The COVID-19 pandemic has created unprecedented challenges for compliance professionals around the world, including those in the UK. The following is a selection of UK and constituent countries actions as well as news and analysis articles compiled by the Thomson Reuters Regulatory Intelligence editorial staff. The selection includes Regulatory Intelligence and Reuters news coverage. More COVID-19 news and information can be found via the TRRI platform's search facility.

Additional COVID-19 resources are also available on the Thomson Reuters COVID-19 Resource Center.

Users can create your own custom My Updates through the Create a Custom My Updates link on the Regulatory Intelligence homepage. Select your geography and/or content types you would like resources from and include the following keyword search: COVID! or coronavirus.

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¹ This COVID-19 Coverage was compiled by Thomson Reuters Regulatory Intelligence editorial staff.
COVID-19 COVERAGE – UNITED KINGDOM

This Week’s Legislative and Regulatory Actions

England

The Health Protection (Coronavirus, Restrictions) (No. 3) and (All Tiers) (England) (Amendment) Regulations 2021 amends Health Protection (Coronavirus, Restrictions) (England) (No. 3) Regulations 2020 and Health Protection (Coronavirus, Restrictions) (All Tiers) (England) Regulations 2020 to strengthen the Tier 4 restrictions, and to apply those restrictions to every area in England, among other matters.

Northern Ireland

The Health Protection (Coronavirus, Restrictions) (No. 2) (Amendment) Regulations (Northern Ireland) 2021 restricts the number of people gathering at home and in public, among other matters.

Regulators – COVID-19 Updates

Financial Conduct Authority


The Financial Conduct Authority (FCA) has published the results of its COVID-19 financial resilience surveys. The surveys were sent to solo-regulated firms to inform the FCA of the impact of COVID-19 on firms’ financial resilience. The survey results show that between February (pre-lockdown) and May/June (during the impact of the first lockdown), firms across the sectors experienced significant change in their total amount of liquidity. This was defined as cash, committed facilities and other high-quality liquid assets. Three sectors saw an increase in liquidity between the 2 reporting periods: Retail Investments (8%), Retail Lending (8%) and Wholesale Financial Markets (83%), the latter seeing the greatest increase.

Bank of England’s Prudential Regulatory Authority

PRA Regulatory Digest - December 2020 (January 4, 2021)

The Bank of England’s Prudential Regulatory Authority has published its Regulatory Digest for December 2020. This edition includes top news and publications, regulatory measures for firms in response to COVID-19, as well as banking and insurance publications.

Other News and Summaries

SURVEY: 12th Annual Cost of Compliance Survey

(Regulatory Intelligence) - Thomson Reuters Regulatory Intelligence has launched its 12th annual survey on the cost of compliance for regulated firms in the financial services industry. The survey has become the acknowledged voice of the industry and the concerns shared by participants have consistently provided an insight into the challenges risk and compliance practitioners face.²

² Susannah Hammond, SURVEY: 12th Annual Cost of Compliance Survey, Regulatory Intelligence (January 8, 2021) at http://go-ri.tr.com/6Clcpr

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The questions have been updated to reflect the ramifications of COVID-19 and the embedding of culture and conduct risk into the mainstream, together with the increasing focus on personal accountability. The 11th annual cost of compliance report and COVID-19 snapshot update are available to download.

The results of the 12th annual cost of compliance survey will highlight trends and regional comparisons, allowing practitioners to benchmark their views against those of their compliance peers, while gaining insight into the direction the role of compliance is taking within the industry.

The findings are intended to help regulated firms with planning, resourcing and direction, and to allow them to determine whether their resources, strategy and expectations are in line with those of the wider industry. The experiences of global systemically important financial institutions (G-SIFIs) are analysed separately where these can provide a sense of the approach taken by the world's largest financial services firms.

All information will be treated in the strictest confidence and results will be displayed anonymously.

The results will form part of a special report on the cost of compliance which will be available to download in Q2 2021. Thank you for your participation in the 12th annual cost of compliance survey.

During the lifetime of the report, the survey has generated more nearly 7,000 responses from around the world and been downloaded nearly 55,000 times by firms, regulators, consultancies and law firms.

FCA opened 40% of current insider dealing investigations during pandemic - FoIA request

(Regulatory Intelligence) - The UK's Financial Conduct Authority (FCA) opened 28 insider dealing investigations between March 1 and November 24, 2020 which account for 40% of its 69 continuing cases, according to request made under the Freedom of Information Act (FoIA). A total of 144 insider dealing cases were closed with no action taken between 2018 and November 2020, the FCA told Thomson Reuters Regulatory Intelligence in response to the question.³

The FCA has regularly highlighted market abuse and insider dealing risk during the nine months that financial services employees have been working remotely because of COVID-19-related restrictions. It has emphasised repeatedly the risks of improper disclosures at listed companies and the use of inside information among the wider public.

FoIA response differs from statements

"To be very clear. Market abuse is not an offence that only applies to individuals working in the financial services industry. Everyone must comply with MAR and criminal law. Any individual in receipt of inside information who trades while in possession of that information, or induces someone else to, is guilty of market abuse," said Julia Hoggett, then the FCA's director, market oversight in an October speech on market abuse.

The need for controls on inside information at home to be identical to those in the office, Hoggett said.

³ Rachel Wolcott, FCA opened 40% of current insider dealing investigations during pandemic - FoIA request, Regulatory Intelligence (January 8, 2021) at http://go-ri.tr.com/R7GD7
The FoIA request asked how many insider dealing investigations have been opened into individuals outside financial services particularly those who might be privy to inside information such as members of parliament, their advisers, media and public relations consultants working for government, government contractors and pharmaceutical executives.

"We do not hold the information you are seeking. This is because we do not record the details of our investigations on the basis of the categories you refer to, and the FCA does not hold a comprehensive list of individuals covering the roles listed in your request," the FCA said in its FoIA response.

Hoggett, warning on personal account dealing in the same speech, said: "We can see activity down to the individual account level".

Thomson Reuters Regulatory Intelligence asked how many investigations have been opened into UK issuers, FCA-regulated firms: "total, [senior management function (SMF)] holders, certified persons that are not SMF holders, other".

Despite only 69 insider dealing cases being open, the FCA said: "We do not capture the details of our investigations in the format you refer to, and therefore we do not hold readily available information on this point. For us to respond to this question, we would need to manually cross reference different FCA repositories and undertake extensive analysis and reconciliation of the data we hold across our case portfolio."

Individuals and controls under scrutiny

Individuals' conduct, their senior managers as well as firms' systems and controls around market abuse and insider information will be under FCA scrutiny. In this latest national lockdown, firms should check again that changes to market abuse systems and controls have been implemented. That the FCA has highlighted these remote risks and will regard them as foreseeable could be an aggravating factor if there is any enforcement action taken, said Sonya Zywko, counsel at Norton Rose Fulbright in London.

"We can expect to see an uptick in investigations and enforcement action in these areas where evidence comes to light about opportunistic conduct or poor controls around inside information. In those cases, we expect a focus on the roles of senior managers particularly where there is an issue around the adequacy of procedures or surveillance arrangements," she said in a podcast.

Market integrity continues to be a focus for the FCA. It was quick to highlight the importance of timely information disclosure at the start of the pandemic and last year reminded issuers periodic financial information could be inside information.

The FCA is pursuing criminal cases against three former RedCentric employees alleging market manipulation, following statements deemed to be false and misleading.

"This is an area where we expect to see more activity particularly in relation to market disclosure where firms could have announced deteriorating financial performance sooner than they did," said Katie Stephen, a dispute resolution partner at Norton Rose Fulbright in London in the podcast.

IMPACT ANALYSIS: IOSCO task force reports on effect of pandemic on retail market conduct risks

(Regulatory Intelligence) - The International Organisation of Securities Commissions' (IOSCO) Retail Market Conduct Task Force has published its initial findings and observations about the impact of COVID-19 on retail market conduct. The report covers
market volatility, remote working by firms and the challenges of supervision, together with changes in investor and firm behaviour and the resulting regulatory response. The report also includes a suggested toolkit to address retail investor concerns in stressed conditions.4

Key issues

The report sets out the preliminary observations of IOSCO’s Retail Market Conduct Task Force, a board-level group composed of member regulators, co-chaired by the Australian Securities and Investments Commission and the Central Bank of Ireland. The task force was put together to look at conduct issues arising from, or exacerbated by, the pandemic, and to initiate discussion on practical regulatory tools to help address any resulting retail market conduct issues.

The crisis is seen as having created additional opportunities for retail misconduct — the term and scope of "misconduct" in the report has been kept broad to capture the existence of retail investor "harm".

Initial observations highlighted a spectrum of retail misconduct. This ranged from the more egregious examples of fraudulent or predatory practices by unlicensed operators targeting retail investors to those characterised as "inadvertent" misconduct by regulated firms, or other harmful conduct by regulated or unregulated firms.

Common types of harmful behaviour include mis-selling, mis-labelling and misleading disclosure, and other such investment advice. Misconduct relating to complex products that are highly susceptible to market volatility continues to be prevalent — for example, those involving retail over-the-counter leveraged products such as binary options, contracts for differences, retail spot forex — but the increase in online general share trading and the surge of retail investor interest in the share market during periods of lockdown was also notable.

Remote working has also affected firms' risk management arrangements (e.g., internal surveillance procedures to monitor staff conduct as well as operational, cyber and outsourcing risks), and consequently regulators' supervision and surveillance functions.

As the pandemic continues to unfold, the report makes it clear that there remain challenges for retail investors in navigating volatile markets amid rapidly changing information (or misinformation). It also flags up the risk that there may be limited resources or access to suitable financial advice, particularly where excessive risk-taking or hardship issues are involved. The corresponding challenges for regulated firms, which must continuously assess these risks and support informed decision-making by retail investors, are real. Regulators will also find it challenging to ensure behaviour which meets regulatory and community expectations.

Compliance tips and next steps

The report implies there have been multiple instances of retail misconduct. Not all misconduct may be attributed directly to the pandemic, but it has created market conditions and an environment that provide greater opportunities for particular types of (poor) behaviour to flourish, and pressures that increase the risk and likelihood of misconduct.

4 Susannah Hammond, IMPACT ANALYSIS: IOSCO task force reports on effect of pandemic on retail market conduct risks, Regulatory Intelligence (January 7, 2021) at http://go-tr.com/Qxyx77
The suggested toolkit is aimed primarily at the regulatory response to retail misconduct and has seven main elements:

- Proactive monitoring of investor behaviour and offerings which target vulnerable investors.
- Supervisory scrutiny of certain firm behaviour which may "flag" potential misconduct.
- Regulatory communication during stressed times.
- Monitoring the return to normal and taking effective enforcement action.
- Leveraging experience from periods of stress (such as COVID-19) to enhance regulatory requirements and approaches.
- Cross-border cooperation and regulatory coordination.
- Addressing conduct vulnerabilities and risks emerging from remote working and social distancing requirements.

All these elements will provide firms with guidance on the evolving supervisory approach, but it is perhaps the potential scrutiny of firm behaviour which may indicate misconduct that will be of the most immediate interest.

The task force urges regulators to continue to develop frameworks which enable them to monitor firm behaviour, particularly during periods of market stress and high levels of volatility. Such frameworks will help them to detect indicators of emerging conduct threats (although these indicators may not, by themselves, necessarily signal misconduct). Potential signals may include unusual trends or irregular spikes, such as increases in:

- firm revenues from foreign trading and from riskier, complex and leveraged products, including crypto-assets and changes in trends in firms' revenue;
- mis-selling, mis-labelling, and misleading and false information disclosures, and firm behaviour that seeks to exploit retail investor vulnerabilities;
- aggressive advertising, online marketing and digital offerings that may target vulnerable groups, including cold calling, celebrity endorsements and social media platforms;
- inaction/delay in executing customer instructions and complaints;
- problems resulting from operational/cyber/outsourcing issues;
- investor complaints.

Regulatory authorities must also be alert to any practices that may involve misconduct targeted at those who have received monetary relief from authorities to alleviate the impact of a crisis.

Firms need to be aware of the potential change in supervisory approach and should use the "flags" to review their own activities and, if need be, assess how possible misconduct might affect retail customers. The compliance function may already routinely monitor many of the signals set out in the toolkit, but some risks may need to be upgraded in the light of the potential for more intense supervisory interest.

The central thread in the suggested regulatory response is the need to seek to ensure consistently good customer outcomes. Firms should review both the types of misconduct highlighted and the regulatory response. Many firms are considering a post-pandemic review and the IOSCO report's findings could form a useful basis for the retail elements of such a review. Reviews should be supported by the board, which should expect to be briefed on the results and any further work needed. Firms should also expect to share the results of their internal reviews with relevant regulators.
**COVID fatigue, cybersecurity add to UK financials' existing operational resilience challenges**

(Regulatory Intelligence) - Lockdown-weary employees and cybersecurity concerns will add to UK financial service firms' operational resilience challenges as the COVID-19 pandemic stretches into 2021. Firms which congratulated themselves for successfully shifting to a distributed working model a year ago should renew their focus on operational resilience to check where controls may have deteriorated.5

"In my view, it's too early to celebrate success, because this very rapid move was done almost at the cost of some deterioration. Firms have to be challenging themselves from a lessons-learned perspective," said Elena Pykhova, director and founder, The Op Risk Company and chair of the OpRisk Best Practice forum.

Stressed out and anxious people working from home who were fed up with lockdowns and without social lives posed an operational risk, she said.

"Most people are fatigued in general, and the next biggest threat, whether it's to risk or to resilience will actually come from people. It's not even the controls or the pandemic itself. It's because people are so fatigued themselves. The day it seems is never ending," she said.

**FCA incident data**

The UK Financial Conduct Authority's (FCA) most recent data on banks' operational and security incidents for business and personal banking shows a total of 277 incidents between July 1, 2019 and June 30, 2020 across roughly 30 retail-focused institutions.

Year-to-year comparable data was unavailable. In November 2018 Megan Butler, then the FCA's executive director of supervision – investment, wholesale and specialists, said firms reported a 187% increase in technology outages between January and October, of which 18% were cyber-related. Firms were getting better at reporting incidents, but Butler said the regulator suspected under-reporting was still a problem.

The FCA and the Prudential Regulation Authority (PRA) intend to set standards for operational resilience and outsourcing during 2021.

**Criminals prey on homeworkers**

Cybercriminals and fraudsters sought to exploit the pandemic particularly after the shift to homeworking. Remote working is affecting firms' risk management arrangements such as internal surveillance procedures to monitor staff conduct as well as operational, cyber and outsourcing risks, the International Organization of Securities Commissions (IOSCO) said last month.

Employees' mental fatigue, economic anxiety and health concerns will contribute further to cybersecurity risks already exacerbated by the pandemic, said Joshua Burch, partner at FTI Consulting, and Ian Dinning, senior associate at RPC.

"COVID-19 has created societal confusion, fear and uncertainty. With potential victims experiencing greater psychological susceptibility to social engineering attempts as a result, opportunities for attackers become greater. The economic challenges of the pandemic have had a significant effect on pay and in many cases forced redundancies, inevitably creating an unhappy and anxious workforce. Malicious actors recognise this and are

5 Rachel Wolcott, COVID fatigue, cybersecurity add to UK financials' existing operational resilience challenges, Regulatory Intelligence (January 6, 2021) at http://go-ri.tr.com/FrIEPL
targeting disgruntled employees to gain access to systems with promises of financial reward. It has increasingly become easier to hack the human than to hack the system or firewall,” they wrote in Thomson Reuters Regulatory Intelligence (TRRI).

**Trading tech glitches, brokers skimp on cyber**

The published FCA data omits any operational or cybersecurity incidents in wholesale banking, asset managers, trading platforms or other market infrastructure occurring before or after remote working became the norm. Last year there were several UK retail stock trading platform outages, which once again highlighted operational resilience issues at these service providers. Hargreaves Lansdown, Fidelity, AG Bell were among the platforms that experienced difficulties on November 9 after markets surged in response to COVID-19 vaccine and U.S. election news.

Retail trading platforms have poor visibility into their operational risk and a fragmented view of what drives that risk. They largely run off of older tech stacks and glitches, such as ghost trades, trade failures and incorrect account balances, stem from firms adding on new software or seeking to scale up systems without considering its impact on the wider technology ecosystem, said Anand Chandra, director, capital markets at Synechron in London.

"These trigger events have been increasing since 2008. The such triggers create the glitches and instances have gone up to include reputable companies,” he said.

Broker platforms, particularly the smaller ones, still regard cybersecurity as a nice-to-have rather than a must-have operational risk management tool, Chandra said.

"In my humble opinion, the reason brokerage firms may not have a strong view of cyber vulnerability is they believe they play a very small part in terms of trade confirmation and settlement. Their endpoints, their systems, are very manual in terms of maintenance and management. The moment you connect to an Internet world, you need to have a lot of effort and time spent on vulnerability management as well as countless performance or penetration testing. That requires time. That requires an extra spend. It is fine for a large bank, or institution, but not necessarily for the small firms," he said.

**IMPACT ANALYSIS: PRA, FCA clarify temporary arrangements for senior management functions**

(Regulatory Intelligence) - The joint guidance on temporary arrangements for firms to apply more time to organise Senior Managers and Certification Regime (SM&CR) arrangements because of absence or other temporary situations as a result of COVID-19, ends on January 7.⁶

The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) state that as most firms have now adapted to the new ways of working, they now expect firms to manage changes to senior management responsibilities as a result of the pandemic in a way that allows them to continue to meet their obligations under the SM&CR, and to submit revised statements of responsibility as normal.

In summary, the regulators are resetting and clarifying the regulations in the following areas:

- **The 12-week rule** - The rules allow individuals to perform SMFs without approval for up to 12 weeks in a consecutive one-year period if there is an SMF vacancy that is (a)

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⁶ Mike Cowan, IMPACT ANALYSIS: PRA, FCA clarify temporary arrangements for senior management functions, Regulatory Intelligence (December 24, 2020) at [http://go.ri.tr.com/mTULi7](http://go.ri.tr.com/mTULi7)

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temporary and/or (b) reasonably unforeseen. During the period of the temporary arrangements the regulators found no evidence that the 12-week rule did not provide sufficient flexibility.

- **Reallocation of responsibilities** - If an SMF becomes temporarily vacant, firms should reallocate those SMFs' prescribed responsibilities (PRs) among their remaining SMFs until a permanent replacement is identified and approved.
- **COVID-19 SMF** – There is no requirement or expectation for firms to designate a single SMF to be responsible for all aspects of their response to coronavirus.

**Furloughing senior management functions**

Where firms are using the government's furlough scheme they must:

- have individuals performing one of the following combinations of SMFs at all times:
  - CEO (SMF1) CFO (SMF2) and chair of the governing body (CRR firms and Solvency II insurers).
  - Head of overseas branch (SMF19) (UK branches of third-country banks and insurers).
  - Small insurer senior management Function (SMF25) (small, non-Solvency II insurers).
  - Head of small run-off firms (SMF26) (small, run-off insurance firms).
- ensure furloughed SMFs remain fit and proper on their return.
- reallocate the responsibilities of furloughed SMFs, including any prescribed responsibilities among their remaining SMFs.
- clearly document the reallocation of responsibilities of any furloughed SMFs in statements of responsibility, management responsibility maps and internal documents.
- should continue to take reasonable steps to complete any annual certifications of employees that are due to expire while coronavirus restrictions are in place.

**Considerations for SMFs undertaking a temporary responsibility**

It can be difficult for senior managers who occupy a position on either a temporary or caretaker basis. Where positions have a defined end date there is always the knowledge that the role will be passed on making it difficult for the temporary charge to have a real sense of ownership. The role may be outside of a senior manager experience base or at least draws on distant past experience which makes it difficult to get up to speed in such a short period of time.

Either way the requirements of the Senior Managers Regime and the "fit and proper tests" do not allow for complacency when fulfilling such roles. Each responsibility needs to be treated equally as diligently with the same amount of skill, knowledge and competency. That said senior managers who find themselves having to manage a temporary situation may find the following useful:

- **Handover arrangements** - Before taking responsibilities on a temporary basis, senior managers must be clear as to what is expected from both management and regulators. The outgoing role holder should have completed a handover document where the SMF rules prescribe clear inclusions that must be covered. This document should be read and understood and if possible, the previous role holder consulted to get a fuller briefing. Also it would be good practice to speak to the firm's compliance officer to get a briefing on the requirements of the SMR. Senior managers should ensure that a firm's performance assessment processes take into account the extra responsibilities being undertaken. Finally, expectations of executive management should also be clarified and documented.
- **Recordkeeping** – There is a good chance that the regulator will want to review arrangements under this temporary position. It is very important that the senior
manager not only documents the process they went through to brief them on the role but also the processes and controls that underpin the responsibilities. Senior managers should document decisions and reasons why decisions were made and ensure the elements of governance such as reporting lines and job descriptions for example are in place and up to date.

- **Communication with the regulators** – The firm and the senior manager should ensure the regulators are comfortable with the arrangements being established. They will want to know how long the temporary arrangements will remain in place and also whether the proposed candidate meets the require fit and proper tests.

- **Conflicts of interest** – Senior managers should make sure that the temporary responsibilities do not conflict with other responsibilities they may hold or any circumstance that may give rise to a conflict of interest. If there is a potential conflict this should be disclosed to executive management and managed accordingly. Many firms will operate conflict of interest registers where such matters can be recorded and approved by board members or executive management.

- **Reporting lines** – Clear reporting lines both above and below the senior manager need to be established so that accountability is clear and gaps can be identified and acknowledged accordingly. This will make allocation of tasks easier and also reporting against objectives more transparent.

- **Standardise approach** – Where at all possible the senior manager may wish to try and synergise their approach. For example where reporting arrangements between responsibilities are similar then the same reports could be used or where teams have related responsibilities tasks could be allocated accordingly.

**Optimism sweeps UK boardrooms but slow recovery ahead: Deloitte**

(Reuters) - A wave of optimism washed over bosses of major British companies in December, ahead of a tightening of COVID-19 restrictions this month, even though many thought it would take a long time to recover fully from the pandemic, a survey showed on Friday.⁷

The quarterly poll of chief financial officers from accountants Deloitte showed the biggest improvement in optimism since the survey started in 2007.

Still, half of the respondents said it would take at least until the end of 2021 before revenues return to their pre-pandemic levels - chiming with a Bank of England survey published this week.

“Boosted by the prospect of mass vaccination and growth, business sentiment surged this quarter with CFOs taking the most positive view on profit margins for the last five years,” said Ian Stewart, Deloitte’s chief economist.

Expectations for hiring and investment recovered in the latest survey but still remained in negative territory.

On Wednesday, Bank of England Governor Andrew Bailey said a surge in investment was critical this year to help heal the scars left by the pandemic.

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⁷ Andy Bruce, Optimism sweeps UK boardrooms but slow recovery ahead: Deloitte (8 January 2021) [https://www.reuters.com/article/uk-britain-economy-businesssentiment/optimism-sweeps-uk-boardrooms-but-slow-recovery-ahead-deloitte-idUSKBN29D001](https://www.reuters.com/article/uk-britain-economy-businesssentiment/optimism-sweeps-uk-boardrooms-but-slow-recovery-ahead-deloitte-idUSKBN29D001)
Many economists believe Britain has slipped back into recession, with the BoE estimating the economy shrank by just over 1% in the fourth quarter and others predicting further contraction in early 2021.

Britain has recorded Europe’s highest death toll from COVID-19 at more than 78,000 and also saw its economy shrink by a fifth during the second quarter of 2020, the sharpest decline among the world’s seven largest advanced economies.

The Deloitte survey of 90 CFOs was conducted between Dec. 2 and Dec. 14, including respondents from 12 FTSE 100-listed companies and 44 from FTSE 250 firms.

**Up to 4,000 financial firms could fail due to COVID, says UK regulator**

(Reuters) - Around 4,000 financial firms in Britain were at “heightened risk” of collapsing due to fallout from the first wave of the pandemic, the Financial Conduct Authority said on Thursday.⁸

The FCA surveyed 23,000 financial firms to check on their resilience to COVID-19, which last year triggered Britain’s worst economic downturn in 300 years.

“At end of October we’ve identified there are 4,000 financial services firms with low financial resilience and at heightened risk of failure,” said Sheldon Mills, the FCA’s executive director of consumers and competition.

“These are predominantly small and medium sized firms and approximately 30% have the potential to cause harm in failure.”

The FCA faced strong criticism that it was “deficient” in handling the collapse of the London Capital & Finance investment fund in 2019, and the watchdog is under heavy pressure to avoid delays in mitigating harm to investors from other struggling companies.

The survey showed that insurance intermediaries and brokers, payments and electronic money, and investment management firms showed a drop in liquid assets like cash that is needed to bolster their defences in a downturn.

But the FCA urged caution in interpreting the survey’s results.

“In addition, this survey was conducted before the extension of the government’s furlough scheme, the positive vaccine developments and the announcement of new rules and restrictions,” the watchdog said.

The survey looked at financial firms that are only regulated by the FCA, and did not cover the 1,500 largest firms in the financial sector which are regulated for financial stability by the Bank of England’s Prudential Regulation Authority.

**UK companies say sales hit from pandemic worsened in December - BoE**

(Reuters) - British companies saw a slightly worsening hit to sales and jobs from the COVID-19 pandemic last month when the virus spread increasingly through the population, a Bank of England survey showed on Thursday.⁹

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Companies said the pandemic cut 16.1% on average from sales during the fourth quarter, the BoE said, more than the 15.3% hit pencilled in from November’s survey. They also saw a bigger hit to jobs.

The worsening conditions came last month despite positive news on COVID-19 vaccines and a relaxation of health restrictions in many parts of England.

On Wednesday the United Kingdom recorded more than 1,000 COVID-19 daily deaths for the first time since April as the government struggles to deal with a new, more infectious variant of the coronavirus.

Like previous editions, the latest BoE survey showed hospitality businesses have been hit especially hard by the pandemic.

Food and accommodation businesses thought the hit to jobs and sales from the pandemic would persist into at least 2022.

The BoE survey was conducted between Dec. 4 and Dec. 18 and was based on responses from 2,933 firms.

**UK offers extra £4.6 billion to firms to soften new COVID-19 recession**

(Reuters) - Britain offered a 4.6 billion pound support package for businesses on Tuesday to soften an expected recession caused by a surge in COVID-19 cases that has triggered a third national lockdown.\(^\text{10}\)

Prime Minister Boris Johnson announced the lockdown on Monday, saying a highly contagious coronavirus variant risked overwhelming the health service within 21 days.

Most people must work from home and schools have closed for almost all pupils. Hospitality venues must stay shut, as well as non-essential shops.

Britain’s economy looks likely to tip back into recession - shrinking in the final quarter of 2020 and the first quarter of 2021 - following a record 25% fall in output in the first two months of lockdown in 2020.

The new downturn is expected to be far softer, with most businesses now much better adapted to working remotely and construction sites and factories expected to stay open.

But economists at J.P. Morgan still predicted a 2.5% fall in output for the first three months of 2021.

Finance minister Rishi Sunak has previously announced emergency help for the economy worth 280 billion pounds, including a massive job protection scheme that will run until the end of April.

Under Tuesday’s additional measures, retail, hospitality and leisure companies will be able to claim one-off grants worth up to 9,000 pounds to get them through the coming months, costing up to 4 billion pounds in total, along with 600 million pounds of grants for other businesses.

“This will help businesses to get through the months ahead – and crucially it will help sustain jobs, so workers can be ready to return when they are able to reopen,” Sunak said.

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\(^{10}\) Andy Bruce, David Milliken, UK offers extra £4.6 billion to firms to soften new COVID-19 recession (January 5, 2021) [https://www.reuters.com/article/uk-health-coronavirus-britain-sunak/uk-offers-extra-4-6-billion-to-firms-to-soften-new-covid-19-recession-idUSKBN29A0V1](https://www.reuters.com/article/uk-health-coronavirus-britain-sunak/uk-offers-extra-4-6-billion-to-firms-to-soften-new-covid-19-recession-idUSKBN29A0V1)
Government forecasters in November predicted almost 400 billion pounds of borrowing this financial year, equivalent to 19% of GDP - a peacetime record but one that, at least for now, can be financed at record-low interest rates.

The Bank of England is buying government debt and in November ramped up its asset purchase programme to almost 900 billion pounds with the intention of using it throughout 2021.

However, the British Chambers of Commerce said Sunak’s “drip-feed approach” to support for businesses would see many go to the wall as they would not qualify for sufficient assistance.

“While this immediate cashflow support for business is welcome, it is not going to be enough to save many firms,” BCC director general Adam Marshall said.

The opposition Labour Party said millions of people had been let down by Sunak’s announcement.

“Instead of delivering the support that Britain needed, he’s ploughing on with plans to hit people in their pockets with pay cuts, benefits cuts and tax rises,” its finance spokeswoman Anneliese Dodds said.

The Organisation for Economic Cooperation and Development has estimated Britain’s economic recovery by the end of this year will be the slowest of all its member countries except Argentina.