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.

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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, International Travel) (England) (Amendment) (No. 10) Regulations 2021 remove, among other matters, Mauritius, the Azores, Portugal, and Madeira from the list of countries prohibited on the arrival of aircraft and vessels from those countries.

Scotland

The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2021 introduce relief in relation to non-domestic rates and the financial year beginning on April 1, 2021.

Wales

The Health Protection (Coronavirus, International Travel and Operator Liability) (Miscellaneous Amendments) (Wales) Regulations 2021 amend, among other matters, on what constitutes a valid test and notification for the purposes of regulation 6A.

Northern Ireland

The Corporate Insolvency and Governance Act 2020 (Coronavirus) (Amendment of Relevant Period in Schedule 8) Regulations (Northern Ireland) 2021, among other matters, established a new free standing moratorium to be available to companies in financial difficulties. Schedule 8 to contains temporary provisions relating to moratoria which are intended to operate alongside the main permanent provisions during the coronavirus crisis, including a set of temporary rules which are intended to apply until such time as necessary amendments can be made to the Insolvency Rules (Northern Ireland) 1991(2).

The Health Protection (Coronavirus, International Travel) (Amendment No. 9) Regulations (Northern Ireland) 2021 amend, among other matters, the travel history period from 14 to 10 days and omit Mauritius and Portugal from the list of countries or territories subject to additional measures in Schedule 5.

Other News and Summaries

Pandemic anniversary: Compliance lessons from a year of COVID-19

(Expert Analysis) - In March 2020, Western Europe locked down as the COVID-19 pandemic hit. The extraordinary last 12 months, simultaneously tense and tedious, have tested firms, employees, and regulators alike. They accelerated fundamental changes in the financial sector and turned background regulatory issues into urgent concerns, but also had some surprising upsides.²

At a conference in November 2019, Paddy McGuinness, an operational resilience expert and deputy UK national security adviser until 2018, advised firms to develop crisis management mechanisms that could handle any eventuality, because not every risk can be foreseen. The UK had categorised pandemic as one of six tier-1 risks after 2009’s swine flu outbreak, but delegates focused more on another — cyber-attack, he said. The first COVID-19 cases were reported in China weeks later.


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Operational resilience

In the event, the pandemic supercharged the importance of operational resilience factors such as cyber security. By mid-March 2020, the virus was well-established across Europe and people were ordered to work from home. Deserted streets in business districts became a defining image of lockdown. Instituting mass home working at short notice strained governance procedures and entailed rejigging ICT and monitoring systems. Firms also had to combat a surge in hacking and fraud attempts as criminals exploited the crisis.

"In terms of its immediate response, the feeling is that the industry had quite a good crisis," said Phil Deeks, a director of KPMG’s regulatory insight centre. "Lots was learned from the unique stresses and strains that systems and governance came under. The issues around operational resilience, cyber security and financial crime had been under discussion previously but the pandemic pushed them right up the agenda."

As a workaround, the Financial Conduct Authority (FCA) recognised early on that most staff would be working remotely and only upped its monitoring expectations to match those in the office once it was clear this would be a protracted situation. Impromptu fixes are insufficient, however. Pre-pandemic, the Prudential Regulation Authority and the FCA issued proposals for improving operational resilience in consultation papers CP29/19 and CP19/32 respectively. The crisis delayed their progress but policy statements are expected soon.

Bandwidth

Firms and regulators have faced more challenges than operational resilience. On March 17, 2020, the FCA opened a webpage informing firms about special measures it would apply during the crisis. It has grown considerably since then and now links to 41 specific topics.

The FCA's priorities were to keep markets functioning, to protect customers and ensure they could access services. Its early steps loosely divided into three groups. One dealt with protecting consumers in financial difficulty and, to a limited extent, via a "Dear CEO" letter to banks, supporting small and medium enterprises (SMEs). The other two — relaxing existing reporting and other requirements and pausing the schedule of new regulation — gave firms space to tackle the crisis and the disruption it caused.

"The FCA's felt to have responded well to the crisis," Deeks said. "Measures like extending consultation periods gave firms the bandwidth to deal with everything that was happening. Even last month the FCA was adding [reporting] concessions and it's been more engaged and understanding of pinch-points than it was before the crisis."

Outcomes-led approach

This new attitude could be an unexpected benefit of the crisis. The FCA is undergoing a transformation programme as part of an overhaul of the UK regulatory framework following Brexit. Its 2020-2021 Business Plan set the ambition of being more outcomes-led, and in a speech last November, Nikhil Rathi, FCA chief executive, said the transformation programme would reflect lessons from the pandemic.

"The way the FCA's responded to COVID-19 is a good model for what it should become," Deeks said. "It's been a quite different approach to how it regulated in normal times. The FCA's been collaborative, practical, and engaged a lot earlier on. Its supervision has been far more proactive, identifying risks early on and alerting firms, rather than coming in afterwards and criticising how they handled something."
The FCA's method of protecting those struggling with mortgages, consumer credit or overdrafts reflects this more outcomes-led approach. Rather than impose new regulations, it issued regularly updated temporary guidance on how firms should treat consumers in difficulties during the pandemic. This has produced another potential benefit. Firms' response has accelerated their progress with "permanent" FCA measures to improve the treatment of vulnerable customers, most recently with guidance FG21/1, issued last month.

"The FCA didn't issue reams of new rules but centred on expecting firms to treat vulnerable customers fairly," Deeks said.

"It's COVID-19 guidance wants firms to get away from prescriptive decision-making and instead consider customers' potential vulnerability throughout their relationship with them. By and large, firms are doing that. So when things return to normal, firms will be a long way toward embedding customer vulnerability considerations into every stage of their processes."

**Mass remote working: an aberration?**

Mass remote working became an issue itself. Early on, the change proved surprisingly successful. Productivity did not collapse; markets kept functioning and employees enjoyed the novelty of working from home. The Banking Standards Board's 2020 Employee Survey found that workers' view of their firm's leadership, responsiveness and attentiveness to their wellbeing improved markedly. There was talk about making home working permanent. Last April, Jes Staley, Barclays' chief executive, said big offices "may be a thing of the past".

"Initially, many financial services organisations implemented change only where necessary in response to the pandemic and expected to undo those changes at the earliest opportunity," said Mel Newton, head of financial services people consulting at KPMG.

"Most now accept that they won't be returning to the old ways of working. This is because the pre-pandemic workplace design doesn't reflect the social changes influenced by COVID-19."

That does not mean mass remote working is here to stay. Enthusiasm for it has waned now its flaws are evident. Financial crime and data breach risks are higher. Collaboration, innovation, and development of junior employees are far harder when employees are working from home. Staley recently said it was unsustainable, and David Solomon, Goldman Sachs' chief executive, called it "an aberration".

"There are benefits to home working but its downsides include greater risks and difficulty maintaining and improving cultures, which is an FCA priority," Deeks said. "There's been a binary attitude till recently: firms either wanting 100% in the office or 100% working from home, but the future is some hybrid between the two."

Banks including HSBC, Lloyds, and Standard Chartered recently announced cuts in office space, but that is partly due to cost-cutting and staffing reductions. Few plan to ditch the office completely, Newton said.

**Going hybrid**

"Most organisations are set to adopt a hybrid arrangement," Newton said. "A combination of remote working and physical office space allows organisations to become more agile while meeting the needs of workers who wish to continue working flexibly."
The pandemic has been a taxing experience that is not over quite yet, but the sector rose to the challenge. In doing so, many firms have gained invaluable experience for the future.

**Bank of England welcomes signs of recovery, but is split over outlook**

(Reuters) - The Bank of England said Britain’s economic recovery was gathering pace thanks to the speed of COVID-19 vaccinations but its policymakers were split over the prospects for longer-term improvement, dampening speculation about a reversal of stimulus.3

The government’s tough pandemic restrictions - which will cause the economy to shrink again in early 2021 - could be lifted “somewhat more rapidly” than thought last month, the BoE said on Thursday after its March policy meeting.

Britain is on track to have given a first COVID-19 shot to half of all adults in the next few days, making it one of the fastest countries to roll out vaccines and pushing up sterling and British government bond yields this year.

Since the BoE’s Monetary Policy Committee met in February, “the news on near-term economic activity had been positive, although the extent to which that news changed the medium-term outlook was less clear,” the British central bank said.

“Different MPC members placed different weights on the balance of risks around the outlook.”

Those differences - over whether the economy will grow too slowly or too fast and generate too much or too little inflation - have been on full show in recent weeks.

BoE Chief Economist Andy Haldane has likened the economy to a “coiled spring”, with consumers primed to spend savings they have amassed while locked up at home. Speaking at an event on Thursday he said a rapid recovery was more likely than not.

Other MPC members sound much more wary as Britain also faces the drag of its new, less open, trading relationship with the European Union and the prospect of higher taxes after a short-term stimulus boost from finance minister Rishi Sunak.

Governor Andrew Bailey said on Monday that his increased optimism came “with a large dose of caution”.

The disagreements were spelled out more clearly in the minutes of the March meeting than in February, ranging from the degree of spare capacity, whether demand would fuel inflation pressure during the recovery, and whether a post-pandemic recovery required a different approach to previous upturns.

The pound weakened moderately against the U.S. dollar as investors took the announcement as a sign that the BoE was in no rush to start dialling back on its stimulus programmes. British government bond yields were little changed.

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3 David Milliken, Andy Bruce, William Schomberg, Bank of England welcomes signs of recovery, but is split over outlook (March 18, 2021) https://www.reuters.com/article/uk-britain-boe/bank-of-england-welcomes-signs-of-recovery-but-is-split-over-outlook-idUSKBN2BA00K

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The Bank of England kept its benchmark interest rate at an all-time low of 0.1%, in line with forecasts in a Reuters poll of economists.

The central bank also left unchanged the size of its 895 billion pound ($1.25 trillion) bond-buying programme.

“The tone of the meeting has remained cautious, in line with the stance adopted by the other major central banks over the last week,” said Silvia Dall’Angelo, senior economist at the international business of Federated Hermes.

On Wednesday, the Federal Reserve pledged to keep U.S. rates near zero at least until 2023 even as it forecast a sharp jump in economic growth and inflation in 2021.

But the European Central Bank said last week it would accelerate money-printing to keep a lid on borrowing costs as euro zone countries struggle to roll out their vaccine programmes.

JP Morgan economist Allan Monks said the BoE would probably upgrade its economic forecasts in May, which would “at least implicitly acknowledge that the next move in rates is up”.

Analysts at Morgan Stanley said the March minutes “did not signal a hawkish shift” as the BoE said it was ready to pick up the pace of its bond-buying if needed.

The BoE said it planned to keep the pace of its purchases of British government bonds steady at around 4.4 billion pounds per week, but reiterated that it could slow the pace in the future.

Bank of England keeps rates and size of bond-buying plan on hold

(Reuters) - The Bank of England kept its stimulus programme unchanged on Thursday ahead of an expected recovery in Britain's economy later this year, helped by the fast rollout of the country's COVID-19 vaccination programme.4

The BoE said it kept its benchmark interest rate at an all-time low of 0.1%, in line with forecasts in a Reuters poll of economists.

The central bank also left unchanged the size of its 895 billion-pound ($1.25 trillion) bond-buying programme.


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UK's GDP to fall 4% in first quarter: Bank of England head to paper

(Reuters) - Economic growth in the United Kingdom will fall by 4% in the first quarter from the same period last year and by 19% compared to the first three months of 2019, the governor of the Bank of England said on Tuesday.5

In an interview with Italian daily Il Sole 24 Ore Andrew Bailey said the bank would continue buying government bonds this year but added negative yields would negatively impact company savings and investments.

UK inflation will stay below the 2% target but will initially flare in the short term due to public support measures, he said.

BoE’s Bailey more positive on outlook, shows no worry about rise in yields

(Reuters) - Bank of England Governor Andrew Bailey said he was more optimistic about the economy, “with a large dose of caution,” and a recent rise in interest rates in financial markets was consistent with the prospects of recovery from the COVID slump.6

“We have seen some increase in interest rates over the last month or so, as have other countries. My assessment so far is that that is consistent, I think, with the change in the economic outlook,” Bailey told BBC radio on Monday.

Bailey’s comments contrasted with the message from the European Central Bank. The ECB said last week it would accelerate money-printing to keep a lid on euro zone borrowing costs which it feared could derail a recovery.

Britain has raced ahead with Europe’s fastest vaccine programme, although Bailey cautioned the COVID-19 effect was huge.

The yield on 10-year British government debt was trading close to its highest level since last March, when the onset of the coronavirus pandemic caused a “dash for cash” among panicked investors.

Government bond yields globally have risen on hopes for an economic recovery after the introduction of COVID-19 vaccinations and a $1.9 trillion U.S. fiscal stimulus.

“I’m now more positive but with a large dose of caution,” Bailey told the BBC.

RELATED COVERAGE

What the Bank of England policymakers have said about the recovery outlook
The British economy might perform more strongly than the BoE predicted last month as households spend the savings they have accumulated during the lockdown, but there was also a risk from possible new coronavirus variants, he said.


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Bailey said the British economy was get back to its late 2019 level around the end of this year. Last month, the BoE said the economy would reach that landmark by the first quarter of next year.

The BoE is expected to keep its benchmark interest rate at its historic low of 0.1% and its bond-buying programme unchanged at 895 billion pounds ($1.25 trillion) on Thursday at the end of its March meeting.

Bailey said he expected the BoE’s next economic forecasts would show unemployment peaking at a lower level than the 7.75% jobless rate it predicted in February, after finance minister Rishi Sunak extended his programme to protect jobs on March 3.

He also repeated the BoE’s message that the central bank would want to see more evidence than usual that it was hitting its 2% inflation target sustainably, and he said he did not see any signs of a big overshoot to 4% or 5%. 