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.

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

LEGISLATIVE AND REGULATORY ACTIONS OF THE HOME NATIONS

ENGLAND

The Health Protection (Coronavirus, Restrictions) (All Tiers) (England) Regulations 2020 impose restrictions on gatherings and on businesses in England, including the imposition of restricted hours for certain businesses and closure of certain businesses.

The Corporate Insolvency and Governance Act 2020 (Coronavirus) (Suspension of Liability for Wrongful Trading and Extension of the Relevant Period) Regulations 2020

No new actions.

The Health Protection (Coronavirus, International Travel) (England) Regulations 2020

No new actions.

The Income Tax (Exemption of Minor Benefits) (Coronavirus) Regulations 2020

No new actions.

The Employment Rights Act 1996 (Coronavirus, Calculation of a Week’s Pay) Regulations 2020

No new actions.

The Consumer Credit (Enforcement, Default and Termination Notices) (Coronavirus) (Amendment) Regulations 2020

No new actions.

The Health Protection (Coronavirus, Restrictions) (Self-Isolation) (England) Regulations 2020

No new actions.

The Health Protection (Coronavirus, Restrictions) (Obligations of Undertakings) (England) (Amendment) Regulations 2020

No new actions.

The Health Protection (Coronavirus, Collection of Contact Details etc and Related Requirements) Regulations 2020

No new actions.

Coronavirus Act 2020, UK ST 2020 c. 7 (Royal Assent 25 March 2020)

No new actions.

Financial Services and Markets Act 2000 (Regulated Activities) Order

No new actions.
No new actions.

Individual Savings Account Regulations 1998
No new actions.

The Income Tax (Exemption for Coronavirus Related Home Office Expenses) Regulations 2020
No new actions.

Value Added Tax Act 1994
No new actions.

The Taking Control of Goods and Certification of Enforcement Agents (Amendment) (Coronavirus) Regulations 2020
No new actions.

The Value Added Tax (Extension of Zero-Rating to Electronically Supplied Books etc.) (Coronavirus) Order 2020
No new actions.

Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
No new actions.

The Statutory Sick Pay (General) Regulations 1982
No relevant new actions.

The Health Protection (Coronavirus, Wearing of Face Coverings in a Relevant Place) (England) Regulations 2020
No relevant new actions.

The Statutory Sick Pay (Coronavirus) (Funding of Employers’ Liabilities) Regulations 2020
No new actions.

COUNTRIES ACTIONS

Scotland

The Health Protection (Coronavirus) (International Travel) (Scotland) Regulations 2020
No new actions.

The Health Protection (Coronavirus) (Restrictions and Requirements) (Additional Temporary Measures) (Scotland) Regulations 2020
No relevant new actions.

Coronavirus (Scotland) Act 2020 asp 7
No new actions.

2 Links to the TRRI Regulatory Guidance Summary for this provision and not the original text of the legislation.

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Coronavirus (Scotland) (No.2) Act 2020 asp 10

No new actions.

The Health Protection (Coronavirus) (Restrictions) (Scotland) Regulations 2020

No relevant new actions.

**Wales**

The Health Protection (Coronavirus, International Travel) (Wales) Regulations 2020

No new actions.

The Health Protection (Coronavirus Restrictions) (No. 4) (Wales) Regulations 2020

No new actions.

**Northern Ireland**

The Health Protection (Coronavirus, International Travel) Regulations (Northern Ireland) 2020

No new actions.

The Health Protection (Coronavirus, Restrictions) Regulations (Northern Ireland) 2020

No new actions.

The Corporate Insolvency and Governance Act 2020 (Coronavirus) (Schedule 8) (Early Termination of Certain Temporary Provisions) Regulations (Northern Ireland) 2020

No new actions.

The Business Tenancies (Coronavirus) (Restriction on Forfeiture: Relevant Period) (Northern Ireland) (No 2) Regulations 2020

No new actions.

The Corporate Insolvency and Governance Act 2020 (Coronavirus) (Amendment of Relevant Period for Meetings of Registered Societies and Credit Unions) Regulations (Northern Ireland) 2020

No new actions.

The Business Tenancies (Coronavirus) (Restriction on Forfeiture: Relevant Period) (Northern Ireland) Regulations 2020

No new actions.

The Rates (Coronavirus) (Emergency Relief) Regulations (Northern Ireland) 2020

No new actions.

The Statutory Sick Pay (Coronavirus) (Funding of Employers’ Liabilities) (Northern Ireland) Regulations 2020

No new actions.
The Working Time (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020
No new actions.

Isle of Man

Emergency Powers (Coronavirus) (Entry Restrictions) (No.2) Regulations 2020
No relevant new actions.

Proclamation by the Governor in Council
No new actions.

Emergency Powers (Coronavirus) (Information Sharing) Regulations 2020
No new actions.

REGULATORS – COVID-19 UPDATES

Financial Conduct Authority (FCA)

Leading Healthy Cultures in a Post COVID-19 World Webinar (November 27, 2020)
The FCA has published a transcript of a discussion led by Jonathan Davidson, FCA executive director of retail supervision, at a webinar on the leadership of healthy culture in a post COVID-19 world. Mr. Davidson explored what a healthy culture looks like; how leaders can create a healthy culture and make it sustainable; and how healthy cultures will work after COVID-19. Mr. Davidson spoke with three panelists about effective leadership and making the healthier culture that is emerging more connected, more collective, more collegial and more about equality.

For more information see the link here.

Bank of England’s Prudential Regulatory Authority (PRA)

PRA Regulatory Digest - November 2020 (December 1, 2020)
The PRA has published its Regulatory Digest for November 2020. This edition includes top news and publications, regulatory measures for firms in response to COVID-19, banking and insurance publications, and news and speeches.

For more information see the link here.

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. During the lifetime of the report, the survey has generated nearly 7,000 responses and been downloaded almost 55,000 times by firms, regulators, consultancies and law firms.³

³ Susannah Hammond, SURVEY: 12th Annual Cost of Compliance Survey, Regulatory Intelligence (December 3, 2020) at http://go-ri.tr.com/TzNeV9
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.

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.

**IMPACT ANALYSIS: FCA updates guidance on consumer credit during the pandemic**

(Regulatory Intelligence) - Following a consultation, the UK Financial Conduct Authority (FCA) has finalised tailored guidance for dealing with customers who need support as a result of circumstances related to the coronavirus. The guidance comprises a series of documents covering different parts of the sector such as credit cards, personal loans, rent-to-own, buy-now, pay-later and pawnbroking agreements, motor finance agreements and high-cost short-term credit.4

The guidance came into force on November 25, 2020.

**Summary of main points**

The tailored guidance includes the following points for firms:

- Ensure clear communication with the customer prior to the end of the payment deferral.
- Keep a record of the deferred amounts.
- Make reasonable efforts to reach an agreement with the customer to pay back the arrears as part of the wider forbearance offered by the firm.
- Treat customers fairly when considering whether, and when, to take steps to default or terminate the agreement, and comply with applicable Consumer Credit Act 1974 provisions.
- Be flexible and employ a full range of short and long-term forbearance options to support customers and minimise avoidable financial distress, stress and anxiety.

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4 Mike Cowan, IMPACT ANALYSIS: FCA updates guidance on consumer credit during the pandemic, Regulatory Intelligence (December 3, 2020) at [http://go-ri.tr.com/WMshe2](http://go-ri.tr.com/WMshe2)
• Contact customers in good time before the end of a payment deferral period with information about resuming payments and how to access further support if needed.
• Arrangements should be sustainable.
• Income and expenditure to be assessed in an objective manner.

The payment deferral guidance for each sub sector falls into a customer life cycle:

• customers who have not yet had a payment deferral;
• customers at the end of payment deferral(s);
• customers able to resume full payments;
• customers unable to resume full payments;
• forbearance.

Each document has detailed guidance about circumstances pertinent to each sub sector.

**Considerations for compliance officers**

Many companies in this sector will be small businesses with limited resources and the way firms implement the new guidance will be proportional to their size. All firms need to be able to demonstrate to the regulator how they have complied with the guidance and treated their customers fairly. Firms, and their compliance representatives, need to consider the following points:

• *Ensure the appropriate senior managers with overall responsibility for operational and control functions covered by the guidance are fully briefed:* Under the Senior Managers Regime specific responsibilities for operational and control activities are allocated to a senior manager. Compliance officers should ensure those senior managers with relevant responsibilities are fully briefed on the changes and what the senior manager needs to do to demonstrate that they are fully aware of the guidance and how it is being implemented within the firm. Senior management functions may wish to consider, for example, approval processes and mandates, reporting processes, quality of management information into them and the board, compliance with conduct policy and rules, complaints processes and data, and the training and competence arrangements for front-line staff.

• *Ensure reports to governance committees reflect the changing requirements:* Management information to governance committees (and the board) should provide assurance that the firm is complying with the amended guidance and allow for adequate challenge.

• *Map the new requirements against existing practices:* Compliance officers should review the new guidance and compare it with the firm's existing procedures and identify any gaps. These should then be presented to the operational area concerned with a view to making processes compliant.

• *With the finance department, assess the potential costs of applying payment deferral and interest waivers:* Applying payment deferrals and other forbearance measures such as interest waivers will have a cost to the firm. Compliance officers, alongside finance officers, should prepare a number of costed scenarios that indicate the impact on the firm of short-, medium- and long-term application of coronavirus measures. This will allow the board to determine compensating strategies that more accurately offset the effects of the guidance.

• *Identify the customers who are most vulnerable before and after these measures are applied and make special arrangements for dealing with them, i.e., set up a specific team trained to deal with vulnerable customers:* The treatment of vulnerable customers is a priority area for the FCA. Firms should already have embedded polices and procedures for dealing with those customers who are less able to handle financial services matters. Firms may also be able to identify customer groups or even
individuals they feel are vulnerable and put in place additional arrangements to manage their finances during this period of change.

- **Compliance monitoring teams to review the processes for managing customers under these requirements:** Throughout this period compliance monitoring teams need to be flexible and react to the changing risk within the firm. Compliance monitoring teams should regularly monitor compliance with this guidance and, alongside internal audit, ensure that controls are in place to treat customers fairly.

The payment deferral guidance will continue until July 31, 2021 (except for high-cost, short-term credit), with consumers needing to apply by March 31, 2021.

**BOARDROOM BRIEFING: Dutch regulator seeks improvement to elements of financial reporting on COVID-19 effects**

(Regulatory Intelligence) - The Dutch market regulator has called for listed companies to improve aspects of their reporting on the effects of the COVID-19 pandemic. A thematic review of semi-annual financial reporting had found that while nearly all the companies reviewed reported on the effects of the pandemic, the quality of the reporting varied considerably, the AFM said. Only a quarter of companies set out good information on the consequences of the pandemic, it said.⁵

The AFM joins a growing number of regulators who have reviewed or announced reviews of COVID-19 related disclosures. These include the Canadian Securities Administrators who in early November warned issuers about deficiencies and set out specific guidance and the European Securities and Markets Authority (ESMA) which in an October statement on enforcement priorities for 2020 annual financial reports said it would focus on the transparency of firms in relation to the effect of the pandemic on their business.

The UK’s Financial Reporting Council (FRC) has indicated that its forthcoming monitoring of annual reports will (among other things) “...focus on disclosures addressing risk, judgement and uncertainty in the face of the ongoing impact of Covid-19”.

**Focus of the review**

The AFM said its review was focused on those firms that it expected to experience negative effects due to the pandemic. A total of 26 listed companies were reviewed, it said.

The AFM said the seriousness of the impact of the pandemic was illustrated by the fact that 15 of the companies it had reviewed had filed a press release with it stating that they were unable to offer any guidance in relation to their financial performance in 2020 or that they were withdrawing previously issued guidance.

**Examples of good disclosure**

The AFM said the quarter of companies providing good and informative disclosures had included a detailed disclosure of financial covenants, sensitivity analyses and scenarios in addition to a qualitative and a qualitative disclosure of their assumptions and starting points. Attention had also been paid to consistency between the semi-annual management report and the semi-annual financial statement, it said.

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⁵ James Douse, BOARDROOM BRIEFING: Dutch regulator seeks improvement to elements of financial reporting on COVID-19 effects, Regulatory Intelligence (December 3, 2020) at http://go-ri.tr.com/nl7MFg

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The review found that approximately half of companies provided good disclosures on some relevant elements. There was however a need for improvement in their 2020 annual reporting, it said.

**Examples of poor practices**

The AFM provided examples of elements of disclosures that needed improvement and recommendations for improving them including:

- the disclosure of the test to determine whether the recoverable value of assets was above or below their carrying amount was not sufficient in some cases to be able to understand the outcome. Further, not all firms had provided a sensitivity analysis for this test despite the reasonable expectation that they would do so;
- adequate and comprehensible disclosure of a firm's assumptions and starting points for items such as deferred tax assets, provisions for credit losses and impairment tests should be included in 2020 annual reporting (as well as, where relevant, a sensitivity analysis);
- in some cases, an outline of the measures being taken to limit the negative effects of the pandemic had been included in the management report but were not visible in the semi-annual financial statement. Where this was due to materiality considerations, it should be mentioned in the management report;
- all firms should disclose their treatment of material items including new items such as government support (for banks this should include a disclosure of their treatment of the adjusted Targeted Longer-Term Refinancing Operations (TLTRO III) scheme) and rent reductions; and,
- proper disclosure of the effects of the pandemic needed to be included in 2020 annual reporting (the AFM found nearly a third of firms it reviewed provided very little disclosure in their 2020 semi-annual reporting). The AFM said it would be in contact with the management of firms who had made only limited disclosures to remind them of their responsibilities.

**DTCC, LSE Group weigh up post-vaccine working, maintain operational resilience focus**

(Regulatory Intelligence) - Depository Trust & Clearing Corporation (DTCC) and London Stock Exchange Group (LSEG) are weighing up new ways of working for 2021 when a COVID-19 vaccine becomes available.6

The market infrastructure companies, which respectively provide trade reporting, trading and clearing services for over-the-counter (OTC) derivatives market, report good performance during the pandemic, but will maintain their focus on operational resilience, said senior executives at both firms.

"I can't say the first few weeks were not chaotic and stressful for our clients and infrastructure writ large, but it has been a pretty amazing performance by the back offices of the firms across the globe in stepping up and dealing with this," said Michael Bodson, DTCC's president and chief executive, told a webinar the company hosted.

DTCC and LSEG, which includes the LCH clearinghouse, have been working predominately (95-99%) from home during the pandemic. Both are approaching going back to the office with caution and envision "new ways of working".

6 Rachel Wolcott, DTCC, LSE Group weigh up post-vaccine working, maintain operational resilience focus, Regulatory Intelligence (December 2, 2020) at http://go-ri.tr.com/DOMEcn
"We've proven and I genuinely don't think we would have anticipated being able to run our collective infrastructure — the banks, the dealers — like this so smoothly," Daniel Maguire group director, Post Trade Division, LSEG, and chief executive, LCH Group, said on the same webinar.

People, however, would benefit from a return to the office, he said.

"There's a cultural point. It's about people needing the interaction — customers as well — but as a team. We want to make sure we're getting people back together because there's a whole raft of challenges by not being together. Some of the things we've been doing will continue to exist. Certainly, there are lots of new ways of working coming as well," Maguire said.

Back-to-the-office plans will not materialize until the second or third quarter next year and remote working will remain the norm until there is more information about the vaccine roll out.

"We have a whole team that's looking at everything from continuing to remote work, what's the workplace going to look like. That will have an impact on the way we do things going forward," Bodson said.

**Operational resilience concerns**

While working from home proved largely successful even during periods of high volumes and volatility, both companies are focused on operational resilience especially as other market infrastructure providers — particularly exchanges — have suffered outages in the past few weeks.

"Unfortunately, [for] some of our colleagues around the world over the last month or so there seems to be a rash of system issues and glitches causing either trading to come to a halt or various other impacts. You do have the Digital Operational Resilience Act coming out in Europe that you're going have to deal with. Regulating operational resilience in some ways it's very difficult because each of us different platforms have different approaches, different market structures," Bodson said.

LSEG and LCH have invested heavily in operational resilience over the past five to seven years.

"No one wants the moniker 'the accident-prone clearinghouse'. We've got to be metronomic. The port in the stormiest of storms," Maguire said.

LSEG and LCH test their processes and technology to ensure it's "super resilient". Operational resilience is a top board and risk committee priority and there are many layers of operational resilience management information is produced and studied, he said.

"I think the fundamental thing for me, is it's a cultural point. You've got to embed a culture of operational resilience or risk in the firm, especially when you're running big infrastructure," Maguire said.

**COVID-19 crisis shows need for further securities reforms, says IOSCO chair**

(Regulatory Intelligence) - Securities regulators will continue to focus on financial stability and systemic risks in non-bank financial intermediation in the year ahead, despite the strong market recovery in recent months, a senior official said.7

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7 Nathan Lynch, COVID-19 crisis shows need for further securities reforms, says IOSCO chair, Regulatory Intelligence (December 2, 2020) at [http://go-ri.tr.com/qiY60L](http://go-ri.tr.com/qiY60L)
As the COVID-19 pandemic approaches its second year, members of the International Organisation of Securities Commissions (IOSCO) will also prioritise the risks associated with remote working, misconduct, frauds, scams and operational resilience, said Ashley Alder, chair.

Some of the other top regulatory priorities for the year ahead will include sustainable finance, retail market conduct and the continuing challenge of market fragmentation, Alder said.

Alder was speaking at a webinar hosted by the Official Monetary and Financial Institutions Forum, which is a think tank for the world’s central banks that was set up following the financial crisis. Securities regulators were far from complacent despite the success of the policy interventions throughout the COVID crisis, he said.

Alder, who is also chief executive of the Securities and Futures Commission (SFC) in Hong Kong, said the market volatility throughout 2020 had demonstrated the benefit of the reforms introduced after the 2008 financial crisis.

The pandemic had triggered an "unprecedented shock", in the sense that it was unlike any other market disruption in the past 100 years, he said. Despite this, liquidity had remained strong and the recovery took place quickly, relative to the 2008 crisis.

"It was unprecedented in the sense that the sequencing was health crisis, lockdowns, economic shock — both on the demand and supply side — and then that led very quickly to a spill-over effect into financial markets. There was a major, major stress event in financial markets in mid-March," Alder said.

Crunch time for regulators

The COVID crunch was also different to the financial crisis as the banks remained robust, while the primary impact was felt across market intermediators.

During the COVID crunch, securities regulators were looking closely at investment funds, market intermediation and bank intermediation. The various capital and liquidity buffers put in place after 2008 performed well during this period, Alder said.

"Some funds did use the liquidity management tools that were available to them when there was a liquidity 'full stop' across many underlying markets in March," Alder said.

The COVID crunch in March also highlighted the success of the work that has been done to build a new structure of central counterparties (CCPs) for central clearing of OTC derivatives. In 2008/9 this had been an "epicentre of stress", Alder told participants from across Europe, the Middle East and Asia. The sale of assets to meet margin calls peaked in March, which contributed to the market decline in the first quarter of 2020.

"CCPs did remain resilient and they did do the job they were meant to," Alder said.

"The inevitable increase in margin calls — and the degree to which margin calls and margin amounts were calibrated to the stresses and volatility — had to be done very carefully to ensure we didn't set off a level of procyclicality because of those margin calls. That could end up making matters even worse and tipping us into financial stability issues," he said.

Leverage concerns

The market decline in March was also an opportunity to test the reforms to leverage ratios, which has been "front and centre of policy discussions for some months if not years now" at IOSCO.
Regulators would assess whether the deleveraging at hedge funds may have added to downturn in March, Alder said.

The "exceptional measures" from policymakers — including government stimulus and central bank interventions — ensured the markets remained largely resilient.

Throughout the year there has been a large increase in central bank balance sheets, from a sovereign debt perspective and also through unprecedented interventions into the corporate debt market.

The next challenge for policymakers will be to return to a more normal level of price discovery and market intervention.

"There are genuinely serious questions to be examined around moral hazard going into the future. This is not moral hazard in the banking sense, this is in the non-bank sector, Alder said.

"Clearly there has been a build-up of corporate debt intermediated through the non-bank markets — bond markets — over some years. There are some questions around the fragility of corporate balance sheets."

**COVID-19: Investment firms revise ICAAP, increase stress testing, boost liquidity and capital**

(Regulatory Intelligence) - Investment firms responded to the COVID-19 pandemic by fine-tuning their risk assessment scenarios, increasing the frequency of stress testing and adjusting both capital and corporate liquidity, according to a report by KPMG.8

David Yim, asset management partner at KPMG UK and the report's author, said firms' risk functions had played a vital part in keeping firms and their clients safe during COVID-19.

"There is no escaping the impact COVID-19 has had on the industry, but it's clear risk functions have played a vital role in helping firms navigate the crisis," Yim said.

In its sixth annual risk and Internal Capital Adequacy Assessment Process (ICAAP) benchmarking survey, KPMG found 92% of the firms had taken action to address the impact of the pandemic on their firm's risk profile and financial resources.

The 2020 survey had 40 participants, including asset and wealth managers and platforms. Participating firms spanned the regulatory categories P1, P2 and P3. Eleven firms had assets under management (AUM) in excess of £200 billion and 10 had AUM of less than £20 billion, with the remaining participants having AUM between the two.

**COVID-19**

Some 65% of firms in the survey had carried out extra stress testing on their capital and liquidity; 58% had reassessed inputs into their ICAAP; and 40% had increased the frequency of monitoring their capital and liquidity due to market stress.

Just 8% of firms reported they had taken no risk management action in the face of the continuing crisis. Yim expects these firms to catch the eye of regulators.

"For the minority of firms that have not taken any action as a result of the pandemic, this suggests that risk management is not being used within the business and the ICAAP is

8 Lindsey Rogerson, COVID-19: Investment firms revise ICAAP, increase stress testing, boost liquidity and capital, Regulatory Intelligence (November 30, 2020) at http://go-ri.tr.com/U4mpy7

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seem as a regulatory exercise. We would expect these firms to be subject to regulatory challenge on the justification behind this," Yim said in the report.

**SREP**

The report has been tracking Supervisory Review and Evaluation Process (SREP) regulatory assessments for six years to identify underlying trends. 2020 has seen a significant reduction in the overall number of firms undergoing SREPs, KPMG said. It is also taking the Financial Conduct Authority (FCA) longer to provide feedback to firms that have undergone a SREP review.

"This is undoubtedly a consequence of the immediate fallout of the pandemic causing logistical issues in a process which has traditionally focused on onsite reviews, as well as a reflection of the FCA diverting attention to firms experiencing financial stress," the report said.

Despite the fall in numbers this year, the FCA's focus in the SREPs it has carried out remains consistent with 2019. The top three areas of focus are: corporate liquidity risk management; operational risk modelling; and wind-down plans.

Firms appear to be getting better at assessing their own capital requirements since the level of add-ons required by the FCA is falling – on average, firms' estimates of capital were 22% lower than the FCAs. 2020 was also the first year that no firm had been required to double its capital following a SREP visit, although KPMG said this might just be a result of fewer SREPs being conducted.

KPMG said 80% of firms evaluated the risks of wind-down this year, up from 51% in 2019. One quarter of firms had modelled more than one wind-down scenario in 2020.

FCA feedback to firms following SREPs visits suggested the regulator often concluded that a wind-down plan was overly optimistic, or the qualitative detail fell short of that set out in 2016's regulatory guidance.

**IFPR preparedness**

UK regulators this month pushed back the implementation date for the Investment Fund Prudential Regime (IFPR) by a year, to January 2022. The report reveals just how ill-prepared firms were to meet the original start date. Just 43% of firms had carried out an assessment to see if they would meet Pillar 1 requirements under the new regime.

Firms were even less advanced in preparations to meet other key IFPR requirements, KPMG said.

"The other components of the IFPR around governance, remuneration, reporting and disclosure, including new ESG requirements, may contain surprises for the firms who have focused only on quantitative changes so far. Only 13% of firms have fully assessed the remuneration policy and pay-out rule requirements under the IFPR, while these new requirements will likely bring significant changes for some firms' reward structures. While the implementation date has moved back, firms should not delay and instead use the time to adopt a more strategic than reactionary approach to realising the new regime," Yim said.
Be prudent over dividends, Bank of England tells insurers

(Reuters) - Britain’s insurers should maintain “high levels of prudence” when it comes to paying dividends given high uncertainty due to the coronavirus pandemic, a senior Bank of England official said on Thursday.⁹

“Firm-specific stress testing of affordability is a key input to board’s decisions,” Charlotte Gerken, the BoE’s executive director for insurance supervision, said in a speech.

“And we expect firms to continue to do this and maintain high levels of prudence in the face of continuing high uncertainty.”

Like bikes, insurers across Europe have come under pressure from regulators to conserve capital until a clearer picture of the fallout from the pandemic emerges. British life insurer Legal & General has kept its final dividend payment for 2020 flat.

Gerken said stress-testing will play an increasingly important role in determining if insurers have enough resources to pay claims from policyholders.

The BoE conducted a “crude but rapid” emergency test after Britain went into lockdown in March to fight the pandemic, helping it spot potentially vulnerable companies, she said.

The sector is locked in a legal battle with customers over payouts for businesses interrupted by the pandemic.

Insurers and banks in Britain face a climate-risk related BoE test next year, with insurers’ next regular sector-wide test in 2022, but so far the BoE has not published results for individual insurers as it does for banks.

“We should also think about whether it will be valuable in the longer term not only to give a sector view but a firm-specific view as well,” Gerken said.

Britain is reviewing insurance capital rules, known as Solvency II, that use complex models to determine capital requirements.

Gerken said that stress-tests could be a “top down tool” to inject an element of “big real world risks and shocks”.

“We should look at a more flexible approach where models sit alongside other inputs to capital requirements.”

Stocks in London log best day in three weeks on recovery hopes

(Reuters) - Britain’s FTSE 100 and mid-cap FTSE 250 had their best session in three weeks on Tuesday as upbeat Chinese factory data fuelled hopes for a global economic recovery from the COVID-19 crisis.¹⁰

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¹⁰ Shivani Kumaresan, Shreyashi Sanyal, Stocks in London log best day in three weeks on recovery hopes (December 1, 2020) https://uk.reuters.com/article/idUKKBN28B45G

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Data showed China’s factory activity accelerated at the fastest pace in a decade in November, while British factories showed their fastest growth in almost three years.

The Chinese data drove a surge in Asia-focused banks, which gained 5.6%, while the blue-chip FTSE 100 rose 1.9%, after its biggest monthly gain in more than three decades, and the FTSE 250 added 2.6%.

“The FTSE 100 is a global bellwether so any data that supports cyclical recovery is going to benefit the UK markets,” Oliver Brennan, senior macro strategist at TS Lombard, said.

Attention was also focused on Brexit trade talks, with a senior British minister saying there was still a chance of a turbulent divorce without a deal.

“A no deal outcome might actually give the FTSE 100 a short-term boost as the likely resulting drop in sterling boosts the relative value of the overseas earnings which dominate the index,” Russ Mould, investment director at AJ Bell, said.

The FTSE 100 has rallied nearly 30% from an eight-year-low in March on the back of unprecedented fiscal and monetary stimulus and, more recently, signs that an effective COVID-19 vaccine would be available before the end of the year.

But the index is still down about 16% this year, underperforming the European benchmark STOXX 600 index.

British house prices rose by the most in nearly six years in November, data showed, lifting the FTSE homebuilders index by 1.9%.

**BoE’s Tenreyro sees little immediate economic boost from COVID-19 vaccine**

(Reuters) - Bank of England policymaker Silvana Tenreyro said on Monday that progress in the development of COVID-19 vaccines was only likely to translate into a significant economic boost once they had been widely rolled out in Britain.11

Tenreyro struck a more cautious line than the BoE’s Chief Economist, Andy Haldane, who said last week that news of effective coronavirus vaccines had improved financial market conditions and business confidence.

Consumer spending was unlikely to pick up markedly until public health restrictions were relaxed and people felt safe enough to go and socialise, which would not be until vaccines were widely available, Tenreyro said.

“As economists, we often focus on the idea that positive news about the economic situation in the future will lead more confident consumers to spend more today,” she told an event hosted by the Resolution Foundation think-tank and the Money Macro and Finance Society.

“But since the positive news is about future health outcomes, some may be more inclined to postpone spending on many goods and services until vaccines and reduced health risks actually arrive.”

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Earlier this month -- before news of the vaccines -- the BoE forecast Britain’s economic recovery would go into reverse this quarter due to a four-week partial lockdown in England and other restrictions to stem a second wave of COVID-19 cases.

Tenreyro said she still believed the economy was on course to shrink, and stood by her decision to vote for a year-long 150 billion pound expansion in bond purchases.

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“My rationale for the recent QE expansion was to mitigate the risk of any tightening in monetary conditions that might make it harder to bring inflation back to target,” she said.

“The reduction in uncertainty about vaccine production makes it even more essential that we avoid those risks.”

Tenreyro also restated her view that cutting interest rates below zero percent could boost Britain’s economy if needed.

“Apart from the bank lending channel I would expect the other channels to also work well -- the exchange rate channel, and the wealth or asset price channel,” she said, based on the effect of negative rates in the euro zone and elsewhere.

The BoE is conducting a review to see if differences in the structure of Britain’s banking system would limit the potential effectiveness of negative interest rates, and other policymakers have raised doubts about the idea.