

Legal and Regulatory Updates

13/09/2021 – 17/09/2021

Key Highlights

- This Legal & Regulatory Update covers the week commencing **13/09/2021**.
- [BoE](#) organises IFABS 2021 Oxford Conference in collaboration with King's College London, University of Oxford and University of Nottingham on the overall theme of "Financial system(s) of tomorrow".
- [ECB](#) publishes a blog on the spectre of inflation.
- [ECB](#) publishes a speech given by Isabel Schnabel at the Bond Market Contact Group meeting.
- [ECB](#) publishes its monetary policy strategy review.
- [European Commission](#) to host its first annual event on sustainable investment.
- [AMF](#) publishes its 2020 Annual Report.
- [FINMA](#) provides an update on the progress of the LIBOR transition process.
- [ICMA](#) publishes a podcast on Environmental Disclosure & Impact Reporting.
- In this update, we also cover some of the most important [news on leveraged finance](#) published by the Financial Times during the week.

Bank of England (BoE)

14 September 2021: BoE organises IFABS 2021 Oxford Conference in collaboration with King's College London, University of Oxford and University of Nottingham on the overall theme of "Financial system(s) of tomorrow".

The Bank of England (BoE) [organised](#) this year's IFABS annual conference in collaboration with King's College London, University of Oxford and University of Nottingham on the overall theme of "Financial system(s) of tomorrow". The 2021 IFABS Oxford virtual conference took place from 14th September 2021 to 16th September 2021 and has become truly global. Some high-level diversity stats below:

- Participants and delegates come from more than 36 countries spanning all continents (except for Africa);
- 70% come from academia and 30% are from central banks, industry and international organizations;
- Presenters are comprised of PhD students, early career researchers, senior researchers, and professors or high-level professionals;
- Scientific committee consists of 80 members;
- Those members come from 20 countries, spanning 5 continents;
- 20 scientific themes across finance, financial markets, macro-finance, financial stability, and central bank policy

More information can be found in the 3 welcome speeches below. Highlights of the conference are also published on social media.

- [IFABS 2021 Conference: Welcoming remarks - Professor Duncan Angwin](#)
- [IFABS 2021 Conference: Opening speech and keynote introduction - Dr Eddie Gerba](#)
- [IFABS 2021 Conference: Opening talk from the IFABS President - Professor Meryem Duygun](#)

13 – 17 September 2021: Speeches, Letters & Other Publications

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

- [Bigger, broader, faster, stronger? How much should tomorrow's central bank balance sheets do – and what should we leave to financial markets? Some principles for good parenting](#) – Speech by Andrew Hauser

The Pensions Regulator (TPR)

13 – 17 September 2021: Speeches, Letters & Other Publications

During the week, The Pensions Regulator (TPR) released the following speeches, announcements and publications that might be of interest to our readers:

- [FCA and TPR outline a framework for value for money in defined contribution pension schemes](#) – joint discussion paper on developing a common framework for measuring value for money (VFM) in defined contribution (DC) pension schemes

Financial Reporting Council (FRC)

13 – 17 September 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 Periodic Review of FRS 102 Webinar](#) – FRC released its webinar on the periodic review of UK and Ireland accounting standards

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European Central Bank (ECB)

14 September 2021: ECB publishes a blog on the spectre of inflation

The European Central Bank (ECB) [published](#) a blog on the spectre of inflation in the euro area. The blog post states that sentiment in the euro area is brightening. Consumers and firms are becoming more upbeat about the future. At the same time, consumer prices are increasing at a faster pace. In August, inflation in the euro area stood at 3%. In Germany, the inflation rate, as measured by the Harmonised Index of Consumer Prices, hit 3.4% in August – a level not seen in 13 years. And it is likely to continue rising until the end of the year.

The blog post mentions that these developments understandably have people worried. Higher inflation reduces purchasing power and lowers inflation-adjusted wages and interest income. Very low nominal interest rates compound these worries as commercial banks are increasingly passing negative interest rates on to their customers.

It offers a factual explanation for the recent price increases and an assessment of future risks, especially in Germany where fearmongering is on the rise. Allusions are being made to conditions in the Weimar Republic and parallels being drawn with the 1970s. The blog post explains why these comparisons are misleading and why there is not the slightest indication that the current monetary policy will lead to permanently higher inflation, let alone bring about hyperinflation.

15 September 2021: ECB publishes a speech given by Isabel Schnabel at the Bond Market Contact Group meeting

The ECB [published a speech](#) given by Isabel Schnabel at the Bond Market Contact Group meeting. The speech discussed the drivers of recent bond market developments and zoomed in on two factors that may currently pull yields lower: one relating to concerns regarding the spread of the Delta variant, the other relating to monetary policy.

The speech concluded that sovereign bond yields are at exceptionally low levels. Record low real interest rates provide substantial policy accommodation, supporting the recovery and paving the way for inflation to reach our 2% target in the medium term. It concluded that it is likely that the stock of acquired assets as well as the ECB's new forward guidance are contributing to keeping real yields anchored at low levels. Consequently, current low real yields may be less puzzling than they may appear at first sight.

As the economy returns to full strength and underlying price pressures build durably and visibly, market-based interest rates can be expected to increase in line with the state-contingent nature of our forward guidance. The conditions that the ECB have laid out for raising interest rates ensure that this adjustment will not happen prematurely but only once the ECB are confident that inflation will converge to their 2% target in the medium term.

15 September 2021: ECB publishes its monetary policy strategy review

The ECB [published its monetary policy strategy review](#). The process was launched in January 2020 and the outcome was announced on 8 July 2021. The process consisted of 13 Euro system work streams and 18 Occasional Papers, and it led to three decision documents:

- [Monetary policy strategy statement](#)
- [Overview note](#)
- [Climate change action plan](#)

A rate forward guidance stated that “In support of its symmetric two per cent inflation target and in line with its monetary policy strategy, the Governing Council expects the key ECB interest rates to remain at their present or lower levels until it sees inflation reaching two per cent well ahead of the end of its projection horizon and durably for the rest of the projection horizon, and it judges that realised progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilising at two per cent over the medium term. This may also imply a transitory period in which inflation is moderately above target.”

13 – 17 September 2021: Speeches, Letters & Other Publications

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

- [Interview with Bloomberg](#) – Interview with Christine Lagarde, President of the ECB, conducted by David Rubenstein, Bloomberg, on 13 September
- [Letter from the ECB President to Mr Martin Schirdewan, MEP, on climate change](#)
- [Interview with Het Financieele Dagblad](#) – Interview with Luis de Guindos, Vice-President of the ECB, conducted by Joost van Kuppeveld and Daan Ballegeer
- [New narratives on monetary policy](#) – the spectre of inflation – Speech by Isabel Schnabel, Member of the Executive Board of the ECB, 148th Baden-Baden Entrepreneurs' Talk
- [Monetary and fiscal complementarity in the Covid-19 pandemic](#) – Working Paper Series
- [The IMF's role in sovereign debt restructurings](#) – Occasional Paper Series
- [The ECB Survey of Monetary Analysts](#) – this report summarises the aggregated results of the Survey of Monetary Analysts (SMA) of September 2021. The survey period was from 23 August to 27 August 2021 and 26 respondents participated

European Systemic Risk Board (ESRB)

13 – 17 September 2021: Speeches, Letters & Other Publications

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

- [Determinants of the credit cycle: a flow analysis of the extensive margin](#) – Working Paper Series
- [Synthetic Leverage and Fund Risk-Taking](#) – Working Paper Series

European Commission

15 September 2021: European Commission to host its first annual event on sustainable investment

The European Commission will [host](#) its first annual event on sustainable investment on the 7th of October 2021. The EU Sustainable Investment Summit 2021 is the first annual event of the European Commission on sustainable investment, following the launch of the European Green Deal, which sets the objective for Europe to become the first climate-neutral continent by 2050.

As part of this new growth strategy, the EU adopted the [European Green Deal Investment Plan](#). The EU's plan for recovery and resilience after the Covid-19 crisis ([NextGenerationEU](#)) should also foster a strong increase of green investment across EU Member States.

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The EU Sustainable Investment Summit aims at raising awareness, bringing forward new perspectives and inspiring daring and trailblazing initiatives in Europe and globally. The theme of the launch edition will be ‘Make it sustainable: investing together in our future’.

The Summit will gather a line-up of high-level speakers from across the world, entrepreneurs, investors, financial institutions, policymakers, civil society representatives and citizens, who will exchange their ideas to unlock investment and finance to accelerate the transition towards climate neutrality.

Participants can share their views and be at the forefront of green finance and sustainable investments by tuning in on 7 October 2021 to watch the live broadcast and engage with the speakers. Participants can also register here to receive all the latest updates and material.

The EU Sustainable Investment Summit 2021 is part of a broader initiative, the Conference on the Future of Europe, which enables people from across Europe to share their ideas and help shape our common future.

13 – 17 September 2021: Speeches, Letters & Other Publications

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

- [State of the Union: Commission proposes a Path to the Digital Decade to deliver the EU's digital transformation by 2030](#) – the Commission proposed a Path to the Digital Decade, a concrete plan to achieve the digital transformation of our society and economy by 2030. The proposed Path to the Digital Decade will translate the EU's digital ambitions for 2030 into a concrete delivery mechanism. It will set up a governance framework based on an annual cooperation mechanism with Member States to reach the 2030 Digital Decade targets at Union level in the areas of digital skills, digital infrastructures, digitalisation of businesses and public services. It also aims to identify and implement large-scale digital projects involving the Commission and the Member States
- [E-QUEST – A Multi-Region Sectoral Dynamic General Equilibrium Model with Energy: Model Description and Applications to Reach the EU Climate Targets](#) – this paper provides a description of E-QUEST, a new micro-founded multi-region model with energy sectors that is used to analyse the macroeconomic impact of meeting the net zero emissions climate target of the European Union
- [Conference on the Future of Europe: citizens in the spotlight](#) – the first of four European Citizens' Panels started its work with a session in Strasbourg from Friday, 17 September to Sunday, 19 September 2021
- [Annual inflation up to 3.0% in the euro area](#) – the euro area annual inflation rate was 3.0% in August 2021, up from 2.2% in July

Autorité des Marchés Financiers (AMF)

16 September 2021: AMF publishes its 2020 Annual Report

The Autorité des Marchés Financiers (AMF) [published](#) its 2020 Annual Report. The AMF's 2020 Annual Report presents the consequences of the coronavirus epidemic on the AMF's fields of competence, the actions implemented to deal with it, the evolution of the situation, the results obtained and the lessons to draw from it. The key figures and highlights of the year concerning all of the AMF's missions are also presented.

The Swiss Financial Market Supervisory Authority (FINMA)

16 September 2021: FINMA provides an update on the progress of the LIBOR transition process

The Swiss Financial Market Supervisory Authority (FINMA) provided an [update](#) on the progress of the transition process.

FINMA considers the banks to be essentially on track with the roadmap. At the same time, some product categories are still trailing behind. This is particularly true for syndicated loans. FINMA sets out some best practices for successfully transitioning away from LIBOR. It reiterates its call on market participants to continue to accord top priority to the necessary preparations.

This year, to allow it to carry out risk-based supervision, FINMA required the top 20 banks and securities firms most impacted by the LIBOR transition in terms of volume to complete a monthly self-assessment. The data submitted up to 31 July 2021 show that the majority of supervised institutions have adhered to the milestones of the roadmap set out in [Guidance 10/2020](#) up to now. For instance, the banks have reduced the number of contracts without robust fallback clauses for the period after the cessation of LIBOR by almost 90% since the beginning of 2020. Nevertheless, such type of contracts with a volume of around CHF 40 billion still remained on the banks' books at the end of July, the majority of those in Swiss francs. Time is now running out for bringing outstanding negotiations with the counterparties to a successful conclusion as quickly as possible and before end-2021 at the latest.

FINMA sees the greatest need for action in the area of syndicated loans, i.e., loans where at least two lenders work together to provide funds. In this area, the number of contracts without robust fallback clauses has only been reduced by 28% since the start of 2021. FINMA is therefore repeating its appeal to the banks to actively contact the syndicate banks and borrowers in order to amend the relevant credit agreements and achieve legal certainty for the future.

13 – 17 September 2021: Speeches, Letters & Other Publications

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

- [FINMA recommends portfolio managers and trustees submit licence applications in good time](#) – half way through the three-year transition period, only 180 out of around 2,400 portfolio managers and trustees affected have so far submitted a licence application to the FINMA
- [FINMA provides guidance on the data collection for investment funds \(the template\) and contains definitions, explanations and examples for the items referred to in the template](#)

Central Bank of Ireland (CBI)

13 – 17 September 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:

- [“Slack, bottlenecks, and post-pandemic inflation”](#) – Speech by Governor Gabriel Makhlouf at the Dublin Economics Workshop
- [Central Bank publishes report assessing impact of credit union investment framework changes](#)
- [The Euro Area Outlook](#)

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International Capital Market Association (ICMA)

15 September 2021: ICMA publishes a podcast on Environmental Disclosure & Impact Reporting

The International Capital Market Association (ICMA) [published a podcast](#) on Environmental Disclosure & Impact Reporting. ICMA's Mushtaq Kapasi speaks with Pratima Divgi, CDP Regional Director, on the topic of environmental disclosure & impact reporting. Pratima provides a brief introduction on CDP's role in sustainable finance and discusses how CDP relates to other disclosure regimes, the methodology for investor benchmarking, and how sustainability reporting may continue to evolve in the future.

13 – 17 September 2021: Speeches, Letters & Other Publications

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

- [ICMA and AFE joint webinar: The end of LIBOR and the transition to risk-free rates](#) – this webinar focused on the reasons for the cessation of LIBOR across the main international LIBOR jurisdictions, and the need to transition to risk-free rates (RFRs), including the relevant timelines. The main emphasis was on the bond market, with reference to the loan and derivatives markets

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In the News

During the week, the Financial Times published the following news that might be of interest to our readers.

- [Alarm bells are ringing unheeded in a world yearning for optimism](#)
“Credit rating agencies are already warning the seeds of the next crisis, or at least the next default cycle, are being sown today. The pain will be particularly acute in the junk bond and leveraged loan market. This is where riskier companies finance themselves and private equity buyout shops fund their takeovers.”
- [Inflation panic? Don't tell the bond market](#)
“What has caught our attention about the great inflation debate between Team Transitory and the Inflation isn't as is how asset prices, particularly in the bond market, have not really adjusted to the spikes in consumer prices we saw over the summer. As Robert Armstrong noted in Unhedged this morning, 5 and 10-year breakeven are circa 2.5 per cent — far below where year-on-year inflation has hit for the majority of the year — suggesting the bond market is very much in the Team Transitory camp at the moment.”
- [If the bond bull market is over will a bear follow?](#)
“Inflation is rising. The latest numbers in the UK put it at 3.2 per cent (the Bank of England's target is 2 per cent) and it is no longer considered completely nuts to talk of it hitting 4 per cent before the year is out.”
- [European bonds slip on prospect of inflation hitting 2% by 2025](#)
“The prospect of the European Central Bank lifting interest rates earlier than many analysts had expected hit eurozone bonds on Friday, pushing German borrowing costs to the highest in more than two months.”
- [Investment funds need bolstering to stop market turmoil repeat, says IMF](#)
“Fundamental reforms are needed to bolster investment funds to prevent a repeat of the financial market turmoil triggered by the coronavirus pandemic, the IMF said on Friday. Central banks were forced to intervene aggressively to restore order after sharp price falls across financial markets in the first quarter of 2020 were amplified by heavy selling by fund managers, who dumped stocks and bonds when their clients rushed for the exit.”
- [Libor replacement reaches Wall Street's leveraged loan market](#)
“Bank of America has started marketing the first leveraged loan tied to the interest rate that is set to replace Libor, in a milestone for the industry as it transitions away from the disgraced lending benchmark.”
- [China's Evergrande faces investor protests as liquidity crunch worsens](#)
“Evergrande has hired restructuring advisers and warned that its liquidity is under “tremendous pressure” from collapsing sales as China's most indebted property developer faces protests by home buyers and retail investors. In a statement to the Hong Kong stock exchange, Evergrande disclosed that its monthly sales had almost halved from June to August, falling from Rmb71.6bn (\$11bn) to Rmb38.1bn.”
- [High yields tempt wary investors back into Turkish debt](#)
“Foreign investors have begun tiptoeing back into Turkey's debt market after severe ructions earlier this year, but many remain deeply sceptical about the outlook for one of the world's biggest emerging markets. A \$2.25bn Turkish dollar bond sale this week attracted vigorous demand from investors across the UK, US and Europe, in the latest sign of how the country is beginning to lure back fund managers with high returns that are elusive in many other markets.”
- [Investors rein in risk for fear of 'doing something stupid' before year end](#)
“At this point in the calendar, fund managers have one key task: Don't do anything stupid. The largesse of central banks and governments has propped up their returns rather nicely in 2021, and unless they break that golden rule with an ill-fated blowout bet, most are on track to post respectable figures for the full year.”
- [Coinbase seeks to raise \\$1.5bn amid corporate borrowing binge](#)
“It is the first time the company has sought to borrow from more mainstay bond investors. If the fundraising is successful, it would be a watershed moment for the cryptocurrency industry and its ability to access traditional sources of capital.”
- [Hunt for small asset management deals hottest since 2007](#)
“Smaller deals between asset managers are running at the hottest pace in almost 15 years as businesses hunt for tactical acquisitions instead of bigger, riskier purchases — many of which have failed in one of the world's most fragmented sectors”
- [Backing biodiversity to save ourselves](#)
“It is often believed that the financial sector can survive any crisis and that investors always find a way to bounce back and make more money. It took about four years for the markets to recover from the 2008 financial crisis, and only a few months to return to pre-pandemic levels. The biodiversity crisis will be different. The markets took a quarter of a century to recover from the Great Depression in 1929. They will probably take a similar time to rebound once the mass extinction of species is fully underway by 2030. Biodiversity loss, set to be one of the largest environmental crises of all times, will collapse economies and societies. If the financial sector wants to survive it must move now, fast and at scale.”

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- [Green claims draw increasing regulatory scrutiny](#)
“Two little-noticed regulatory developments from earlier this week caught our attention. Both underscore the fact that regulators worldwide are ramping up scrutiny of ESG and sustainability claims”
- [FTSE 100 failing on class in drive for diversity](#)
“Only 12 FTSE 100 companies can claim to take social class seriously in equality and hiring, according to new research showing top employers are doing little to give equal opportunities to those from diverse socio-economic backgrounds. The analysis, by the University of Exeter, found nearly half of the UK’s largest companies made no mention of socio-economic background in their diversity strategies or annual reports”
- [French shareholders need to team up with activists on ESG issues](#)
“In the US and UK, no company is safe from the attentions of activist investors. But in France, and many other continental European jurisdictions, the business elite feels relatively secure; public company directors are more dismissive towards activists and engaged shareholders. Too many board members are old school friends or belong to the same clubs, and are therefore reluctant to side with activists against their pals”
- [Belize leans on coral reefs to drive bargain with bondholders](#)
“Belize is inching towards a deal with international bondholders after admitting it cannot afford to pay back its debt, and counting on an unusual asset to help: its coral reefs.”
- [Asset managers chase returns in tree carbon storage](#)
“Asset managers that own forests logged for timber are expecting a jump in returns through a boom in the sale of units linked to the carbon stored in trees that are used to meet climate change targets.”
- [Widespread lapses in climate risk reporting found in company accounts](#)
“Companies frequently omit information about critical climate-related risks from their financial statements and there are often “considerable” inconsistencies in disclosures reported elsewhere by the same organisation, according to new independent research. A review of 107 global companies in carbon-intensive sectors, including energy, cement and transport, found that more than 70 per cent did not indicate whether they had considered climate when preparing their 2020 financial statements”
- [Unpublished ECB inflation estimate raises prospect of earlier rate rise](#)
“The European Central Bank expects to hit its elusive 2 per cent inflation target by 2025, according to unpublished internal models that suggest it is on course to raise interest rates in just over two years.”
- [Global growth expectations tumble as inflation fears mount, BofA survey finds](#)
“Investors have pared their expectations for the global economy to grow considerably a Bank of America fund manager survey has found, with inflation fears overriding concern about the Delta variant as the catalyst for pessimism.”

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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