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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- UK economy to struggle to recover from "searing" COVID blow - BoE's Saunders

1 This COVID-19 Coverage was compiled by Thomson Reuters Regulatory Intelligence editorial staff.
Bank of England's Bailey sees risk of "longer and harder" recovery
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BoE not remotely close to any decision on negative rates: Haldane
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COVID-19 COVERAGE – UNITED KINGDOM

LEGISLATIVE AND REGULATORY ACTIONS OF THE HOME NATIONS

ENGLAND

The Statutory Sick Pay (General) (Coronavirus Amendment) (No. 4) Regulations 2020, amends the Statutory Sick Pay (General) Regulations 1982, adding a new category of person to the Schedule.

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

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

The Individual Savings Account (Amendment No. 3) (Coronavirus) Regulations 2020
No new actions.

The Health Protection (Coronavirus, Restrictions) (England) (Amendment) (No. 2) Regulations 2020
No new actions.

The Financial Services and Markets Act 2000 (Regulated Activities) (Coronavirus) (Amendment) Order 2020
No new actions.

The Value Added Tax (Zero Rate for Personal Protective Equipment) (Coronavirus) Order 2020
No new actions.

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

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

The Non-Domestic Rating (Transitional Protection Payments and Rates Retention) (Coronavirus) (Amendment) Regulations 2020
No new actions.
No new actions.


The Working Time (Coronavirus) (Amendment) Regulations 2020

No new actions.

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

No new actions.

Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

No new actions.

The Financial Services and Markets Act 2000 (Exemption) (Amendment) Order 2020

No new actions.

The Tribunal Procedure (Coronavirus) (Amendment) Rules 2020

No new actions.

COUNTRIES ACTIONS

Scotland

Coronavirus (Scotland) (No.2) Act 2020 asp 10, provides public bodies with additional powers which are considered necessary in response to the emergency situation caused by the coronavirus pandemic.

Coronavirus (Scotland) Act 2020 asp 7 (Royal Assent 6 April 2020)

No new actions.

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

No relevant actions.

The Statutory Sick Pay (General) (Coronavirus Amendment) (No. 3) Regulations 2020

No new actions.

Wales

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

No relevant new actions.

The Statutory Sick Pay (General) (Coronavirus Amendment) (No. 3) Regulations 2020

No new actions.

Northern Ireland

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

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No new actions.

**The Working Time (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020**

No new actions.

**The Discretionary Support (Amendment No. 2) (COVID-19) Regulations (Northern Ireland) 2020**

No new actions.

**The Statutory Sick Pay (General) (Coronavirus Amendment) (No. 3) Regulations 2020**

No new actions.

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

No relevant new action.

**Isle of Man**

**Emergency Powers (Coronavirus) (Closure of Businesses and Other Premises) (Amendment) (No.9) Regulations 2020,** amends **Emergency Powers (Coronavirus) (Closure of Businesses and Other Premises) Regulations 2020,** by omitting the provisions in regulations 5, 5A and 5B.

**Emergency Powers (Coronavirus) (Entry Restrictions) (No.2) Regulations 2020,** these regulations revoked **The Emergency Powers (Coronavirus) (Entry Restrictions) Regulations**

No new actions.

**Emergency Powers (Coronavirus) (Electronic Transmission of Information - Enterprises) Regulations 2020**

No new actions.

**Emergency Powers (Coronavirus) Regulations**

No new actions.

**Emergency Powers (Coronavirus) (Information Sharing) Regulations 2020**

No new actions.

**Emergency Powers (Amendment) Act 2020**

No new actions.

**The Health Protection (Coronavirus) Regulations 2020**

No new actions.
REGULATORS – COVID-19 UPDATES

UK Regulators

Financial Conduct Authority (FCA)

Coronavirus (Covid-19): Information for Firms (22 May 2020)

The FCA has updated its Coronavirus (Covid-19): Information for firms. This update includes references to the FCA’s short consultation on additional guidance to strengthen payment services and e-money firms’ prudential risk management and safeguarding arrangements. The guidance will provide additional direction for firms to meet their requirements under the Electronic Money Regulations 2011 and Payment Services Regulations 2017. It also specifies the FCA’s expectation of firms to implement more robust plans for winding-down, so that customer funds are returned in a timely manner if firms fail. The information is up to date as of 22 May 2020.

For more information see the link here.

Draft Information for Consumers: Dealing With Financial Difficulties During Coronavirus (22 May 2020)

The FCA has issued its guidance for individuals whose income has been affected by the ongoing Covid-19 pandemic, or who have taken a full or partial payment deferral in light of the pandemic. In its guidance, the FCA outlines ways in which consumers can better understand their financial situation, and it also provides steps they can take to best manage the upcoming months.

For more information see the link here.

FCA Announces Support for Customers Who Are Struggling to Pay Their Mortgage Due to Coronavirus (22 May 2020)

The FCA has announced a proposal intended to continue support for customers who are having difficulty paying their mortgage due to coronavirus (Covid-19). The proposal details the options that firms will be required to provide customers who are nearing the end of a payment holiday, as well as those who might yet request one. For customers yet to request a payment holiday, the time frame for applications would be extended until 31 October 2020. For those who are still experiencing payment difficulties due to coronavirus, firms should continue to support them, which might include extending a payment holiday by a further three months.

For more information see the link here.

Mortgages and Coronavirus: Updated Draft Guidance for Firms (22 May 2020)

The FCA has published draft guidance for mortgage lenders, mortgage administrators, home purchase administrators and home purchase providers for exceptional circumstances arising out of coronavirus (Covid-19) and its impact on the financial situation of customers of home finance providers. This guidance is subject to review and update as necessary, and unless renewed or updated, it expires on 31 October 2020. The guidance covers customers who have already had a payment deferral, as well as those that might apply for a payment deferral in the coming months. A customer should have no liability to pay any charge or fee in connection with the grant of a payment deferral under this guidance. The FCA will welcome comments from stakeholders on this draft guidance by 5 pm on Tuesday 26 May.

For more information see the link here.
Coronavirus and Safeguarding Customers’ Funds: Proposed Guidance for Payment Firms (22 May 2020)

The FCA has published a consultation proposing additional temporary guidance to strengthen payment firms’ prudential risk management and arrangements for safeguarding customers’ funds in light of the exceptional circumstances of the coronavirus pandemic (Covid-19).

For more information see the link here.

Bank of England’s Prudential Regulation Authority (PRA)

Statement by the PRA on Regulatory Capital and IFRS 9 Requirements for Payment Holidays (22 May 2020)

The PRA has released a statement on the guidance it issued to the CEOs of banks and building societies on, among other things, the application of expected credit loss accounting (ECL) and the regulatory definition of default in the context of Covid-19. The FCA has published draft updated guidance on how borrowers should be treated by lenders at the end of the initial deferral period. As a result, firms are now assessing the capital and accounting treatment for exit from, and in some cases extension of, payment deferrals. This statement provides a high-level view of the implications of the FCA's updated guidance for the earlier guidance issued by the PRA and, more generally, on accounting and the regulatory definition of default.

For more information see the link here.

OTHER NEWS AND SUMMARIES

Home trading triggers bank ‘black hole’ surveillance alerts

(Reuters) - Potential breaches of market rules have spiked since traders began working from home in March, drawing scrutiny from regulators and piling pressure on banks to plug “black holes” in surveillance systems, industry officials say.3

With banks unable to check in person on the behaviour of traders working remotely, they have to rely on machines that flag any apparent bad behaviour or suspicious transactions made under the unusual coronavirus crisis working conditions.

"In your kitchen or spare bedroom there is no colleague to monitor what you are up to and what we are seeing across a number of clients is a spike in escalations," said Erkin Adylov, CEO of Behavox, whose software is used by banks, hedge funds and asset managers in New York, London and Asia to monitor staff.

Behavox has seen a 18% rise in conduct being "escalated" or singled out for scrutiny among clients since March, ranging from swearing to more serious incidents like disclosing client names.

They have also included prohibited activities such as taking conversations private, using personal email and giving financial advice to family and friends, Adylov said.

3 Huw Jones, Home trading triggers bank ‘black hole’ surveillance alerts, Reuters (29 May 2020) at http://go-ri.tr.com/VtXmWg
"These kinds of breaches typically don’t happen, but right now there is a noticeable increase," he said.

When the coronavirus crisis hit, regulators in Europe and the United States initially gave some leeway to home traders, such as easing a rule that all conversations be recorded.

But working from home must not mean a relaxation in surveillance and firms could hold retrospective reviews to focus on high risk areas, Britain’s Financial Conduct Authority said this week, adding it was aware of a surveillance alert surge.

Greenwich Associates said there has been a jump in “false positives“ or potentially suspicious trades that must be reviewed, driven by record trading volumes during March.

The consultancy said one global banking client saw more than 35,000 false positives during just one trading day in March, up from 5,000 in a normal session, leading to delays in reviews by compliance teams.

“They normally review an alert on the same day, but in some cases it was two to three weeks later,” Danielle Tierney, senior analyst at Greenwich said.

Hong Kong’s Securities and Futures Commission said on Thursday that remote working policies due to the pandemic have caused an increase in operational risk and that a "regulatory conversation" was needed with financial firms.

Greenwich’s Tierney said firms that struggled to stay on top of surveillance will be under pressure from regulators to upgrade systems and will not be simply “forgiven” again for lapses next time round.

**Alert spike**

Tim Estes, Founder and CEO of Digital Reasoning, whose programmes monitor staff at global banks, said banks were still digging through backlogs from an “incredible spike” in alerts, hiring teams in cheaper locations to do initial reviews.

"They know that within the enormous backlogs there are likely incidents of insider trading or market abuse," he said.

Rachel Sexton, head of consultants EY’s financial services forensic and integrity practice in London, said some processes have been harder to implement in lockdown, such as the control of inside information.

Britain’s FCA this week told bankers to have adequate systems at home to stop inside information leaks.

“What we will see in the next couple of months is regulators pro-actively issuing more work-from-home guidance,” said Robert Santella chief executive of IPC Systems, a supplier of kit for traders working from home in the U.S. and Europe.

**JMLIT adapts to COVID-19, focuses on highest priority laundering, banks raise issues**

(Regulatory Intelligence) - The Joint Money Laundering Intelligence Taskforce (JMLIT) has adapted its work to COVID-19 restrictions and still supports highest priority responses, it said. Compliance sources in banks have, however, questioned whether public-private
partnerships of this kind are operating at maximum efficiency for counter-terrorist financing (CTF).  

"The JMLIT has adapted its ways of working due to COVID-19 restrictions and continues to support the response to the highest priority money laundering, fraud and serious crime threats," a spokeswoman for the National Crime Agency (NCA) said.

"The JMLIT activity enables private sector and law enforcement partners to identify threats and mitigate risks, through support to specific high-priority investigations and by developing alerts to issues to industry," she said.

All the same, such public-private partnerships are wanting in some respects, panel participants found at a Royal United Services Institute (RUSI) webinar, 'Does the current strategy to counter-terrorist financing work?' this month.

"The focus of CTF is moving towards creating dynamic collaborations between financial institutions and law enforcement, but information sharing is subject to constraints," said Rachel Love, associate, group integrated intelligence and investigations, financial crime & compliance, Standard Chartered, at the webinar.

"The principal challenge that we face now is to surmount the information sharing restrictions which limit the success of these partnerships. Currently a public private partnership’s success is based on the local legislative environment, and how much we can share in that context," she said.

**Data-sharing weaknesses**

There needs to be more timely communication between banks and law enforcement and less legal restriction on cross-border and intrabank data sharing, Love said.

Cooperation between the public and private sectors can increase terrorist-financing awareness, understanding and higher-quality suspicious transaction reporting to law enforcement, according to a March 2020 RUSI paper, 'A Sharper Image: Advancing a Risk-Based Response to Terrorist Financing', which came under discussion at the webinar.

"There's a lot of understanding on both sides regarding the limitations that are faced by banks and law enforcement having to meet both privacy and financial crime policy imperatives. But we do need timely communication and less restrictions on our collaborations on data sharing if we're to stay a step ahead," Love said.

JMLIT is based on voluntary co-operation, the NCA spokeswoman said. "There is no compulsion to share information in response to a JMLIT request," she said.

At present, much banking work is identifying suspicious activity, so that activity is not itself confirmed as illicit or indeed confirmed as connected to terrorism, Love said at the webinar. Engagement with law enforcement becomes really important, she said.

The [suspicious activity reports] regime is resources intensive and often defensive, Love said. "It's led to a lot of low value reporting that's one way in nature and doesn't allow for strategic and tactical alignment between financial institutions and law enforcement."

The large volumes of flagged activity from scenarios of automated controls require manual review, which is a very resource-intensive and costly exercise, she said.

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4 Alex Davidson, JMLIT adapts to COVID-19, focuses on highest priority laundering, banks raise issues, Regulatory Intelligence (27 May 2020) at http://go-ri.tr.com/64lz9O
The terrorism financing picture has become far more complex, as it evolves, and the threat today is far more diverse, Love said.

**Selective screening**

Terrorism financing typologies are often now indistinguishable from ordinary financing behaviour, she said. "It is not possible and would be a very futile use of resources to screen every variation of payment that could be attributable to terrorism financing. For example, there's nothing inherently untoward in hiring a van."

Cash-based scenario driven controls are less reliable indicators for terrorist financing as they are for money laundering crimes, she said. There is no one terrorism financing modus operandi and there might not be any illicit or even suspicious activity or suspicious finances involved in the terrorism activity, she said.

"The global terror network and its financial foundation has turned out to be a patchwork of multiple networks of diverse actors with various funding methods," said Tom Keatinge, director, RUSI, who chaired the webinar.

"Globalisation, social media, new forms of technology and new payment systems are all vulnerable to facilitating terrorist financing," he said.

**Into the fire: Preparing staff for COVID-19's economic aftermath**

(Expert Analysis) - It is one of cinema's stock tropes: someone slams the door on one threat only to be trapped inside with another. Many fear that lockdown will prove the recessionary fire to COVID-19's infectious frying pan. Restrictions are easing but to overcome challenges ahead, firms must somehow keep employees focused and motivated despite their anxieties about the future.⁵

There are serious grounds for concern. Several sectors of the economy have fired distress signals including aerospace, hospitality, retail and leisure. Rishi Sunak, Chancellor of the Exchequer, has said the country is very likely to face 'a significant recession,' while the EU Commission has given a more detailed assessment. It predicts a 7.5% decline in economic activity across the Union, slightly more in the euro zone. Inflation in the bloc has fallen to 0.3%; unemployment is rising, its level concealed by government support measures.

"We are facing a shock without precedent since the Great Depression," Commissioner Paolo Gentiloni said when the European Semester Spring Package was unveiled in early May. "Its economic and social consequences pose policy challenges unlike any we have seen in our lifetimes."

Recessions mean business bankruptcies and redundancies. They in turn mean loan and mortgage defaults and fewer people buying investment and insurance products. Further darkening the outlook, the Bank of England recently said introducing negative interest rates was now under 'active review.' Many banks had announced job cuts before the pandemic but suspended them during the crisis. Deutsche restarted in mid-May, the others cannot hold back forever and redundancies across the sector may occur if the economy drops.

Some financial services firms are already under pressure and regulators seem to expect some smaller or more vulnerable ones to fail in the fallout from COVID-19. During a webinar organised by City & Financial on May 4, 2020, Chris Woolard, interim chief

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executive of the Financial Conduct Authority (FCA), said 600 firms had asked the regulator for some kind of relief from rules. In most cases the applications had been granted.

**How wide is chasm?**

"No-one knows quite how wide the chasm we are trying to work across is right now," Woolard told the webinar. "We have to be realistic that not every firm is going to make the other side."

Firms face not just testing times but a conundrum. Their staff must concentrate on solving the problems a receding market throws up while worrying (or knowing) that their job is in jeopardy, let alone about a second wave of COVID-19 infections. Katerina Psychopaida, a senior principal at the international HR consultancy Mercer, said studies it had conducted suggested morale was already at a low ebb as uncertainty around COVID-19 meant employees cannot focus on other things.

"COVID activates the scarcity concept," Psychopaida said. "People feel like the ground's shaking beneath their feet because they're worried that they may not cover their and their family's basic needs like health and food. Normally there's a pyramid of things that motivate people about work, with alignment with the employer's purpose at the top and personal benefit, pay, at the bottom. We've seen COVID-related worries pushing motivation below that bottom tier."

Early in the lockdown, clients asked Mercer to discover what would help most to maintain the productivity of employees who had been told to work from home. The answer was not better office equipment, laptops or wi-fi, but reducing the stress and worry people felt.

Jonny Gifford, senior adviser on organisational behaviour at the Chartered Institute of Personnel and Development (CIPD), the professional body for HR, said reducing employee anxiety required frequent, frank and informative communications with them.

**Need for communication**

"People aren't fools: they can put two-and-two together about what's happening," Gifford said. "Always communicate as much as you can because otherwise the danger is that employees assume things are worse than they are. CIPD research already shows a sharp rise in job security fears due to lockdown. But remember, the other side of communication is consultation. Consult employees about developments like returning to the office or being furloughed."

Psychopaida also pointed out that in difficult economic times it is especially important that employees feel they are being listened to. She said that while about 80% of employees Mercer surveyed felt their employer was doing what it could to explain what was happening regarding COVID-19 and lockdown, channels for two-way communication were far less common, as they had been in the post-2008 recession.

Many firms outside retail banking have had up to 90% of the workforce working from home during lockdown and a mass dash back to the office is unlikely. Gifford said remote workers needed special attention during the crisis and its economic aftermath if they were not to feel isolated, vulnerable and stressed.

"It's even more important than with office teams that remote workers trust their supervisor and the support they receive but it's harder to achieve," Gifford said. "Ensure line managers check in one-to-one with their reports and ask if they are OK. Don't assume people are coping. A good line manager is the nearest thing there is to a 'golden bullet' for motivating staff and reducing stress."
Redundancy stress

Inevitably, especially as several banks already had redundancy plans, some employees will lose their jobs. With COVID-19 infection and fatality rates falling, possible redundancy is becoming the prime cause of work-related stress. David Wreford, a partner at Mercer, said government policies were keeping job anxiety high.

"We've found that people are more stressed by uncertainty about whether they'll be made redundant than they are once they know the outcome," Wreford said. "Government employee subsidies are perpetuating uncertainty. It feels like kicking the can down the road. Firms should be clarifying the workforce they need to be resilient in future. For some, that could involve having more of a mix between employees and contractors."

No one can tell how many extra job losses COVID-19 will cause, but the sector can draw on its experience during the financial crisis. Consultation and other employment law requirements differ between European countries but 2008 taught some general lessons.

Chris Box, financial services HR consulting leader at PwC UK, said banks should start by understanding which skills are core to their business, next identify who possesses those skills then work through what this means in terms of redundancy plans.

"[Firms] should look to avoid waves of headcount reduction, which cause prolonged uncertainty amongst employees and in turn have a detrimental impact on productivity," Box said. "What to communicate to employees is, of course, a very sensitive matter... Being clear on the rationale for any headcount reduction, and most importantly painting a clear picture for the road ahead and a positive view of the future, will be critical."

UK markets watchdog calls for scrutiny of work-from-home trading

(Reuters) - Financial firms must check if their market surveillance systems can spot suspicious transactions adequately as traders work from home, Britain's Financial Conduct Authority said on Wednesday.6

"During this period, we encourage a particular focus on maintaining robust market surveillance and suspicious transaction and order reporting by relevant market participants, in the context of changes in market conditions and the current use of alternative working arrangements," the FCA said in a bulletin.

COVID-19: Practical issues for asset managers and mapping out a compliance checklist

(Expert Analysis) - Asset management is far from immune to the disruption caused by the COVID-19 pandemic in these challenging times. The problems for asset managers are similar to those faced by many other businesses, but some issues are specific to the financial services sector. Below we consider some of the legal as well as practical difficulties that asset managers and their managed investment funds are dealing with (and when the term "asset managers" is used, it also includes their investment funds as relevant) and mapping out a compliance checklist and plan. In many instances, similar factors will affect an asset manager's investee companies and the impact that COVID-19 may have on the

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6 Huw Jones, UK markets watchdog calls for scrutiny of work-from-home trading, Reuters (28 May 2020) at http://go-ri.tr.com/VjXAty

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business operations and financial and liquidity positions of such companies, and their relationship to and effect on asset managers should be considered.\(^7\)

**Company governance; taking inventory of risks**

The legal, social and economic impact of the COVID-19 has been significant, and this impact includes far reaching consequences for finance firms and investee companies. It would be prudent to assemble an ad hoc working group or to use any existing crisis-management working group to serve as a coordinating point and sounding board to assess not just the immediate consequences of COVID-19 but also to consider the mid-term to longer-term ways that the fall-out from COVID-19 will affect the commercial and legal issues asset managers will face. The group should include senior members of management of the business-investment functions as well as accounting and regulatory and compliance.

Before delving into specific business, legal and commercial issues, it is worth the board and senior management of finance firms and their investee companies to step back and consider the big picture – what are the big issues facing the industry and the specific asset manager, how internal and external resources are deployed to analyse and address the immediate and longer term issues, and how the plan is monitored and updated periodically.

Specific issues that finance firms should consider include day-to-day business continuity/crisis management issues; supply chains; contractual and commercial relationships with vendors and service providers, with investor-customers, and with lenders/financial institutions; the cash and liquidity position of finance firms and their investee companies; regulatory compliance issues; revisiting the business plan and investment objectives; and the range of stakeholder relationships, commitments and risks in the new and evolving landscape.

Below is a list of key issues that asset managers face, but they should take a frank and sober assessment of their business and also consider other issues that are germane to their business and their relationship to investee companies.

**Updating regulatory compliance**

Asset managers should revisit their basic compliance obligations, existing regulatory-driven policies and best-practice policies and update them in light of the current situation resulting from COVID-19. This note cannot exhaustively review the detailed guidance from each European jurisdiction, but seeks to outline key areas of business concerns that also overlap with legal and regulatory areas of most concern to asset managers.

The relevant financial authorities in each of the EU jurisdictions and the Financial Conduct Authority (FCA) in the United Kingdom has in varying degrees issued a range of guidance in various areas on the detail of rules governing finance firms on matters including business continuity, reporting obligations and ability to service and communicate with their investors. Major areas of regulatory concern and guidance includes working from home, ability to comply with reporting and compliance duties (internally or with external providers), communications with and disclosures to investors and the public, business continuity and the liquidity position of asset managers.

**Business continuity**

This is a time when asset managers should be revisiting their business continuity plans to ensure they are sufficiently effective to deal with the challenges raised by COVID-19 and

\(^7\) Wayne Rapozo and Adrian Brown of McCarthy Denning, COVID-19: Practical issues for asset managers and mapping out a compliance checklist, Expert Analysis (27 May 2020) at [http://go-ri.tr.com/LIDDcW](http://go-ri.tr.com/LIDDcW)
with a view toward making updates to it as may be warranted by issues raised by COVID-19. In many ways, the business continuity plan is an initial roadmap for digesting issues related to the COVID-19 fallout.

Asset managers should consider addressing policy gaps and practical fact specific gaps that may have surfaced in the light of the significant stresses on their systems and business practices caused by employees working remotely and by market volatility.

Beyond working with service providers, there is the need to consider counterparty risk generally, notably attention given to financial counterparties such as lenders, swap counterparties, prime brokerage banks, custodians, limited partners (for purposes of capital calls and other commitments) and insurance companies.

The FCA has published extensive information for firms in relation to COVID-19 which, while not having the status of formal guidance, sets out the expectations of the FCA for firms to take into account. Together with the Bank of England the FCA are actively reviewing the contingency plans of a wide range of firms.

Similarly, European Securities and Markets Authority (ESMA) has emphasised that all financial market participants, including unregulated service providers, should be ready to apply their contingency plans, including deployment of business continuity measures, to ensure operational continuity in line with regulatory obligations. ESMA highlights the risks for retail clients when trading under the current uncertain and unprecedented market circumstances, and reminds investment firms of their conduct of business obligations under the Markets in Financial Instruments Directive II (MiFID II). In particular, ESMA points to the product governance, information disclosure, suitability and appropriateness requirements.

**Fundraising**

Fundraising by asset managers has been made more difficult as a result of travel restrictions, disruptions to business activities, uncertainty over the economy generally and specific industry sectors in particular, as well as general market volatility. As a result it may be necessary to revisit the timeline for fund raising generally and whether delays are prudent or simply necessary. Asset managers should revisit fund raising documentation, consider the risks of proceeding or halting fund raising and whether anything and, if so, what is needed to be done to extend fundraising periods. Such managers should specifically review their fundraising and marketing documentation to ensure that it includes appropriate risk factors relating to COVID-19 and its current and potential impact on the manager's activities and the investment objectives of the manager.

Open-ended publicly traded funds may well need to consider whether disclosure in the prospectus is up to date and whether it is necessary to more rigorously police open periods, whether a supplementary prospectus is required and whether funding should be temporarily shut down. Closed-end funds which are publicly traded will have on-going reporting obligations and the fall-out COVID-19 and any changes to performance, business and risks associated with the fund should be considered.

**Existing investors**

Managers should evaluate their contractual and legal duties to and from existing investors. Particular attention should be paid to capital calls from limited partners and redemption requests from investors. In addition to reviewing and abiding by contractual and legal duties to keep investors appraised of the asset manager's overall business and continuity plan, asset managers should take a practical approach with their investors with a view toward maintaining goodwill and being seen as a reliable business counterparty
Due to the current market volatility caused by COVID-19, funds may need to implement their gating provisions in order to limit redemptions, in accordance with the terms of the fund's constitution. It may also be necessary for managers to suspend net asset value calculations as well as redemptions, subscriptions and conversions. They can do so where permitted by the fund's constitution and subject to applicable regulatory requirements.

**Business and contractual relationships and arrangements (including client agreements)**

In times of severe business, economic and market disruption, the likelihood of disputes with contractual counterparties (including with investor clients) can increase. Asset managers and their investee companies may well be facing their own issues in complying with contractual terms and undertakings.

**Taking inventory of vital business and contractual relationships**

It would be prudent to conduct a desk-top audit of key business relationships and the underlying contracts and consider the terms of the agreements, including any potential defaults or breaches, key dates, termination and amendment clauses and liability provisions. In addition to considering the contract terms, it is important to consider the nature and extent of the business relationship with counterparties. Examples of agreements and business relationships to review would include custody agreements, accounting service agreements investment management agreements, prime brokerage agreements and regulatory outsourcing agreements.

**Some important provisions in respect of agreements governed by English law are considered below:**

**Force Majeure**

Agreements will usually contain force majeure clauses. The purpose of such a provision is to release an affected party or parties from certain obligations under the contract on the occurrence of certain events. Typically relevant triggers are acts, events or circumstances beyond the reasonable control of the party concerned. For such a clause to be enforceable at court it will need to be clearly defined and sufficiently clear.

**Frustration**

If an agreement does not contain a force majeure clause that covers an event such as COVID-19 (or there is no force majeure clause at all) it may be possible for a party to it to argue the contract has been frustrated. An agreement will terminate automatically when a frustrating event occurs and both parties are returned to their pre-contract position, so far as possible. Circumstances where a contract will be frustrated are where the event in question is unexpected, beyond the parties' control and makes performance impossible or radically different from that which the parties contemplated at the time of entering into the contract. The frustrating event must "significantly change the nature of the outstanding contractual rights or obligations."

**Material adverse change**

Agreements may also contain a material adverse change clause. This type of clause permits a party to avoid performance or terminate a contract because of a significant change in circumstances affecting the transaction value and may also be an event of default. Such clauses are typically construed narrowly, and whether COVID-19 will trigger the provision will depend heavily on the specific wording of the clause and the particular circumstances involved and consequences of the change.

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Short-selling restrictions

In March and April, regulators in Austria, Belgium, France, Greece, Italy and Spain introduced restrictions, in varying degrees, on short selling of shares on regulated markets in their respective jurisdictions. But on May 18, France, Spain, Italy, and Belgium announced that their short sale restrictions would be lifted. The securities covered and the timing of the applicable periods of such short selling restrictions should be reviewed as the relevant regulators have set initial time periods which may have expired, but the extension and re-imposition of such suspension periods are under careful review. The UK FCA has not implemented any short selling restrictions but has indicated it is monitoring the markets and volatility but stated that any restrictions would be implemented only in exceptional cases.

The U.S. Securities and Exchange Commission has indicated it is unlikely to impose any short selling restrictions.

ESMA has issued a decision requiring holders of net short positions on shares traded on any EU regulated or UK regulated market to notify the relevant regulator if their net short exceeds 0.1% of issued share capital, which is a lower threshold for net short reporting.

Data protection and management

Managers should ensure that vital data protection, backup and recovery processes are functioning properly to secure the sponsor's books and records. Given the number of employees working remotely, particular attention should be paid to cybersecurity and ensuring employees' use of technology is properly monitored and recorded especially where remote workers use their own rather than company equipment which may have lesser data security.

Cash, liquidity and financing arrangements

Asset managers should make an assessment of their current cash position, and that of any funds they manage, and a review all formal and informal lines of credit, formal credit facilities and other finance arrangements. As part of reviewing the cash and liquidity position, assessing timing of fundraising and redemptions should be included in the overall liquidity assessment.

Default, acceleration and notice provisions, as well as other trigger events, under one finance agreement may constitute such under another agreement. Below is a review list of indicative finance arrangements, but an inventory of all relevant finance agreements and relationships should be taken and the asset manager's position considered.

Redemption and withdrawals

Part of the liquidity assessment should entail a review of redemptions/withdrawals, their timing and whether any delays, gating mechanisms or suspensions should be implemented.

Credit facilities

While lines of credit and credit facilities are, in many instances, reflected in formal bank credit agreements and other lending facilities, there may also be leanly documented lines of credit, such as overdraft facilities tied to normal business bank accounts and cash pooling arrangements.
Insurance arrangement

Insurance policies should be reviewed to assess potential coverage and pay out for business interruptions and other losses relating to COVID-19. Again, this will depend on the wording of specific policies.

Swaps, derivatives and financial products

The terms of any currency and interest rate swaps, credit default swaps and other derivatives should be reviewed as well to determine the scope of coverage, termination events, mandatory or voluntary close out provisions, and other key clauses and business fall out from COVID-19 may affect commitments under such products.

Prime brokerage

Prime brokerage agreements should be reviewed generally with particular attention given to any need close out derivative positions, collateral requirements and any changes to hair-cuts applied against collateral, margin calls, and termination provisions.

Redemptions

The COVID-19 pandemic has led to an increase in redemption requests which has resulted in liquidity constraints on investment funds and has led to restrictions and delays on redemptions. The national regulators have taken informal and formal steps to monitor the situation and several have issued information requests and are in dialogue with asset managers concerning valuation stress, liquidity constraints and redemption restrictions. The UK FCA has informed funds to issue alert warnings to investors if redemptions are to be suspended.

Communications policy and practice

Asset managers should revisit their existing communication policies, practices, and legal obligations. The economic, business and market fall-out associated with COVID-19 is leading to an increased need to detect, analyse and disclose events to investors, regulators and other parties. Having a communications working group and reconfiguring as necessary is an important part of a communications policy. In addition to important business officers, the working group should include officers/employees with responsibility for regulatory compliance and investor relations.

Firms should review their website to ensure it is up to date and accurate. Asset managers, investment funds, and investee companies which are publicly traded have heightened legal duties to disclose information to the public and restrictions on what may be privately disclosed. The communication policy and actual day to day practice in dealing with COVID-19 should be considered by firms.

Filing deadlines

ESMA has issued guidance encouraging regulators in respect of monitoring regulated firms as well as being practical in overseeing filing deadlines. In line with the foregoing, the FCA has issued regulations delaying the filing deadlines for retail funds and for publicly traded companies. The UK FCA has issued specific temporary exemptions allowing managers of UCITS (undertakings for collective investment in transferable securities) and NURS (non-UCITS retail schemes) an additional two months to publish annual reports and an additional month to publish half-year reports.

The UK FCA has also announced that an extra two months will be granted for the preparation and publication of annual financial statements by fully listed companies admitted to regulated UK markets (notably the London Stock Exchange) that require extra
time to complete them. The FCA will forbear from suspending a company’s listed securities if the annual financial statements are published within six months of their year-end rather than the usual four months.

The relief does not extend to half-yearly financial reports and publication of these continues to be required within three months of the half-year end in accordance with the Disclosure Guidance and Transparency Rules (DTR 4.2). The FCA has, however, reminded issuers about the requirement for continuing disclosure under the Market Abuse Regulation (MAR) which continues unchanged.

In addition, UK Companies House announced that companies affected by COVID-19 can apply for a three-month extension for filing their annual accounts which will be immediate and automatic if COVID-19 is cited as the reason for the requested extension.

**BOARDROOM BRIEFING: FCA updates COVID-19 mortgage holiday guidance as support extended to October**

(Regulatory Intelligence) - The Financial Conduct Authority (FCA) is proposing updates to its COVID-19 mortgage holiday guidance for customers facing difficulties making payments. Under the existing guidance, which was introduced in mid-March, firms are required to grant customers experiencing payment difficulties caused by the pandemic a payment holiday for a period of three months. Firms are also required to ensure that no additional fee or charge (other than additional interest) is imposed as a result of the payment holiday.⁸

According to the Treasury, more than 1.8 million mortgage payment holidays have been taken up since the launch of the scheme.

The proposed update to the guidance follows the decision to extend the application period for taking a payment holiday until the end of October. A ban on lenders repossessing homes (unless a firm can demonstrate clearly that the customer has agreed it is in their best interest) has also been extended to that date.

The announcement of the extension of the policy came shortly before the European Banking Authority (EBA) in its preliminary assessment of the impact of the COVID-19 pandemic on the EU banking sector noted that the handling of large volumes of applications for debt moratoria and guaranteed loans had added some pressure to the operational capacities of banks. The EBA assessment also concluded that banks appeared to have sufficient capital to withstand potential credit risk losses.

**Revised guidance**

The FCA is proposing revising its guidance to cover the options a firm must provide to customers who are approaching the end of their three-month payment holiday or who have yet to make a request for one. Among other things, it stipulates:

**For customers who have not yet requested a payment deferral**

A customer who is experiencing or reasonably expects to experience payment difficulties due to circumstances related to the pandemic should, where they wish to receive a full payment deferral, be granted one for three months unless it can be demonstrated that it is obviously not in their best interests. The time for customers to apply for such a deferral runs until October 31 (it had been due to expire at the end of June).

⁸ James Douse, BOARDROOM BRIEFING: FCA updates COVID-19 mortgage holiday guidance as support extended to October, Regulatory Intelligence (27 May 2020) at http://go-ri.tr.com/uHTyAz
Customers at the end of a payment deferral period

A firm should take reasonable steps to contact their customers in good time before the expiry of a payment deferral period about resuming payments and their options. The FCA said it expected:

- Customers who can afford to return to full payments should do so in their best interests. In its contact with customers approaching the end of their deferral period a firm should agree with them a plan on how the missed payments will be repaid. This might include the making of a lump sum payment or extending the term of the mortgage so that the customer's monthly payments remain at around the same level as before the payment deferral was taken.
- For those customers who continue to need support, a firm should engage with them to find out what they can repay and, where the customer continues to be in temporary financial difficulty, offer additional support including the possible extension of the deferral period for a further three months. Firms should consider whether customers who continue to face payment difficulties need to agree to a tailored plan leading to a sustainable outcome. This might involve extending the mortgage term or switching the mortgage type (in its announcement of the proposed changes the Treasury included the option of temporarily switching to an interest only mortgage).

Impact on credit files

Payment deferrals should be treated as being offered in exceptional circumstances outside of a customer's control. A firm should not report a worsening status on a customer's credit file during any new or continuing payment deferral period.

If operational difficulties lead to a customer not being able to reach timely agreement with a firm for a payment deferral and a payment is subsequently missed which is reported to the customer’s credit file, firms should work with the customer and credit reference agencies to ensure any necessary rectifications are made to credit files.

Next steps

The consultation period for the proposed updates closed on May 26. The FCA said it expected to finalise its guidance shortly after that date.

Lockdown takes mental health toll on City workers; many working longer hours amid "returner anxiety", job fears

(Regulatory Intelligence) - The COVID-19 lockdown has taken a toll on financial services workers' mental health. Many are working longer hours while struggling with anxiety about returning to work, job security fears and stress, said mental health professionals and advocates. The UK Financial Conduct Authority (FCA) is increasingly concerned about employees' mental health and wellbeing, its own staff included.9

The FCA told firms at the outset of the pandemic that they had a responsibility to ensure the health of their staff. A spokesman for the FCA confirmed in an email on May 21 that this included mental health. The regulator had previously said it would hold senior managers responsible for employees' poor mental wellbeing. It set out its opinion as to

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9 Rachel Wolcott and Lindsey Rogerson, Lockdown takes mental health toll on City workers; many working longer hours amid "returner anxiety", job fears, Regulatory Intelligence (26 May 2020) at http://go-rri.tr.com/E2M0G6

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why employee psychological safety was vital to maintaining a healthy culture at financial businesses in March 2019, after it had held a Culture Sprint on the issue.

The FCA has itself worked with private health group Nuffield Health to provide webinars for its own staff on mindfulness and better sleep during the pandemic, according to tweet from its official Twitter account on May 19.

The World Economic Forum said the pandemic, which has seen one-third of the world's population experience some form of lockdown thus far in 2020, was the "biggest psychological experiment in history". Evidence is emerging from studies in Belgium, China and Italy that COVID-19 is having a serious psychological impact.

**Blurred boundaries**

Dr Stephen Pereira, a London-based psychiatrist who collaborated with the FCA on its psychological safety webinar, told Thomson Reuters Regulatory Intelligence (TRRI) that, based on his observations, working from home during the pandemic is in fact more stressful for some finance workers than working in the office.

"What is clear is that City workers, as compared to the non-City workers in my patient group, are now working from home and are working much longer hours. Many employers have shifted complex platforms to people's homes. People are working longer hours because they don't have the commute. Rather than making use of that additional time they would have saved, now they are in front of their screens throughout the day, and those [work/home] boundaries are getting blurred," Pereira said.

That observation is supported by data from Peakon, a people analytics and employee engagement company based in London, which shows financial services employees feel less positive about their employers' understanding of how the pandemic will affect their productivity, meaning employers assume they will be less productive. Peakon, which counts BNY Mellon, Quilter, Monzo and Revolut as clients, ran a specific set of COVID-19 questions at the beginning of March across all industry sectors. One in five employees were critical of their employers' approach to productivity, it found.

"Employees are feeling pressure to work longer hours [when] working from home. Twelve percent of survey respondents explicitly mention mental health and issues due to working from home including increased stress, pressure and anxiety. Eighty percent mentioned family issues getting in the way of being productive and said their company [was] out-of-touch with the heightened level of stress because of COVID and the uncertainty around their jobs. They're feeling they're not trusted to be productive working from home even though they've been forced into this situation. It wasn't through choice. It's then been exacerbated by employers installing monitoring solutions, which explicitly says, 'we don't trust you'," said Phil Chambers, chief executive at Peakon.

Peakon found that within the UK-specific wellbeing comments, the most prevalent terms and keywords, in order of frequency, were: mental health, life balance, job security, work from home, anxiety, family health and managing workload.

"Where we used to advise [people] to reduce screen time, now everyone is caught up in using the screens all the time. To try to do that all the time, having that connectivity all around you is far more stressful than being in the office. Some people are able to manage it and have better quality of life with their family, but for the vast majority, even though they are at home, because of that long-working-hours culture, at home it is a problem," Pereira said.
Returner anxiety

"Returner anxiety" is a COVID-19 neologism describing the fear of being exposed to the virus in the workplace or while travelling there. Assuaging returner anxiety is a big concern for banks at present, Paul Barrett, head of wellbeing at the Bank Workers Charity, said last week during an Association for Financial Markets in Europe (AFME) webinar on how the lockdown has affected finance professionals' mental health.

"In the immediate term it is almost inevitable that businesses are going to have to focus on how they can persuade their returning staff that the workplace environment is a safe place to return to. That is an immediate and massive priority. Our charity has been approached by one of the big banks to see if we can do a webinar on returner anxiety," Barrett said.

Barrett said opinion polls repeatedly showed that between 65-75% of the workforce does not feel their workplace is a safe place to return to. Banks should consider using employees who were designated keyworkers and therefore have remained in offices throughout the pandemic as part of their strategy for persuading others that it is safe to return.

"We have been asked [by banks] to do [webinars] on things like financial wellbeing, like the importance of sleep and taking breaks: lots of really key messages. We were approached by one bank to do one on understanding grief. What we are seeing is business not just delivering business-as-usual wellbeing — they have taken a really specific focus on the kinds of issues employees are facing right now," Barrett said.

Royal Bank of Scotland Chief Executive Alison Rose said on Thursday a "significant majority" of more than 50,000 staff working from home since the coronavirus lockdown would continue to do so until September, Reuters reported.

The state-backed bank said around 400 staff unable to work from home will be asked to return to offices and call centres next month, the memo said. Protections for staff returning to office include a limit of two people per lift, thermal imaging, temperature checks and one-way systems in corridors.

RBS has also temporarily banned hot-desking and said it would place at least one empty desk in between people to ensure social distancing.

Pereira said firms should not force employees back into the office before they were ready, and was critical of those who might consider doing so.

"It shows that these individuals haven't got their own systems right. They aren't able to manage their own minds, anxieties and feelings. A [senior manager] who insists his team comes in because he hasn't really learned that there is another way of doing things ... hasn't learned because he's rigid in his views and behaviours about how things can be. The reason is, he's got a rigid way of thinking. He hasn't entertained the possibility of adaptability," he said.

Preventative measures needed

The way firms tend to approach employee mental health and wellbeing — with an emphasis on exercise and treatment rather than prevention — can leave employees without the tools to navigate and manage emotions. It means some employees are unable to manage their COVID-19 fears proportionally, Pereira said.

"People do not necessarily have these tools and techniques, and what that means is they are left with their innermost fears and anxieties. Some people who cannot regulate their emotions may have a disproportionate emotional reaction [to COVID-19 risk] which might
result in them staying away. Some people might be over-cautious, some might be in the middle, some might be blasé about it. People who have awareness and some ability for constructive reflection are able to interpret a situation accurately," he said.

It is not too late to introduce digital preventative programmes and teach people preventative psychological tools and techniques. At the very early stages when people start having sleep difficulty, stress, anxiety, anger management issues or relationship problems, that is the time they need tools and strategies, Pereira said.

Lloyds Banking Group introduced such a platform in October 2019. The platform, Helix Resilience, offers psychological evidence-based cognitive therapy, webinars, podcasts and various pathways for people to try if they are lacking psychological and social resilience. Some 83% of employees who registered on the platform are active users. The uptake increased significantly when employees started working from home.

**British lender Nationwide cuts saver benefits after profit slump**

(Reuters) - Britain’s Nationwide Building Society (POB_p.L) will no longer be able to offer customers above-market savings rates, it said on Friday after setting aside more cash to cover a likely spike in loan losses because of the coronavirus pandemic.10

The bellwether mortgage lender booked a 101 million pound ($124.6 million) hit from expected credit losses and will focus for now on maintaining capital reserves after profit for the year to April 4 fell 44% to 466 million pounds.

Nationwide said profit had been under pressure before the pandemic, owing to margin erosion from tough competition in the mortgage market, but the outbreak had made it more difficult to hit some annual targets.

Among these is its goal of delivering more than 400 million pounds in financial benefits to customers through better pricing on the likes of savings deposits.

Paying significantly better rates to savers than the competition has become unsustainable after the central bank cut the base rate to 0.1%, said Chief Executive Joe Garner.

“The cut in base rates put further pressure on our margins and also contributed to our decision to halt business banking,” he said.

Nationwide in April abandoned a push into business banking, saying that the economic fallout from the virus outbreak had made it unviable.

The lender reined in mortgage lending growth during the past year but attracted 15 billion pounds in additional deposits, achieving its target of 10% of current accounts in Britain.

Technology investment again dented its results, with the lender booking a 124 million pound charge.

Unlike the big shareholder-owned banks that are its main rivals, Nationwide - as a member-owned society - is not under pressure to deliver ever greater returns to shareholders.

Nationwide reported a core capital buffer of 31.9%, down slightly from 32.2% the previous year but still ahead of most major rivals.

**UK lenders offer more credit card, loan repayment freezes**

(Reuters) - British banks and other lenders have given nearly 1.5 million repayment holidays to borrowers hit by the coronavirus shutdown, an increase of more than a quarter since the start of May, an industry group said on Friday.11

As of May 21, 877,800 credit cards accounts had been given a payment freeze, up 26% from May 1, and 608,000 holidays were granted on personal loans, up 30%, UK Finance said.

The group said last week that lenders had approved 1.8 million mortgage payment holidays.

**UK economy to struggle to recover from "searing" COVID blow - BoE's Saunders**

(Reuters) - Britain’s economy is unlikely to recover fully from the “searing experience” of the coronavirus in the next two to three years, Bank of England policymaker Michael Saunders warned in the gloomiest medium-term assessment to date from a UK policymaker.12

Saunders, one of two BoE officials who unsuccessfully voted to expand the BoE’s record bond purchases this month, said it would be better to do too much stimulus than too little, given the scale of the threat to the economy.

Even as the lockdown eases, fears of further job losses and companies going bust, as well as a possible second wave of COVID-19 infections, would weigh on the economy, he said.

“If unchecked, there are risks of a vicious circle, whereby the economy gets stuck in a self-feeding loop of weak activity, pessimistic expectations and low investment,” Saunders said.

The BoE published a scenario on May 7 showing economic output would return to pre-COVID levels next year, despite a historic 25% fall pencilled in for the current quarter. Government budget forecasters have also assumed a rapid rebound.

But Saunders said that even if growth initially bounced back sharply as some businesses get back to work, output could easily be 10% below its pre-COVID level a year later, bringing with it long-term consequences.

“The searing experience of such a dramatic drop in incomes, jobs and profits is likely to have lasting behavioural effects, as after previous crises,” he said.


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An estimate by the BoE that potential economic output in three years’ time would be just 1-2% lower than it forecast in January, represented a “relatively benign outcome” compared with past downturns, Saunders added.

The BoE cut interest rates to a record low 0.1% and announced a record 200 billion-pound ($245 billion) increase in its bond-buying programme in March.

It held off on fresh action at a meeting this month but is expected to increase its bond-buying programme on June 18 at the end of its next meeting.

Saunders said he did not think waiting a month before increasing asset purchases was likely to bring much new information about the economic outlook.

“It is safer to err on the side of easing somewhat too much, and then if necessary tighten as capacity pressures eventually build, rather than ease too little and find the economy gets stuck in a low inflation rut,” he said.

There was also a risk of long-term unemployment problems if the BoE failed to provide enough stimulus, Saunders said.

The unemployment rate has probably already risen to around 9% - its highest since the mid 1990s - despite a government scheme supporting companies affected by the coronavirus to keep more than 8 million people in work, he said.

Bank of England’s Bailey sees risk of "longer and harder" recovery

(Reuters) - Britain’s economy is at risk of taking longer to recover from the impact of the coronavirus than in the main scenario published by the Bank of England earlier this month, Governor Andrew Bailey said on Wednesday.13

“The risks are undoubtedly on the downside for a longer and harder recovery,” Bailey wrote in an opinion piece for The Guardian newspaper, striking the same cautious tone as other BoE officials in recent weeks.

“It is also possible that the pace at which activity recovers will be limited by continued caution among households and businesses even as official social distancing measures are relaxed,” Bailey added.

Earlier this month the BoE said that under one plausible scenario, the economy could shrink by a quarter between March and June - and suffer its biggest annual fall in output in more than 300 years - but largely recover by late next year.

Bailey emphasised this scenario hinged on life getting back to normal relatively quickly.

“This depends on how the measures continue to be eased, what degree of natural caution is shown by people, and how much longer-term damage is done to the economy,” he said.

In March the BoE cut its main interest rate to a record-low 0.1% and increased its asset purchase programme by 200 billion pounds to 645 billion pounds. Economists polled by Reuters expect the BoE to increase asset purchases by 80 billion pounds at its meeting next month.

Bailey said the BoE stood ready to provide further support for the economy if needed, reiterating earlier guidance.

This included looking at whether it would be right to cut interest rates below zero - though Bailey added that the central bank would need to “consider very carefully” negative side effects of doing so.

Last week Bailey told parliament there had been “mixed reviews” of whether negative rates were a benefit in economies such as Japan and the euro zone where they had been implemented.

BoE officials have said negative rates could hurt British lenders who may not be able to reduce deposit rates below zero.

**UK gives £32 billion in loans and guarantees to COVID-hit companies**

LONDON (Reuters) - The British government has awarded more than 32 billion pounds in loans and guarantees to businesses to see them through the coronavirus pandemic, finance minister Rishi Sunak said on Tuesday.14

**BoE not remotely close to any decision on negative rates: Haldane**

(Reuters) - The Bank of England is not remotely close to any decision to take interest rates below zero for the first time as a way to help Britain’s economy cope with the coronavirus crisis, the central bank’s Chief Economist Andy Haldane said.15

Haldane said the key factors for the BoE to consider were the consequences of negative rates for Britain’s banks and lenders, which would see a squeeze on margins, and how such a move would affect confidence in the broader economy.

“Those are the aspects that we’ll look at,” Haldane said during an online discussion organised by the Confederation of British Industry on Tuesday.

“To be clear, reviewing and doing are different things and currently we are in the review phase and have not reached a view remotely yet on the doing.”

Last week, BoE Governor Andrew Bailey said he was less opposed to negative interest rates than before the coronavirus crisis escalated, but that there were “mixed reviews” about how well they had worked for other central banks.

Haldane said on Tuesday some recent data was coming in just “a shade better” than a scenario for the economy published by the BoE earlier this month, but risks remained that the recovery could be slower as companies and consumers remained cautious.

“This is perhaps still a V but perhaps a fairly lop-sided V,” he said, referring to the shape of the economy’s downturn and recovery. “The risks to that probably...lie to the downside rather than the up and as I say, a rather more protracted recovery even than the one that I have mentioned.”

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Britain extends COVID-19 mortgage payment holiday by three months

LONDON (Reuters) - Britain has extended its mortgage payment holiday scheme for homeowners in financial difficulty during the coronavirus pandemic for another three months.16

Britain’s finance ministry said more than 1.8 million mortgage payment holidays had been taken up since the scheme was launched in March. It had been due to end in June. Homeowners struggling financially can also choose to make reduced payments.

“Everyone’s circumstances will be different, so when homeowners can pay some or all of their mortgage, they should work with their lender on a plan; but if they are still struggling, I want them to know that help is there,” John Glen, economic secretary to the Treasury, said in a statement.

The Financial Conduct Authority in a separate statement clarified how banks should treat the payment deferrals for accounting purposes, saying they should not automatically assume those using the scheme would default on payments.

Banks could instead use their judgement about whether those using the scheme were likely to be able to resume payments before marking loans as past due under accounting rules known as IFRS9.

The authorities said they were extending the application period for a payment holiday to Oct. 31 for people who had not yet applied for the scheme but might need to. They extended to the same date a ban on repossession of homes by lenders.


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