of NBFI – the FSB's work includes examining and addressing specific risk factors that contributed to amplification of the March 2020 market turmoil; enhancing understanding of systemic risks in NBFI; and investigating policies to address these risks. As part of this work, the FSB will deliver policy proposals to enhance the resilience of money market funds in July for public consultation;
- Bettering its understanding of climate-related risks – building on its report on the financial stability implications of climate change, the FSB will assess the availability of data through which climate-related risks to financial stability could be monitored, as well as any data gaps. The FSB will also coordinate with other SSBs to promote globally comparable, high-quality, and auditable standards of disclosure; and review regulatory and supervisory approaches to addressing climate-related risks at financial institutions; and
- Addressing other financial stability topics of ongoing importance – the FSB will continue to address challenges to, and opportunities for, enhancing financial stability that existed before the COVID Event remain important. The FSB's work includes enhancing central counterparty resilience, recovery, and resolvability; exploring areas to harmonise cyber incident reporting; and ensuring a smooth transition away from LIBOR by end-2021 to more robust benchmarks.

Finally, the letter notes that the FSB, with its broad and diverse membership, is well positioned to tackle the global financial stability issues outlined above. The FSB will also continue to engage with external stakeholders through workshops, public consultations on key policy reports, and other mechanisms. The FSB's work will result in robust analysis and proposals to help define a path forward and highlight issues that may arise as we continue to navigate these unpredictable times.

International Organization of Securities Commissions (IOSCO)

24 February 2021: IOSCO sees urgent need for globally consistent, comparable, and reliable sustainability disclosure standards and announces its priorities and vision for a Sustainability Standards Board under IFRS Foundation

The Board of the International Organization of Securities Commissions (IOSCO) announced that it met to discuss the progress made over the past year by its Sustainable Finance Task Force (STF). IOSCO explained that it sees an urgent need to improve the consistency, comparability, and reliability of sustainability reporting, with an initial focus on climate change-related risks and opportunities, which would subsequently be broadened to other sustainability issues.

In line with its objectives, the IOSCO Board identified three priority areas for improvement in sustainability-related disclosures by companies and asset managers:

- Encouraging Globally Consistent Standards – to encourage progress towards globally consistent application of a common set of international standards for sustainability-related disclosure across jurisdictions, covering the breadth of sustainability topics and leveraging existing principles, frameworks, and guidance.
- Promoting Comparable Metrics and Narratives – to promote greater emphasis on industry-specific, quantitative metrics in companies' sustainability-related disclosures and standardization of narrative information.
- Coordinating Across Approaches – to drive international consistency of sustainability-related disclosures with a focus on enterprise value creation, including companies' dependence on stakeholders and the external environment, while also supporting mechanisms to coordinate investors' information needs on wider sustainability impacts – and (i) to promote closer integration of those two aspects with reporting under current accounting standards frameworks and (ii) facilitate independent assurance of companies' disclosures.

To this end, the IOSCO Board explained that it is committed to working with the IFRS Foundation Trustees and other stakeholders to advance these priorities. IOSCO's engagement with the Trustees will focus on the following objectives:

- establishing an SSB with a strong governance foundation;
- building on existing efforts; and
- encouraging a "Building Blocks" approach.

IOSCO emphasised that these initiatives will collectively help deliver high-quality international disclosure standards that provide the content that capital markets need, within a transparent standard-setting architecture and a robust and inclusive governance structure.

24 February 2021: IOSCO issues statement on enhancing collaboration between IASB and FASB on accounting for goodwill

IOSCO issued a statement explaining that it consistently supported the objective of a single set of high-quality accounting standards that are consistently and rigorously applied. With this in mind, IOSCO stated that it encourages the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) to collaborate closely with each other on accounting for goodwill so that moving forward the alignment between IFRS and U.S. GAAP in this area can be maintained or enhanced.

IOSCO explained that if the requirements under U.S. GAAP become as aligned as possible with those under IFRS on accounting for goodwill, there will be greater comparability in financial statements prepared under IFRS and U.S. GAAP. Therefore, IOSCO believes that maintaining and enhancing convergence in this area should continue to be an important consideration for the IASB and FASB. IOSCO emphasised that it remains committed to continuing to work closely with the IASB and FASB while respecting the independence of their standard setting processes.

26 February 2021: IOSCO publishes its work program for 2021-2022

IOSCO published its 2021-2022 work program to further its core objectives of protecting investors, maintaining fair, efficient, and transparent markets, and addressing systemic risks. The work program, unlike previous editions, covers a two-year horizon and will be reviewed and refreshed as appropriate at end-2021 to ensure its ongoing relevance.

The 2021-2022 work program encompasses work with respect to two new priorities, namely:

- financial stability and systemic risks of non-bank financial intermediation activities (NBFI); and
- risks exacerbated by the COVID-19 pandemic – misconduct risks, fraud, and operational resilience.

With respect to sustainability-related issues in capital markets, the work program calls on IOSCO to re-double efforts in contributing to the urgent goal of improving the completeness, consistency, and comparability of sustainability reporting under the stewardship of its Sustainable Finance Task Force. The Task Force will also continue to progress on two other important areas covering (i) asset managers and greenwashing, and (ii) ESG ratings, and ESG data providers.

IOSCO will also continue its efforts on six specific priorities identified by the Board for 2020, all of which will continue to be priorities in 2021 and 2022, namely (1) corporate debt and leveraged finance, (2) crypto assets, (3) market fragmentation in securities and derivatives markets, (4) artificial intelligence and machine learning, (5) passive investing and index providers and (6) retail distribution and digitalization. The 2021-2022 work program provides an update on these six existing priorities as well as an overview of the planned work on the two new priorities.

International Capital Market Association (ICMA)

22 February 2021: ICMA issues note following publication of ESAs' final recommendations for regulatory technical standards (RTS) of Sustainable Finance Disclosure Regulation (SFDR)

The International Capital Market Association (ICMA) issued a note following the publication of the ESAs' final recommendations for the regulatory technical standards (RTS) of the Sustainable Finance Disclosure Regulation (SFDR). The note explains the next steps regarding the decision making process and points out implementation challenges which members and policy makers may want to consider.

1 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

- Bond trading finally dragged into the digital age
  "Fixed income markets have historically been overwhelmingly analogue. Some corners have slowly been dragged into the modern, digital era of trading — the bigger, more homogenous and liquid government bond markets especially. But, on the whole, trading has long stayed bilateral, bespoke and arranged by phone or Bloomberg messages. The bond market was simply too fragmented, too idiosyncratic — just too dang messy — to be electronified like equities, many in the industry felt. While there are about 41,000 stocks in the world, there are millions of bonds, almost all of them with unique characteristics"

- UK companies face greater scrutiny on climate risks at upcoming AGMs
  "British companies that fail to thoroughly report the risks they face from global warming will come under intense scrutiny during the upcoming annual meeting season after an influential investor lobby group said it would issue amber warnings for climate laggards. The Investment Association, the UK's trade body for asset managers with £8.5tn under management, said it will flag for the first time when companies in high-risk sectors fail to report under the Task Force on Climate-related Financial Disclosures, the framework spearheaded by former Bank of England governor Mark Carney"

- UK carbon trading system to launch in May
  "The UK's post-Brexit carbon trading scheme will launch in May, the government said on Friday, with the first auctions that replace its EU counterpart expected to attract strong interest from buyers. The UK emissions trading programme is a cornerstone of the government's pledge to become a net-zero economy by 2050. It sets a limit on the volume of greenhouse gases that heavy polluters can emit and requires them to buy carbon credits, which can be traded, to cover their output"

- Sunak to unveil new business loan and scrap emergency schemes
  "Sunak will also use the Budget to extend a package of other Covid-19 support measures for business until June, including business rates and VAT relief, the furlough job support scheme and the stamp duty holiday. The Treasury will replace the loan programmes with a new scheme with more stringent criteria as it seeks to wean companies off state support and return the economy to a more normal, post-pandemic footing, according to people briefed on the plan"

- EG Group to raise extra $1.8bn debt to buy Asda petrol stations
  "EG Group, the highly leveraged petrol stations business whose billionaire owners have bought UK supermarket chain Asda, is planning to raise an extra $1.8bn in the next stage of the group's debt-fuelled acquisition spree. The move would add to the Blackburn-based group's $9bn debt pile and mark the latest in a series acquisitions that have propelled its rapid growth in recent years. Its latest foray into bond markets comes even as the group seeks permission to delay publication of audited financial statements, in another sign of its breakneck deal making"

- Hotels group IHG cautious about travel recovery
  "InterContinental Hotels Group, owner of the Holiday Inn and Crowne Plaza brands, has warned that the difficulties of the most challenging year in its history have stretched into 2021 as new strains of coronavirus force countries to close borders and limit travel"

- IAG slumps to biggest loss in its history
  "At the underlying level IAG delivered a €4.3bn loss for 2020, which was slightly better than market expectations of €4.5bn. Liquidity at the year end was €10.3bn including government support programmes. Net debt stood at €9.8bn at the end of the year — up nearly 30 per cent on the previous year but slightly lower than analysts had expected"

- British Airways to defer £450m of pension contributions
  "BA has also finalised the terms of a £2bn loan, which has been underwritten by a syndicate of banks and partially guaranteed by UK Export Finance. It expects to draw down the facility before the end of this month"

- EasyJet raises €1.2bn bond after UK reveals plans to lift lockdown
  "The UK-based airline raised €1.2bn worth of seven-year bonds on Wednesday at a yield of 1.875 per cent. Nearly €6bn worth of orders flooded in, allowing easyJet to increase the size of the deal. The robust order book highlights the extent of investor expectations for a revival in the industry and also how hot debt markets remain as a result of vast central bank and government stimulus actions"

- H&M experiments by refashioning stores for post-pandemic life
  "H&M is also trying to increase its speed on sustainability, bringing in a target of using 30 per cent recycled materials by 2025. Critchlow said that the group was leading the industry in its attempts to become circular, although many voice concerns over how much fast-fashion groups encourage excess consumption. Strong investor demand this month led to H&M reducing the interest rate for its maiden sustainability-linked bond, which was 7.6 times oversubscribed"

1 March 2021

- Trinity College Cambridge to dump fossil fuel companies this year
  “Trinity College Cambridge, the wealthiest Oxbridge institution, has pledged to sell all of the publicly traded fossil fuel companies owned by its £1.5bn endowment before the end of December following a four-year campaign by students concerned about climate change. The alma mater of Sir Isaac Newton also promised to achieve net zero carbon emissions before 2050, as universities across the UK and US come under mounting pressure from students to radically reform their investments in response to global warming and social injustices”

- H2O hires advisers as it races to dispose of illiquid debt
  “H2O Asset Management has enlisted investment bank Perella Weinberg Partners and law firm Linklaters, as the group explores new ways to dispose of illiquid assets tied to the German financier Lars Windhorst that plunged it into turmoil last year”

- The UK and EU will remain at odds over finance
  “A memorandum of understanding with Brussels will do little to staunch the drain of activity from the City”

- ECB signals rising concern about eurozone bond market sell-off
  “The European Central Bank has indicated it will increase the pace of its emergency bond purchases to counter the recent sell-off in eurozone sovereign debt markets if borrowing costs for governments, companies and households continue to rise”

- Carbon bulls will not wait on the EU
  “It’s unusual to find an asset class where almost every trader and analyst active in the sector agrees the price is set to rise. But that is the case in Europe’s carbon market, where analysts are projecting the price could more than double in the coming years. The importance of these forecasts, if they prove to be correct, is hard to understate. The EU’s plans to cut emissions sharply by 2030 hinge, in large part, on the price of polluting becoming high enough for the power sector and industries from manufacturing to shipping to clean up their act”

- Birkenstock sold to LVMH-backed group in €4bn deal
  “L Catterton, the private equity firm backed by Bernard Arnault’s LVMH, has agreed to buy the German footwear group Birkenstock in a deal that values the company at about €4bn”

- Special audit into German group Grenke uncovers string of failings
  “Embattled German leasing business Grenke will have to correct its 2019 results after a special audit ordered by regulators uncovered a string of failings at a company that has been a target of short-sellers. The investigation by audit firm Mazars, which German financial regulator BaFin commissioned in September, found flawed accounting, poor compliance, undisclosed related-party transactions and questionable lending by Grenke’s in-house bank”

- Banker who advised Wirecard chief’s family office leaves UniCredit
  “A senior investment banker who acted as a financial adviser to former Wirecard boss Markus Braun has left her job at UniCredit following revelations about the business relationship”

- Greek bank Alpha offloads €10.8bn bad loan book to Davidson Kempner
  “One of Greece’s largest banks has agreed to offload a €10.8bn book of toxic loans to US hedge fund Davidson Kempner, as the country’s banking sector seeks to move on from the lingering effects of the financial crisis more than a decade ago. The deal to securitise Alpha Bank’s non-performing exposure was announced on Monday and is Europe’s second-biggest such transaction to date. Davidson Kempner will also acquire an 80 per cent stake in Alpha Bank’s loan servicing subsidiary, Cepal Holdings”

- Iberdrola moves to tap €750bn EU recovery fund
  “Iberdrola has submitted 150 projects for financing under the EU’s €750bn recovery fund, in one of the clearest indications yet of how the historic programme could transform Europe’s energy sector”

- Powell signals ‘hope for return to more normal conditions’
  “Jay Powell, the chairman of the Federal Reserve, has told Congress there was hope for a return to more normal conditions this year but signalled that the central bank intended to maintain its heavy support of the economy. His comments pointed to no early Fed tightening of monetary policy or drawdown of asset purchases even with a brighter economic outlook”

- BlackRock’s Fink proposes a ‘bad bank’ model for fossil fuels
  “Environmentalists who have been calling on BlackRock to divest from fossil fuels, will surely be rolling their eyes at this point. But it is worth listening to the rest of Fink’s comments. Instead of dumping fossil-fuel assets with little regard for how they might be managed, Fink suggests that companies should emulate the bad bank model utilised in the finance industry, where a company creates a separate entity that holds its most toxic assets and works to wind them down”

- Vanguard tops list of world’s largest coal investors
  “Vanguard, the world’s second-largest asset manager, controls holdings worth $86bn in companies that produce or burn thermal coal, according to a new report that provides a comprehensive assessment of the financial sector’s involvement with coal. Asset managers and pension funds have pledged to support targets agreed at the 2015 Paris conference to curtail global warming, which will require huge reductions in fossil fuel consumption”

1 March 2021

- Pimco boss warns of inflation 'head fake'
  "One of the most powerful US bond managers has warned of an inflation head fake, where misplaced concerns about a rise in consumer prices cause a jump in bond yields"
- Wells Fargo agrees sale of asset management arm to private equity for $2.1bn
  "Wells Fargo has agreed to sell its asset management arm to US private equity firms GTCR and Reverence Capital for $2.1bn, in the latest of a string of deals sweeping across the US fund management industry"
- The boardroom's futile pursuit of purpose
  "For all the claims made by corporations, sceptics still believe shareholders — not stakeholders — will win out"
- ESG investment favours tax-avoiding tech companies
  "The huge rise in environmental, social and governance-based investing is funnelling money into companies that pay less tax and provide fewer jobs than many counterparts with lower ESG ratings, analysis shows. Assets under management in ESG ETFs jumped three-fold from just under $59bn at the end of 2019 to $174bn at the close of 2020, according to data from TrackInsight, an ETF data provider. Yet while the ESG movement is driven by a stated desire to improve the world by tackling issues such as climate change and board composition, it is arguably exacerbating other fissures in society"
- How to nail tax cheats and fund the UN sustainability goals
  "Corporate sustainability reports, long viewed by investors as not terribly useful, are about to gain new significance. As we reported last week, John Coates, the acting director of corporation finance at the Securities and Exchange Commission indicated that the agency may start looking more closely at voluntary disclosures, for example in sustainability reports. And this Wednesday the SEC announced it was beginning to update its guidance for corporate climate change disclosures"
- Cable makers wired into clean energy boom
  "The prosaic business of making and laying cables is one of the hot sectors in the clean energy transition, as demand for products such as undersea high voltage lines leads to order backlogs of two to five years. The world's three biggest listed cable makers — Milan-based Prysmian, the Paris-based Nexans and the Danish NKT — had their market valuations at least more than double since lows last March, boosted by the EU green deal and by the Biden administration's clean energy drive"

1 March 2021

Thomson Reuters

- Five things shaping Britain's financial rulebooks after Brexit
  "Britain is conducting a review of its financial rulebooks and policies to see how it can keep its 130 billion pound ($184 billion) finance sector competitive after Brexit left it largely cut off from the European Union. The government is due to issue papers in the coming days outlining its approach to financial technology (fintech) and capital markets, while further down the line it's expected to propose changes to the funds and insurance sectors"
- HSBC, Barclays challenged over bond linked to Vietnamese coal project
  "HSBC and Barclays, which have pledged to stop financing new coal projects, have been challenged by a legal group over a Japanese bond it says will contribute to the financing of coal-fired power in Vietnam. Both banks have come under pressure from investors keen to see them do more to help the world shift to a low-carbon economy and HSBC faces a shareholder vote over its fossil fuel financing at its annual meeting in April. While both have policies to refrain from financing new coal plants, the complaint focuses on their alleged role in helping to fund others who go on to finance such projects"
- Aviva sells French business to Macif's Aéma Groupe for $3.9 billion
  "Aviva has agreed the sale of its operations in France for 3.2 billion euros ($3.89 billion) to Macif's Aéma Groupe, as part of the British insurer's shift to focus on its core operations in Britain, Ireland and Canada"
- Euro zone corporate lending growth slows as monthly flows dry up
  "Lending to euro zone companies slowed last month as the flow of fresh credit came to a halt with the bloc back in recession and banks tightening access to credit, European Central Bank data showed on Thursday. Lending to non-financial corporations in the 19-country euro area slowed to 7.0% in January from 7.1% month earlier, a relatively high level not far from a 10-year high of 7.4% hit in May"
- EU countries back green building renovations, but quiet on binding standards – draft
  "European Union countries will rally behind the bloc's plan to massively expand building renovations to cut emissions, according to a draft document, but did not explicitly endorse using legally-binding energy performance standards to do it"
- Ardagh Metal to sell largest-ever green junk bond
  "Ardagh Metal Packaging will sell green bonds worth about $2.8 billion on Friday, the biggest green issuance in the high-yield market to date, as a part of its plan to merge with a blank-check firm backed by billionaire Alec Gores"
- Firms' climate data reporting is improving, says Norway wealth fund
  "Companies are improving the way they report about their impact on the climate, Norway's $1.3 trillion sovereign wealth fund said on Thursday, having long called for fuller disclosures. Sector-wise, companies in telecommunications, personal and household goods, and healthcare had the best reporting overall, the fund said. The reporting of companies in construction and building materials, insurance, oil and gas, and industrial goods and services was generally weaker, it said"
- Norway wealth fund considers how to ensure quality in corporate audits
  "Norway's $1.3 trillion sovereign wealth fund, the world's largest, is considering how to ensure high quality audits are conducted in the roughly 9,100 companies in which it invests, a top fund official told Reuters"
- Poland's PGE, EU advisors increase pressure over gas in green finance rules
  "The European Commission came under new pressure on Monday from Poland's biggest power producer PGE and its own advisors, over whether to include gas power in EU rules on sustainable finance"
- U.S. bank regulators say pandemic drove up risk in leveraged lending
  "The credit risk for large, syndicated loans, including leveraged loans, remains high and increased in 2020 as the COVID-19 pandemic took an economic toll, U.S. bank regulators cautioned on Thursday. A new regulatory report found that the level of non-pass loans nearly doubled in 2020, rising to 12.4% from 6.9%, with most of those riskier loans held by nonbanks. U.S. banks accounted for 45% of the $5.1 trillion in large, syndicated loans but held less than 25% of all non-pass loans. The report found loan performance particularly struggled in areas affected by the pandemic such as retail and transportation"
- RPT-ANALYSIS-Bubbles, bubbles bound for trouble?
  "Bond bubbles, biotech bubbles, Special purpose acquisition companies (SPAC) bubbles, shorting bubbles, space travel ETF bubbles. In fact, you have to search pretty hard to find an asset class that hasn't been flagged up"
- U.S. regulator launches review of companies' climate risk disclosures
  "The acting chair of the U.S. Securities and Exchange Commission (SEC) on Wednesday said the market regulator will review public companies' climate risk disclosures and begin to modernize climate guidance that is now more than a decade old. The agency's staff will review the extent to which public companies address topics related to climate change matters and assess companies' compliance with their disclosure requirements, Acting Chair Allison Herren Lee said in a statement"
- U.S. SEC should revisit disclosure requirements on diversity - acting chair
  "The U.S. securities regulator should think more creatively and broadly about tackling issues of race and gender diversity, including by potentially revisiting public companies' disclosure requirements, the agency's acting chair said"

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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