**28 September 2021**

# Legal and Regulatory Updates

## 20/09/2021 – 24/09/2021

## Key Highlights

- This Legal & Regulatory Update covers the week commencing **20/09/2021**.
- BoE publishes Monetary Policy Summary and minutes of the Monetary Policy Committee meeting.
- FCA publishes a speech measuring and assessing culture, now and in the future, the role of purpose and the importance of D&I.
- FRC publishes a Report on Going Concern and Viability Review.
- FRC publishes International Sustainability Standard Setting FAQs.
- FRC publishes follow-up review on the Streamlined Energy and Carbon Reporting rules.
- ESMA publishes their Third Agenda Consultation letter to the IASB.
- ESMA recommends to European Commission to delay buy-in rules.
- ESMA consults on proposals for a review of the MiFID II best execution reporting regime.
- ECB publishes a work stream on non-bank financial intermediation in the euro area.
- ECB publishes a paper offering an overview of their mandate.
- ECB publishes the results of its economy-wide climate stress test.
- ECB publishes a Working Paper Series on Bank balance sheet constraints and bond liquidity.
- ESRB publishes its ESRB risk dashboard September 2021.
- AMF informs issuers about the phased application of reporting requirements in Article 8 of the Taxonomy Regulation.
- CSSF invites Investment Fund Managers to declare via a new dedicated eDesk application the performance fee models applicable to Luxembourg UCITS or AIF they manage.
- BCBS calls for improved cyber resilience, reviews climate-related financial risks and discusses impact of digitalisation.
- ICMA's ERCC publishes summary report following market consultation on the role of repo in green and sustainable finance.
- ICMA responds to IOSCO AMCC member survey on corporate bond market microstructure and participant behaviour.
- ICMA publishes an update on the EU sustainability disclosure regime.
- 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)

**23 September 2021: BoE publishes Monetary Policy Summary and minutes of the Monetary Policy Committee meeting**

The Bank of England (BoE) published its Monetary Policy Summary and minutes of the Monetary Policy Committee (MPC) meeting. The MPC voted unanimously to maintain Bank Rate at 0.1%. 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 voted by a majority of 7-2 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.

**20 September – 24 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:

- Exchange of letters between the Governor and the Chancellor regarding CPI Inflation September 2021 – if inflation moves away from the target by more than 1 percentage point in either direction, the Governor is required to send an open letter to the Chancellor explaining why inflation has moved away from target and what action the Bank is taking to bring inflation back to target
- Andy Haldane talks about social mobility with Sam Friedman – the BoE aims to develop a diverse workforce and inclusive workplace. Part of that diversity is social background. This podcast series is part of a five-year social mobility strategy that was launched in February 2020
- Minutes of the London FXJSC Operations Sub-Committee Meeting 9 June 2021
- Minutes of the Securities Lending Committee meeting September 2021
- Prudentist: Sam Woods sets out the Prudential Regulation Authority (PRA)'s future work – Speech by Sam Woods

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## Financial Conduct Authority (FCA)

### 22 September 2021: FCA publishes a speech measuring and assessing culture, now and in the future, the role of purpose and the importance of D&I

The Financial Conduct Authority (FCA) published a Speech by Sheldon Mills, Executive Director, Consumers and Competition, measuring and assessing culture, now and in the future, the role of purpose and the importance of D&I.

The key highlights of the Speech mentioned that:

- Culture remains central to how we supervise the firms we regulate. The importance of an authentic, embedded purpose, visible leadership and an inclusive environment where staff feel safe to speak up is paramount.
- Hybrid working brings opportunities and challenges. Firms need to find approaches that give due regard to safeguarding their purpose and values, the wellbeing of staff and effective oversight.
- Diversity and Inclusion is an aspect of culture where the investment management sector has considerable ground to make up. We welcome the initiatives led by the IA but lasting change will only come from firms looking at their own culture and taking action.
- Firms in the investment management sector have a huge sphere of influence on ESG, both to improve their own ESG performance and to drive positive change through their investments. We look to firms in the sector to be effective stewards.

### 20 September – 24 September 2021: Speeches, Letters & Other Publications

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

- Seizing opportunity – challenges and priorities for the FCA – Speech by FCA CEO, Nikhil Rathi

## Financial Reporting Council (FRC)

### 22 September 2021: FRC publishes a Report on Going Concern and Viability Review

The Financial Reporting Council (FRC) published a Report on Going Concern and Viability Review. The FRC states that the difficult economic conditions arising as a result of Covid-19 represented a significant challenge for businesses. Although the effects of Covid-19 were uneven across the economy, all companies were impacted and many were, and still are, operating under severe pressure and high levels of uncertainty.

In the face of these challenges, users of accounts want to understand not only how companies intend to navigate through the pressures and uncertainties created by Covid-19 but also the way in which they intend to maintain their solvency and liquidity over the short, medium and longer term. Consequently, it is important that annual reports and accounts include clear and comprehensive viability and going concern disclosures, which is the focus of this thematic review.

This Report builds on the information contained within the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting document published by the FRC in September 2014 which is still relevant despite being based on the 2014 Corporate Governance Code. This thematic review complements the three reports published by the Financial Reporting Lab: 'Risk and Viability reporting', 'Covid-19: Going concern, risk and viability' and 'Reporting on risks, uncertainties, opportunities and scenarios'; and the 2020 AQR review of Going concern audit publication. The Report also takes account of the findings in three of the Corporate Reporting Review's (CRR's) most recent thematic reviews: 'Thematic review: Review of financial reporting effects of Covid-19', 'Thematic review: Cash flow and liquidity disclosures', and 'Thematic review: Interim reporting'.

This document summarises the key findings of our review of the viability and going concern disclosures for a selection of annual reports and accounts which have year ends between December 2020 and March 2021. It aims to provide useful guidance for preparers of annual accounts by identifying areas where viability and going concern disclosures could be improved, and by providing examples of better disclosures.

This Report includes extracts from the limited number of Reports and accounts included in the FRC's sample. The examples will not be relevant for all companies or all circumstances, but each demonstrates a characteristic of useful disclosure. Inclusion of a company's disclosure should not be seen as an evaluation of that company's reporting as a whole; nor does it provide any assurance or confirmation of the viability or going concern of that company, and should not be relied upon as such.

### 22 September 2021: FRC publishes follow-up review on the Streamlined Energy and Carbon Reporting rules

The FRC have published a follow-up review on Streamlined Energy and Carbon Reporting ('SECR') rules. In November 2020, the FRC published the Climate Thematic Review 2020 (the 'Climate Thematic'), which looked at climate-related considerations by boards, companies, auditors, professional bodies and investors. The FRC set out their views on current market practice, their expectations, and a commitment to play their part in raising the bar on the quality of reporting on climate change. In their review of companies' annual reports and accounts they made a number of observations on emissions reporting, noting the significance to users of metrics, targets and broader strategic commitments such as ambitions to reach 'net zero' emissions or to align strategies with the goals of the Paris Agreement.

The SECR rules set out certain required statutory disclosures about emissions and energy use. From 1 April 2019 the rules expanded the existing emissions disclosure requirements for quoted companies, and required emissions reporting for the first time for large unquoted companies and limited liability partnerships ('LLPs').

This follow-up review is part of the FRC's ongoing programme of work on climate change. It considers how a sample of preparers have complied with the new SECR requirements, highlights where we saw examples of emerging good practice, and sets out our expectations for reporting in future periods.

### 23 September 2021: FRC publishes International Sustainability Standard Setting FAQs

The FRC staff have prepared a factsheet to inform their UK company stakeholders of developments in sustainability standard setting by the International Financial Reporting Standards Foundation ('IFRS Foundation'). This is a fast-moving agenda that has the potential to impact corporate reporting significantly in the future.

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**20 September – 24 September 2021: Speeches, Letters & Other Publications**

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

- Have your say on proposals to strengthen the UK's Audit Firm Governance Code – the FRC is hosting a webinar and roundtable on 12 October, 11am – 12pm (BST) to discuss their consultation on proposals to update and strengthen the Audit Firm Governance Code
- Thematic Review: Streamlined Energy and Carbon Reporting – this follow-up review is part of the FRC's ongoing programme of work on climate change

## European Securities and Markets Authority (ESMA)

**23 September 2021: ESMA publishes their Third Agenda Consultation letter to the IASB**

The European Securities and Markets Authority (ESMA) published a letter thanking the IASB (International Accounting Standards Board) for the opportunity to contribute to their due process regarding Request for Information on the Third Agenda Consultation. ESMA considers that regularly consulting with regards to the development of the IASB Agenda contributes towards inclusive, open and transparent standard-setting.

ESMA broadly supports the Board's current level of focus for its main activities. In particular, given the three important Post Implementation Reviews (IFRS 9, IFRS 15 and IFRS 16), the category 'new IFRS Standards and major amendments' should not be substantially reduced. ESMA also recommends a slight shift towards increased maintenance and consistent application of the IFRS Standards in order to support implementation of IFRS Standards, especially in light of the recent or imminent implementation of four major standards (namely IFRS 9, IFRS 15, IFRS 16 and IFRS 17) and increased focus on digital reporting.

**24 September 2021: ESMA recommends to European Commission to delay buy-in rules**

ESMA has written to the European Commission regarding the implementation of the Central Securities Depositories Regulation (CSDR), urging it to consider a delay of the mandatory buy-in regime.

As the final European Commission legislative proposal for the review of CSDR, possibly including changes to the buy-in regime, is not expected before the end of this year, ESMA is in favour of delaying the entry into force of the buy-in requirements – scheduled on 1 February 2022 – while applying the other settlement discipline requirements, such as settlement fails reporting and cash penalties regime, as planned.

ESMA therefore considers it crucial that the European Commission and the co-legislators clarify their political intentions around the review of the settlement discipline regime and consider whether to postpone the buy-in regime implementation as soon as possible.

**24 September 2021: ESMA consults on proposals for a review of the MiFID II best execution reporting regime**

ESMA has launched a consultation on proposals for improvements to the MiFID II framework on best execution reports. These proposals aim at ensuring effective and consistent regulation and supervision and enhancing investor protection.

ESMA's proposals include technical changes to:

- the reporting obligations for execution venues:
- aimed at simplifying the reporting requirements by reducing the granularity and volume of data to be reported; and
- moving to a set of seven indicators aimed at disclosing meaningful information to help firms to assess venues' execution quality; and
- the reporting requirements for firms: focusing mainly on clarifying the requirements for firms that transmit client orders or decisions to deal to third parties for execution.

In addition, it proposes amendments to the relevant provisions of the MiFID II legislative framework to enable these technical changes to come into effect in the future. Stakeholders are invited to provide their responses by 23 December 2021.

Since ESMA's technical proposals can only be implemented after the relevant provisions of MiFID II have been amended, the outcome of this consultation will not lead to any immediate change of the existing RTSs 27 and 28 which currently regulate best execution reporting by execution venues and investment firms.

However, ESMA will consider the input received in supporting the European Commission in its assessment of the adequacy of the best execution reporting obligations, and any subsequent technical work to shape a well-functioning reporting regime.

**20 September – 24 September 2021: Speeches, Letters & Other Publications**

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

- ESMA publishes Final Report on the Guidelines on methodology, oversight function and record keeping under the Benchmarks Regulation
- ESMA publishes Final Report on the Guidelines on Settlement Fails Reporting under Article 7 of CSDR

## European Insurance and Occupational Pensions Authority (EIOPA)

**20 September – 24 September 2021: Speeches, Letters & Other Publications**

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

- Suptech Strategy – Interview with Ana Teresa Moutinho

## European Banking Authority (EBA)

**20 September – 24 September 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 launches 2021 EU-wide transparency exercise
- EBA publishes a Report on the platformisation of the EU banking and payments sector
- EBA welcomes the EU Parliament's decision on discharge of its budget implementation for 2019 – the Opinion elaborates on concrete actions taken by the EBA in relation to the European Parliament's observations during the discharge process in the

areas of budget and financial management, performance, staff policy, procurement, prevention and management of conflicts of interest and transparency, internal controls, etc

- Jose Manuel Campa's keynote speech at the Latin American Banking Federation

## European Central Bank (ECB)

**21 September 2021: ECB publishes a work stream on non-bank financial intermediation in the euro area**

The European Central Bank (ECB) published a work stream on non-bank financial intermediation. This work stream states that the financing structure of the euro area economy has evolved since the global financial crisis with non-bank financial intermediation taking a more prominent role. This shift affects the transmission of monetary policy. Compared with banks, non-bank financial intermediaries are more responsive to monetary policy measures that influence longer-term interest rates, such as asset purchases. The increasing role of debt securities in the financing structure of firms also leads to a stronger transmission of long-rate shocks. At the same time, short-term policy rates remain an effective tool to steer economic outcomes in the euro area, which is still highly reliant on bank loans. Amid a low interest rate environment, the growth of market-based finance has been accompanied by increased credit, liquidity and duration risk in the non-bank sector. Interconnections in the financial system can amplify contagion and impair the smooth transmission of monetary policy in periods of market distress. The growing importance of non-bank financial intermediaries has implications for the functioning of financial market segments relevant for monetary policy transmission, in particular the money markets and the bond markets.

**21 September 2021: ECB publishes a paper offering an overview of their mandate**

The ECB published a paper offering an overview of their mandate, as defined by its objectives, the instruments available to achieve them and the constitutional framework that the ECB shall observe in pursuing them. The objectives include the primary objective of maintaining price stability and the secondary objective of supporting the general economic policies in the Union. The price stability objective enjoys primacy amongst the ECB objectives. The Treaties do not provide for a hierarchy of the "general economic policies" that the ECB shall support, although a number of criteria derived from primary law can help in guiding the ECB's priorities in this respect. The ECB is also tasked with contributing to the "smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system". As for the instruments available, these include both measures that directly pursue the objectives and measures that are instrumental in achieving them. Finally, the other constitutional rules that set out the framework within which the ECB pursues its objectives include the principles of conferral, institutional balance, proportionality, equal treatment and non-discrimination, as well as the principle of an open market economy and the prohibition of monetary financing.

**22 September 2021: ECB publishes the results of its economy-wide climate stress test**

The ECB published the results of its economy-wide climate stress test. The exercise tested the impact of climate change on more than four million firms worldwide and 1,600 euro area banks under three different climate policy scenarios.

The results show that firms and banks clearly benefit from adopting green policies early on to foster the transition to a zero-carbon economy. The exercise also reveals that the impact of climate risk is concentrated in certain regions and sectors of the euro area. In particular, firms located in regions most exposed to physical risk could face very severe and frequent natural disasters, which would in turn affect their creditworthiness.

That said, the transition to a greener economy is also a golden opportunity. The exercise shows that the advantages of taking action early on outweigh the initial costs over the medium to longer term, also as a result of energy efficiency gains for firms and cheaper energy prices overall.

"Without policies to transition to a greener economy, physical risks will increase over time. They will increase non-linearly, and due to the irreversible nature of climate change, this increase will continue over time. It is essential to transition early on and gradually, so that we can mitigate the cost of both the green transition and the future impact of natural disasters", said Luis de Guindos, Vice-President of the ECB.

Euro area banks could be severely affected under a scenario where climate change is not addressed. The expected losses on corporate loan portfolios are shown to rise significantly over time, driven by ever increasing physical risk, with the potential of becoming critical over the next 30 years. In 2050, the average corporate loan portfolio of a euro area bank is 8% more likely to default under the hot house world scenario than under an orderly transition. When distinguishing between different loan portfolios, the climate-induced impact becomes even more pronounced, and particularly over time. Portfolios most vulnerable to climate risk are 30% more likely to default in 2050 compared with 2020 under the hot house world scenario: this increase is five times larger than the average increase under the same scenario.

The final climate stress test results are in line with the preliminary results published in March 2021 and complement these findings by including assessments of banks' resilience to climate risks through loans, security and equity holdings.

The ECB's economy-wide climate stress test marks the first step in the ECB's climate roadmap. The results and methodology will inform the 2022 supervisory climate stress test for the banks that the ECB directly supervises. They will also feature in the climate stress test of the Eurosystem balance sheet, which is being planned for the first quarter of 2022.

**23 September 2021: ECB publishes a Working Paper Series on Bank balance sheet constraints and bond liquidity**

The ECB published a Working Paper Series on Bank balance sheet constraints and bond liquidity. This explores the ties between bonds and individual dealers formed through home advantage and the persistence of previous underwriting relationships. Building on these connections, The Working Paper shows that the introduction of the leverage ratio for the European banks had a large impact on exposed bonds' liquidity. Moreover, based on these ties, they show that bond mutual fund panic following the 2020 pandemic outbreak affected substantially more mutual funds with the larger exposures to dealer banks' balance sheet constraints.

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**20 September – 24 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:

- ECB Forum on Central Banking 2021 – Online event, 28 and 29 September 2021
- ECB publishes Economic Bulletin Issue 6, 2021
- Euro area pension fund statistics: second quarter of 2021
- Integrating the climate and environmental challenge into the missions of central banks and supervisors – Speech by Frank Elderson
- Asset purchases: from crisis to recovery – Speech by Isabel Schnabel
- The many roads to return on equity and the profitability challenge facing euro area banks – Speech by Andrea Enria
- Digital innovation in the banking sector: pay-offs and perils – Speech by Andrea Enria
- Building the financial system of the 21st century – Speech by Edouard Fernandez-Bollo
- Interview with CNBC – Interview with Christine Lagarde, President of the ECB
- Structural change and central banking: some research priorities – Panel contribution by Philip R. Lane
- A novel risk management perspective for macroprudential policy – Research Bulletin No. 87.1
- Side effects of monetary easing in a low interest rate environment: reversal and risk-taking – Research Bulletin No. 87.2
- Avoiding a financial epidemic – the role of macroprudential policies – Research Bulletin No. 87.3
- Monetary policy, agent heterogeneity and inequality: insights from a three-agent New Keynesian model – Working Paper Series
- The implications of globalisation for the ECB monetary policy strategy – Occasional Paper Series
- Inflation expectations and their role in Eurosystem forecasting – Occasional Paper Series
- Review of macroeconomic modelling in the Eurosystem: current practices and scope for improvement – Occasional Paper Series
- The ECB's price stability framework: past experience, and current and future challenges – Occasional Paper Series
- Clear, consistent and engaging: ECB monetary policy communication in a changing world – Occasional Paper Series
- Demand for central bank reserves and monetary policy implementation frameworks: the case of the Eurosystem – Occasional Paper Series
- ECB welcomes the European Commission's targeted consultation on the functioning of the EU securitisation framework

## European Systemic Risk Board (ESRB)

**24 September 2021: ESRB publishes its ESRB risk dashboard September 2021**

The European Systemic Risk Board (ESRB) published its risk dashboard, September 2021. The ESRB risk dashboard is a set of quantitative and qualitative indicators of systemic risk in the EU financial system. It is published quarterly, one week after its adoption by the General Board, and is accompanied by an overview note that explains the recent development of the indicators, and two annexes that explain the methodology and describe the indicators.

## European Commission

**20 September – 24 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:

- EU environmental law – implementation review 2022 – the environmental implementation review is a regular cycle of analysis, dialogue and collaboration to improve the implementation of EU environmental policy and law in EU member countries
- 12 Q&As from the LIFE Call for proposals 2021
- Executive agencies - 2021 annual work programmes
- Insurance rules' review: encouraging solid and reliable insurers to invest in Europe's recovery – on 22 September 2021, the Commission adopted a comprehensive 'review package' of Solvency II rules

## Autorité des Marchés Financiers (AMF)

**22 September 2021: AMF informs issuers about the phased application of reporting requirements in Article 8 of the Taxonomy Regulation**

The Autorité des Marchés Financiers (AMF) informed issuers about the phased application of reporting requirements in Article 8 of the Taxonomy Regulation. To promote sustainable investment, the Taxonomy Regulation (Regulation (EU) 2020/852) establishes a European Union-wide classification system to identify economic activities that are considered sustainable. Pursuant to Article 8 of this regulation, companies will have to publish sustainability indicators from 1 January 2022. A delegated regulation published by the European Commission on 6 July 2021 determines the content, calculation methodology and presentation of these indicators. To help issuers prepare for the upcoming application of this new regulation, the AMF would like to remind issuers of its main provisions and draw their attention to the ambitious implementation schedule

The requirement to deliver sustainability indicators under Article 8 of the Taxonomy Regulation will apply, as of 01/01/2022, to companies subject to the obligation to publish non-financial statements in accordance with Article 19a or Article 29a of the Accounting Directive 2013/34/EU. It thus concerns, as long as their average number of employees during the financial year exceeds 500, and their balance sheet total exceeds €20 million or their net turnover exceeds €40 million on their balance sheet date:

- companies whose transferable securities are admitted to trading on a regulated market;
- credit institutions as defined in Article 4(1) of Regulation (EU) 575/2013;
- insurance undertakings as defined in Article 2(1) of Directive 91/674/CEE, as well as
- other public interest entities designated under French law in part III of Article L. 820-1 of the Commercial Code, i.e. provident institutions and their unions; mutual insurance companies and unions of mutual insurance companies; certain financial holding companies; certain insurance group companies and mutual group unions; supplementary occupational pension funds; supplementary occupational pension mutual insurance companies or unions; and supplementary occupational pension institutions.

It also concerns parent companies of large undertakings exceeding these thresholds.

## Commission de Surveillance du Secteur Financier (CSSF)

**22 September 2021: CSSF invites Investment Fund Managers to declare via a new dedicated eDesk application the performance fee models applicable to Luxembourg UCITS or AIF they manage**

The Commission de Surveillance du Secteur Financier (CSSF) has invited Investment Fund Managers to declare via a new dedicated eDesk application the performance fee models applicable to Luxembourg UCITS or AIF they manage.

In November 2020, the ESMA published its guidelines on performance fees applicable to UCITS and certain types of AIFs (the "Guidelines"). The Guidelines aim to promote greater convergence and standardisation in the field of performance fees. In particular, they aim to ensure that performance fee models used by Investment Fund Managers ("IFM") comply with the principles of acting honestly and fairly in conducting their business activities and acting with due skill, care and diligence, in the best interest of the fund that they manage, in such a way as to prevent undue costs being charged to the fund and its investors. The Guidelines finally aim at establishing a common standard in relation to the disclosure of performance fee models to investors, as they should be adequately informed about the existence of performance fees and about their potential impact on the investment return.

The CSSF issued Circular CSSF 20/764 on 18 December 2020 and integrated the Guidelines into its administrative practices and regulatory approach with a view to promoting supervisory convergence in this field at European level as of 6 January 2021, the date of application of the Guidelines. The CSSF would like to emphasise that proper disclosures to investors of performance fee models in compliance with the Guidelines are mandatory.

Aiming at ensuring compliance with the Guidelines on proper disclosures and collecting standardised key information in relation to performance fees, IFMs are requested for Luxembourg based UCITS or AIFs they manage to complete a dedicated questionnaire on performance fees via the launch of a new eDesk module on performance fees as from 30 September 2021.

The list of funds and sub-funds concerned by the declaration and data collection is provided in the performance fee dashboard of the eDesk module on performance fee:

- as from 30 September 2021, all funds whose financial year is ending between July 2021 and December 2021 will be available in the performance fee dashboard and IFM shall transmit the performance fee declaration and the confirmation of compliance with the Guidelines.
- as from January 2022, the performance fee declaration and the confirmation of compliance will be requested for the funds whose financial year is ending between January 2022 and June 2022.

The deadline for submission of the initial declaration will be at the latest before the corresponding closing date of each fund as further specified in the IFM corresponding performance fee eDesk dashboard.

**20 September – 24 September 2021: Speeches, Letters & Other Publications**

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

- Circular CSSF 21/781 – Mandatory use of the IMAS Portal for banking qualifying holding and passporting notifications

## Central Bank of Ireland (CBI)

**20 September – 24 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:

- Capitalising on opportunities in Europe's financial markets – Remarks by Deputy Governor Sharon Donnery.

## Basel Committee on the Banking Supervision (BCBS)

**20 September 2021: BCBS calls for improved cyber resilience, reviews climate-related financial risks and discusses impact of digitalisation**

The Basel Committee on the Banking Supervision (BCBS) called for improved cyber resilience, reviews climate-related financial risks and discusses impact of digitalisation.

The Basel Committee today published a newsletter calling on banks to improve their resilience to cyber threats. This follows the Committee's meetings of 15 and 20 September, during which it assessed risks and vulnerabilities to the global banking system and discussed supervisory and policy initiatives.

The Committee also discussed climate-related financial risks. Following the publication of a series of analytical reports on climate-related financial risks in April, it is assessing the extent to which the current Basel framework adequately mitigates such risks. As part of this work, it is developing a set of related supervisory practices, which it plans to consult on later this year. It will also consider whether any additional disclosure, supervisory and/or regulatory measures are needed.

The Committee also welcomed the efforts by the International Financial Reporting Standards (IFRS) Foundation to develop a common set of global sustainability standards to improve the consistency, comparability and reliability of sustainability reporting, including the establishment of an International Sustainability Standards Board. The Committee will continue to liaise with the IFRS Foundation and other fora on climate-related disclosure initiatives.

Committee members also discussed the impact of the ongoing digitalisation and disintermediation of finance on the banking system, with an initial focus on retail banks.

## International Capital Market Association (ICMA)

**20 September 2021: ICMA's ERCC publishes summary report following market consultation on the role of repo in green and sustainable finance**

The International Capital Market Association's (ICMA) European Repo and Collateral Council (ERCC) has published a summary Report on the role of repo in green finance, following its consultation to reflect feedback received in response to a market consultation on the role of repo in sustainable finance which took place earlier this year. The consultation paper, issued in April 2021, was intended to serve as a starting point for promoting a broader discussion in the repo community on sustainability, as well as to explore the existing opportunities and potential risks in this area.

The Report summarises the consultation feedback, highlighting the key themes raised in the 20 responses that have been submitted. Building on the consultation results, ICMA is considering with the ERCC next steps regarding potential guidance on repo and sustainability in close coordination with the Executive Committee of the Green & Social Bond Principles.

**21 September 2021: ICMA responds to IOSCO AMCC member survey on corporate bond market microstructure and participant behaviour**

IOSCO Affiliate Members Consultative Committee (AMCC) Bond Market Liquidity Working Party launched its market survey on corporate bond market microstructure and participant behaviour. The deadline for responding is 1 October 2021. The purpose of the survey is to help to build a picture of corporate bond market microstructures across different regions and to identify different stakeholder behaviours and motivations in times of market stress. This is intended to help inform and complement the work being undertaken by the IOSCO Financial Stability Engagement Group (FSEG) Corporate Bond Market Liquidity Working Group. ICMA, in its role of Chair of the AMCC BML WP, has played a key role in developing this survey.

There are two surveys, one targeted at market-makers and liquidity providers (sell-sides) and one at investor and asset managers (buy-sides). Responses will be collated by the IOSCO AMCC Secretariat and aggregated by relevant region. Responses will remain confidential and all the data will be automatically anonymized. The AMCC BML WP will produce a report of the data to be shared with the IOSCO FSEG and also the AMCC membership. ICMA will make this report available to its members. ICMA encourages its members active in the corporate bond markets to participate in this important market initiative.

The surveys can be accessed here:

- Sell-side
- Buy-side

**22 September 2021: ICMA publishes an update on the EU sustainability disclosure regime**

ICMA published an update on the EU sustainability disclosure regime. New and amended EU legislation is introducing significant sustainability and ESG related disclosure requirements that are impacting all participants in the European capital markets. This publication provides a summary of these various requirements, how they interact with each other and most importantly what they mean for ICMA's constituencies such as issuers and investors.

The paper aims to give a comprehensive and practical overview, covering the following regulations:

- The Taxonomy Regulation, article 8 reporting obligations and – including the delegated act adopted on 6 July 2021;
- The Sustainable Finance Disclosure Regulation (SFDR) and the Regulatory Technical Standards (RTS);
- The Non-financial Reporting Directive (NFRD) and proposed Corporate Sustainability Reporting Directive (CSRD);
- The Low Carbon Benchmark Regulation, and
- Credit Rating Regulation.

**20 September – 24 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:

- Annual bwf and ICMA Capital Markets Conference – this year's bwf and ICMA joint annual event resumed in virtual format to discuss two key topics, namely, market data, transparency and a consolidated tape for the EU bond markets as well as the new prudential regime for investment firms in the Investment Firm Directive and Investment Firm Regulation (IFD/IFR) that was implemented in the EU last June
- The Changing Face of ESG Finance in International Capital Markets – the Irish perspective – Webinar
- NAFMII and ICMA jointly release handbook on financing and investment in the China interbank bond market

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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.

- UK companies urged to improve long-term viability disclosures to investors
  "Companies must improve the quality of information they disclose to investors about their ability to continue as a going concern and their longer-term viability, the UK accounting regulator has said. A Financial Reporting Council review of information published by 30 main market and Aim-listed companies found that many were failing to properly explain the assumptions and judgments underlying their disclosures on going concern status and the longer-term viability of their businesses."

- BlackRock and HSBC funds boosted Evergrande holdings as crisis loomed
  "Funds managed by BlackRock and HSBC added to their holdings of Evergrande bonds just months before a liquidity crisis at the Chinese property developer pushed it to the brink of default. BlackRock in August bought up five different Evergrande dollar bonds through one of its high-yield funds, which had holdings in the developer then worth $18m, Morningstar data show. The size of the holding had already expanded sharply this year as the fund's assets under management rose. The world's biggest asset manager had total exposure of close to $400m across its funds, according to data compiled by Bloomberg based on June, July and September filing dates."

- Credit Suisse dumped Evergrande exposure last year on risk fears
  "Credit Suisse, once the top international underwriter of Evergrande bonds, sold down its entire exposure to the troubled Chinese property developer late last year, according to people familiar with the decision. The move will protect the Swiss bank from significant losses if the world's most indebted developer defaults. However, its past actions could raise fresh reputational concerns with the lender still reeling from the Greensill and Archegos scandals."

- US bond lobbies warn SEC of severe disruption under rule change
  "Lobby groups are warning that activity in the world's biggest bond market could grind to a halt at the end of this month without last-minute exemptions to an obscure 50-year-old rule in the US that has previously taken aim only at stocks. Bond trade associations have written to regulators to say amended rules will have a "significant, deleterious effect" on government and corporate bond markets, and pleaded for an explicit reprieve, or more time to comply. The amendments were first proposed last year, but market participants assumed until recent months that the rules would continue to pertain to the stock market alone."

- Marblegate and Investcorp team up to scout targets as stimulus run down
  "Private equity company Investcorp has taken a minority stake in Marblegate Asset Management, as the influential distressed debt fund looks for new opportunities set to follow the withdrawal of US government stimulus programmes."

- Coinbase abandons lending product after SEC pushback
  "Coinbase has dropped its plans to launch a new digital asset lending product, bowing to pressure from US securities regulators who had warned that it constituted an unregistered security that would have prompted them to take legal action."

- Climate change is getting real for investors
  "Europe's gas crisis is a warning that climate change is rapidly morphing from a faraway prospect for investors to a direct input into asset allocation decisions. The transition away from the dirtiest fossil fuels is not the only reason for the spectacular rally in UK natural gas prices, which have almost tripled this year."

- Costs of climate change far greater than green transition, says ECB
  "Mining, electricity and gas companies would also be hit by "significant costs to reduce emissions" that would increase their likelihood of default "in the short to medium term in the wake of a green transition it said."

- A plan to fund the global green transition already exists
  "As world leaders prepare for November's COP26 in Glasgow, ominous talk of a "new cold war" should not distract from the need to accelerate the global energy transition, regardless of ideological differences. Lend-Lease remains one of the most powerful examples of how realpolitik and public-private finance can drive ambitious internationalism."

- 1. Inside ESG: Is the $1.7tn wave of sustainable investing hope or hype?
  "In the first episode of our special five-part series produced in partnership with the FT's Moral Money team, Gillian Tett, the FT's US editor-at-large, and Andrew Edgecliffe-Johnson, the FT's US business editor, explore the idea that the trillions of dollars that have flowed into ESG investments represent a once-in-a generation shift in the business consensus. Can it be true that ESG investing can address some of the world's most-pressing problems, including climate change and inequality?"

- 2. Inside ESG: Can businesses really marry profit and purpose?
  "In the second episode of our special five-part series produced in partnership with the Moral Money team, Leila Abboud, the FT's Paris correspondent, and Gillian Tett, the FT's US editor-at-large, tell the story of Emmanuel Faber, the former CEO of Danone who embraced environmental, social and governance (ESG) causes - and then was ousted eight years later. Turns out there was more to the story than first meets the eye."

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- Accenture finds opportunity in prioritising ESG
  "Companies that go above and beyond their peers to respect the environment and social issues generate at least 20 per cent more in profit, according to a new report from Accenture and the World Economic Forum."

- Market expectations for Bank of England rate rise shift to early 2022
  "Investors now expect UK interest rates to rise by February next year after the Bank of England signalled growing concern about a rise in inflation — with some even viewing a 2021 increase as an outside possibility"

- Rishi Sunak set to tighten UK financial regulations after Greensill scandal
  "Chancellor Rishi Sunak has ordered two immediate reviews of UK financial regulation related to the collapse of Greensill Capital as he accepted some recommendations from a report by a committee of MPs into the scandal."

- FirstFT: US interest rate 'lift off' moves a step closer
  "A growing number of Federal Reserve officials expect an interest rate increase next year as the US central bank charges ahead with a reduction of its massive stimulus programme that will probably be announced in November. Nine officials on the Federal Open Market Committee now expect a US interest rate increase next year, according to projections released yesterday, with the remaining nine pencilling in a later "lift off". In June, just seven officials were forecasting a rise in 2022."

- Breaking down the crisis at Evergrande
  "The liquidity crisis at the Chinese real estate giant Evergrande is deepening by the day. With two interest payments on its bonds due on Thursday, the sprawling property empire is teetering on the edge and many think it could default."

- Is it time to avoid investing in China?
  "The Chinese government's crackdown on privately owned companies and entrepreneurs has captured the world's attention and dismayed many portfolio investors. Beijing is compounding investors' concerns by also putting a new emphasis on a longstanding political slogan — known as "common prosperity" — to focus attention on the country's deep inequality, and put some socialism back into the term "socialism with Chinese characteristics."

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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

## Important Information:



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