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COVID-19 Regulatory update

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In order to manage the impact from COVID-19, regulators are announcing a number of measures and reliefs to help firms deal with the disruption caused by the virus. Last week, we did a preliminary post with some of the steps that regulatory bodies have taken with regards to wholesale financial regulation, and the table below consolidates these with announcements from the past few days.

Relevant updates from last week are in grey. We will be updating this table with further developments from regulators as they continue to be published.

Regulator	Response
AMF, CONSOB and CNMV	18 March - multiple authorities (such as the French AMF, the Italian CONSOB and the Spanish CNMV) took <u>action</u> to temporarily ban short selling of certain products.
BCBS	20 March - the Committee <u>suspended consultation</u> on all policy initiatives and postponed all outstanding jurisdictional assessments planned in 2020 under its Regulatory Consistency Assessment Programme (RCAP). <ul style="list-style-type: none"> • RCAP is used by the Basel Committee to monitor the adoption of regulations by its members, to assess the regulations' consistency with the Basel framework and examine the consistency of banks' calculation of prudential ratios across jurisdictions. • BCBS will continue to assess the banking and supervisory implication of COVID-19 and to co-ordinate with other bodies such as the Financial Stability Board on financial issues, as well as considering additional measures to support the financial resilience of the banking community.
BoE	20 March - the BoE and PRA <u>stated</u> that their supervisors would be cancelling 'non-critical data requests, on site visits and deadlines' where appropriate. <ul style="list-style-type: none"> • This will be on top of the cancellation of the 2020 bank stress tests. • This relief is to allow financial services groups to be able to channel more resources towards customers' needs during the COVID-19 disruption.
CFTC	18 March - the CFTC has <u>unanimously ratified</u> its earlier decision to implement the BCBS IM mitigation. Although, somewhat confusingly presented as a COVID-19 measure, the mitigation contains no new elements: <ul style="list-style-type: none"> • New Phase 5 phase in: Target institutions > \$50bn • New Phase 6 phase in: Target institutions > than \$8 bn

ESMA	<p>20 March - On 20 March, ESMA decided to <u>extend</u> the response date for all ongoing consultations by four weeks. Some of the affected consultations include:</p> <ul style="list-style-type: none"> • Consultation on MiFIR report on SI • Draft Regulatory Technical Standards under the Benchmarks Regulation • Guidelines on securitisation repository data completeness and consistency thresholds
	<p>19 March - The European Securities and Markets Authority (ESMA) has taken <u>measures</u> to relieve the reporting burden on counterparties that are subject to the Securities Finance Transactions Regulation (SFTR).</p> <ul style="list-style-type: none"> • The 13 April 2020 start date which on which credit institutions, investment firms and relevant third country entities were required to start reporting has been delayed until 13 July 2020.
FCA	<p>26 March – Joint statement by FCA, FRC and PRA – 26 March</p> <ul style="list-style-type: none"> • The <u>statement</u> recognises that given the present conditions, market participants are facing unprecedented challenges in preparing and auditing financial information. Three regulatory bodies: the FCA, Financial Reporting Council (FRC) and Prudential Regulatory Authority (PRA) have announced some actions to support the flow of information to investors: • The FCA <u>announced</u> a two month temporary relief for listed companies to complete their audited financial statements, meaning that they will have 6 months to publish financial statements from their year-end, instead of the mandated four months.
	<p>26 March - The FCA <u>revised</u> its approach on a co-ordinated supervisory approach to the application of the SFTR so that it is consistent with that of ESMA.</p>
	<p>17 March - The FCA issued a <u>general statement</u> regarding COVID-19, reassuring firms that they will determine whether it would be possible to delay or postpone activity deemed not crucial to consumer protection.</p> <ul style="list-style-type: none"> • Closing dates for responses to open consultation papers and Calls for Input have been extended until 1 October 2020. • The FCA also issued guidance on: insurance products, unsecured debt products, market trading and reporting and operational resilience. In general, firms are expected to continue to honour their reporting obligations wherever possible, and inform the FCA in cases where they feel that they might encounter difficulties in doing so.
FRC	<p>26 March - Joint statement by FCA, FRC and PRA</p> <ul style="list-style-type: none"> • The FRC published a <u>non-exhaustive list</u> of factors that auditors should be considering when carrying out audit engagements in current circumstances, along with guidance on how they might be addressed.

ISDA	26 March – ISDA and 21 other Trade Associations submitted a letter to regulators requesting a suspension of the IM Phase 5 and 6 deadlines, pending COVID-19 clarity.
PRA	<p>26 March - Joint statement by FCA, FRC and PRA</p> <ul style="list-style-type: none"> The PRA sent a letter to firms giving them guidance about the approach they should be adopting in assessing expected loss provisions under the International Financial Reporting Standard (IFRS).

Noteworthy no action: **BoE and FCA warn issue LIBOR impact warning**

The FCA, BoE and the working group on RFR have issued a [statement](#) regarding the impact of COVID-19 on Benchmark transition plans over the coming months.

They emphasise that firms should continue with transition plans, aiming for an unchanged end' 2021 deadline for the LIBOR cessation. However, some firms that are further behind in the transition process, such as the loan market, are likely to have their interim milestones affected.

The FCA, WG and BoE will continue to monitor and assess the impact on transition timelines, and will update the market ASAP.

While this is essentially a restatement of existing deadlines, it is also an implicit message not to take the 'foot off the transition pedal'.

Useful links:

1. <https://www.ft.com/content/e8e7caa9-a48f-408e-b082-5bc276f4e061>
2. <https://www.ft.com/content/1f283cb8-69c3-11ea-800d-da70cff6e4d3>
3. <https://www.ft.com/content/7433d55c-6a89-11ea-800d-da70cff6e4d3>
4. <https://www.bankofengland.co.uk/news/2020/march/boe-announces-supervisory-and-prudential-policy-measures-to-address-the-challenges-of-covid-19>
5. https://www.esma.europa.eu/sites/default/files/library/esma31-67-742_public_statement_on_publication_deadlines_under_the_td.pdf
6. <https://drs-als.com/coronavirus-initial-regulatory-responses/>

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