

## Articles from 16 July to 3 September 2020

### General Financial Policy

**Speech by President von der Leyen at the European Parliament Plenary on the conclusions of the Special European Council meeting of 17-21 Jul :** In NextGenerationEU, we now have a unique recovery tool – worth EUR 750 billion. 750 billion to support the hardest hit. 750 billion to boost our Single Market. 750 billion to invest in the European Green Deal, in digitisation, in the modernisation of our Single Market, in resilience.

**EURACTIV: Parliament insists on revisiting budget cuts despite Michel, von der Leyen charm offensive :** EU lawmakers recognised that the moment is historic, this “cannot prevent us from seeing what’s on the table,” warned the leader of centrist Renew Europe group, Dacian Ciolos.

**EURACTIV: Germany’s Scholz sees ‘no way back’ from EU joint debt :** German Finance Minister Olaf Scholz said 23 August that the European Union’s recovery package financed by joint borrowing was a long-term measure rather than a short-term coronavirus crisis fix, contradicting Chancellor Angela Merkel.

**Federal Trust: Is the European Union finally moving to an economic – not just a monetary – Union?**

: There is not much of a market just now for optimism... we face the worst economic crash in more than 100 years and potential climate change disaster. But the outcome of the marathon five day Brussels summit sets out a strikingly encouraging new direction for the European Union

**SUERF: European Recovery Fund: Sceptics Q&A :** We see the Recovery Fund as a gamechanger for Europe and the euro. But many investors are not yet convinced. We set out some of the pushback we have gotten, and explain why we still think the scepticism is overdone.

**CEPS: Reading between the lines of Council agreement on the MFF and Next Generation EU :** The recent agreement on the EU budget is an unprecedented and historic achievement for the EU. It has broken a taboo and advanced the integration process. ...the negotiations were arduous, but given the magnitude of the challenge... it would have been naïve to expect otherwise

**SUERF: Eurozone in times of Covid-19: Debt monetisation by stealth - Peter Vanden Houte :** While the ECB is not allowed to monetise debt formally in the wake of the Covid-19 crisis, there seems to be some scope to do so, without fear of galloping inflation. It might even be needed to hit the inflation target.

**Vox: European Commission - Strengthening the Institutional Architecture of the Economic and Monetary Union :**

The crisis generated by the Covid-19 pandemic has required rapid and strong action. It also entails key choices, including on how the EU could help mitigate the impact of Covid-19, foster the economic recovery and support the dual green and digital transitions.

**FT: UBS Axel Weber - European banking needs a Big Bang :** Creating new rules for cross-border lenders would speed economic recovery. Unfortunately, the EU single market is not fully integrated, especially for services, including finance. Bold steps are needed to deliver the full economic benefits of a single market in banking.

**Oliver Wyman: Insights Lessons In Financial Regulation What we’ve learned from the Coronavirus**

**Recession :** Doug Elliott: It’s time to start debating the lessons for financial regulation from the Coronavirus Recession..we will learn more as the crisis unfolds, but these debates will take substantial time... good to get started. Further, a clear-eyed review will help shape the continuing policy response.

**POLITICO: Commission weighs Wirecard fixes for EU financial rules :** The European Commission is considering tightening EU financial rules in the wake of the Wirecard scandal. The collapse of the German financial technology company with €1.9 billion missing from its books has raised serious questions over its supervision.

**BIS: New correspondent banking data - the decline continues at a slower pace :** - The number of active correspondent banks worldwide fell by about 3% in 2019 and about 22% between 2011 and 2019.- The

volume and value of cross-border payments continued to grow over the last eight years, suggesting a higher concentration in payment flows.

**Vox: Fiscal austerity and the rise of the Nazis** : Many Western countries pursued deep austerity measures after 2007-2008, and may again do so in the wake of COVID-19 stimulus package.. in the early 1930s, austerity measures worsened social suffering and contributed to political unrest paving the way for the rise of the Nazi Party in Germany

## Banking Union

**EBA sees first impact of COVID-19 materialising in EU banks' Q1 data** : The updated data shows that the impact of COVID-19 was mainly reflected in a contraction of banks' capital ratios and profitability, the cost of risk increased, whereas non-performing loans (NPL) ratios remained stable, confirming that the impact of the pandemic on asset quality can be delayed.

**FT: Four trends from the bank earnings season** : Trading revenues provided a boost but will loan loss provisions absorb a wave of defaults? ..But after a surge in provisions for bad debts and fearing that a boost to trading desks will prove temporary, many believe more pain is yet to come.

**The Economist: European banks expect fewer bad loans than their American rivals** : It may be a sign of weakness rather than optimism

**FT: Banks across Europe braced for further heavy loan-loss charges** : Largest UK, Swiss and eurozone lenders expected to make at least €23bn in provisions as they tackle Covid pain. Europe's biggest banks are set to unveil another huge round of provisions for loan losses, as they take stock of the damage wrought by Covid-19 around the globe.

**PIIE/Bruegel: Government-guaranteed bank lending in Europe: Beyond the headline numbers** : Unequal support would distort competition in the EU single market, providing an unfair advantage to firms in better-endowed countries, for example, in the form of cheap funding. At the extreme, the crisis would wipe out all but the most-subsidized firms.

**ECB extends recommendation not to pay dividends until January 2021 and clarifies timeline to restore buffers** : ECB asks banks not to pay dividends and not to buy back shares until January 2021 ECB expects banks to exercise extreme moderation on variable remuneration to conserve capital in crisis ECB clarifies expected pace for banks to restore capital and liquidity positions

**Better Finance: Les Echos - The Nationalization of European Banks** : Dividend suspensions have brought about a series of questions about how banks have slowly started to work as extensions of EU-States.

**SSM Enria: The coronavirus crisis and ECB Banking Supervision: taking stock and looking ahead** : we decided to extend the end of the period in which we recommend that banks should not pay dividends or buy back shares from October 2020 until the end of the year. .. provided new information on the likely path back to normality...

**Euro area banking sector resilient to stress caused by coronavirus, ECB analysis shows** : Results show euro area banking sector can withstand pandemic-induced stress, but if the situation worsens, depletion of bank capital would be material

**SSM blog: "Consolidation can secure safe and sound banks"** : ECB Banking Supervision recently published a draft guide on the supervisory approach to bank consolidation. Why should the European banking sector consolidate? Edouard Fernandez-Bollo outlines the ECB's supervisory expectations for mergers and acquisitions...

**SSM: Banks need better internal capital checks** : Banks have improved their internal capital adequacy assessment processes (ICAAPs), but they need to do more. In particular, they need to improve data quality, better manage economic capital adequacy and improve stress testing practices. Sound ICAAPs are a key supervisory priority.

**SUERF: Are bank capital requirements optimally set? Evidence from researchers' views :** In spite of sweeping regulatory reforms in banking after the Global Financial Crisis of 2007-2009, many key questions, including the optimal level of bank capital, are still debated in the literature

**EBA consultation on systemic risk buffers: EBF response :** The EBF has responded to the consultation paper of the European Banking Authority (EBA) on draft Guidelines on the appropriate subsets of sectoral exposures to which competent or designated authorities may apply a systemic risk buffer in accordance with the Capital Requirements Directive.

**Oliver Wyman: Aim For Revival. Not Just Survival European Banking Outlook 2020 :** Europe's banks are set to take a large financial hit from the COVID-19 crisis, both in credit losses and in several years' worth of weaker earnings that are expected to follow. After a decade of strengthening balance sheets, however, the industry looks sufficiently robust to sustain the economic shock and expected credit losses.

**EBA supports the EU Commission's call for a more efficient and effective framework to tackle money laundering and terrorism financing :** EBA sets out technical points that policy-makers should consider when deciding on the scope and powers of an EU-level supervisor for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)

**EBF: Preventing money laundering and terrorist financing – consultation response :** The EBF fully supports the Commission's overarching objective of addressing the inefficiencies of the current EU AML/CFT framework

**Insurance Europe: EU must not extend anti-money laundering rules designed for banks to insurers :** Insurance Europe warned that the action plan should avoid being bank centric

**SRB publishes guidance documents for the bail-in operationalisation :** The Single Resolution Board has today published a new set of documents to give operational guidance to banks on the implementation of the bail-in tool

**Financial stability: Commission addresses risks of Libor cessation :** The European Commission has today proposed to amend EU rules on financial benchmarks. The aim of this proposal is to ensure that when a widely used benchmark is phased out – as is now the case - it does not cause disruptions to the economy and harm financial stability in the EU.

**BIS Prudential response to debt under Covid-19: the supervisory challenges :**

**Basel Committee releases consultative documents on principles for operational risk and operational resilience :** Updated resilience principles on operational risk focus on change management and information and communication technologies (ICT). Covid-19 has raised the importance of operational resilience and mitigating operational risk.

**EBA updates on 2021 EU-wide stress test timeline, sample and potential future changes to its framework :** The Board of Supervisors (BoS) of the European Banking Authority (EBA) agreed on the tentative timeline and sample of the 2021 EU-wide stress test. The exercise is expected to be launched at the end of January 2021 and its results to be published at the end of July 2021.

**EBA and ESMA launch consultation to revise joint guidelines for assessing the suitability of members of the management body and key function :** This review reflects the amendments introduced by the fifth Capital Requirements Directive (CRD V) and the Investment Firms Directive (IFD) in relation to the assessment of the suitability of members of the management body. The consultation runs until 31 October 2020.

**EBA publishes final draft technical standards on disclosure and reporting on MREL and TLAC Events Speeches :** These reporting and disclosure standards are a key milestone in the implementation of the EBA roadmaps on Pillar 3 disclosures and on supervisory reporting.

**EBA provides clarity on the implementation of the reporting and disclosure framework in the context of COVID-19 measures :** EBA published some frequently asked questions on the implementation of its Guidelines on reporting and disclosure of exposures in response to the COVID-19 crisis. The technical

clarifications provided by the EBA will assist supervisors and credit institutions in the implementation of Guidelines.

**EBA publishes guidance on impact of CRR adjustments in response to the COVID-19 pandemic on supervisory reporting and disclosure** : These products provide clarifications on the application of certain adjustments (“quick fix”) on institutions’ disclosures and supervisory reporting introduced in the Capital Requirements Regulation (CRR) in response to the COVID19.

## Capital Markets Union

**European Commission: Coronavirus response: Making capital markets work for Europe's recovery** : The European Commission has today adopted a Capital Markets Recovery Package, as part of the Commission's overall coronavirus recovery strategy.

**Insurance Europe: European insurers respond to EC roadmap for Capital Markets Union action plan** : Europe’s insurers welcome the objectives set out in the roadmap and highlight specific priorities

**PCS: First legislative steps taken to complete the STS reforms** : On Friday 24th July, the European Commission took the first legislative steps to complete the reform of securitisation rules begun with the passage of the STS Regulation in 2017.

**Better Finance: The EU Capital Markets Recovery Package should take Individual Investors and the Wirecard case into account** : These necessary measures could put individual investors further at risk and erode their trust in capital markets once more. .. BETTER FINANCE is disappointed..

**ECB blog: Europe needs a fully fledged capital markets union – now more than ever** : CMU is one of the cornerstones of the euro area’s financial architecture. But progress in developing it has been slow. Since the agreement on establishing CMU in 2015, many subprojects have been launched, and some completed, but European capital markets are still far from being fully integrated.

**EIOPA: Staff Issues Paper on resilience solutions for pandemics** : The paper recognises that private insurance solutions alone will not be sufficient to protect society against the financial consequences of future pandemics. Solutions will require both public and private sector involvement...

**CRE: Ferma welcomes Eiopa’s ideas on pan-European pandemic insurance solution** : Ferma and other buyer representatives have welcomed a new paper from the European Insurance and Occupational Pensions Authority (Eiopa) that puts forward a potential pan-European pandemic insurance solution with EU funding at the very top.

**EIOPA’s Risk Dashboard: European insurers remain exposed to high risks since the outbreak of COVID-19** : EIOPA published its updated Risk Dashboard based on the first quarter of 2020 Solvency II data. The results show that the risk exposures of the European Union insurance sector remain generally high compared to April as a result of the COVID-19 outbreak

**Insurance Europe: European insurers respond to EC consultation on Solvency II review impact assessment** : Insurance Europe has published its response to a consultation conducted by the European Commission on its inception impact assessment regarding the review of Solvency II, the regulatory framework that governs EU insurers.

**CRE: EU’s collective redress directive to cause risk and insurance problems for manufacturers** : Europe’s new collective redress directive, which is due to come into force by the end of the year, is a cause for concern for the manufacturing sector and poses both risk management and transfer questions, warns Sam Tacey of law firm Cooley.

**ESMA Report on Trends, Risks and Vulnerabilities** : As the market environment remains fragile, we maintain our risk assessment: going forward, we see a prolonged period of risk to institutional and retail investors of further – possibly significant – market corrections and see very high risks across the whole of the ESMA remit.

**ESMA PROPOSES TO FURTHER POSTPONE CSDR SETTLEMENT DISCIPLINE** : ESMA, the EU’s securities markets regulator, has today published a final report on draft regulatory technical standards

(RTS) definitively postponing the date of entry into force of the Commission Delegated Regulation (EU) 2018/1229 (RTS on settlement discipline) until 1 February 2022.

**EFAMA calls for greater scrutiny over Credit Rating Agency affiliates and development of the European Rating Platform :** We see ESMA's consultation on the use of credit rating information and data as an opportunity to further develop the European Rating Platform as a single and free access point for all users of credit rating information.

**ESMA recommends priority topics in AIFMD review :** The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has written to the European Commission (Commission) highlighting areas to consider during the forthcoming review of the Alternative Investment Fund Managers Directive (AIFMD)

**EIOPA finalises the regulation of the pan-European Personal Pension Product :** EIOPA delivered to the European Commission a set of draft Regulatory and Implementing Technical Standards and its advice on Delegated Acts to implement the framework for the design and delivery of the Pan-European Personal Pension Product (PEPP).

**Better Finance: National Supervisory Authorities Reject Rules for Key Information Documents for Retail Investment Products: it is high time :** The ESAs informed the Commission that one of their Supervisory Boards did not approve the draft level 2 regulatory technical standards (RTS) for the Delegated Regulation on key information documents (KID) for packaged retail and insurance-based investment products (PRIIPs).

**EBF: Banks underline need for smooth implementation of SRD II :** The Second Shareholder Rights Directive becomes applicable soon and the European Banking Federation calls on the European Commission and EU regulators to ensure a smooth and gradual implementation of the new rules designed to deepen corporate governance in the EU's capital markets.

**ICSA, EFAMA & MFA Call for Global Principles to Address Escalating Market Data Costs :** They call for the implementation of internationally recognized principles to address excessively high market data fees and unfair licensing provisions.

## Environmental, Social, Governance (ESG)

**European Issuers Responded to the European Commission's Consultation on the Renewed Sustainable Finance Strategy :** European Issuers responds to the consultation on the Renewed Sustainable Finance Strategy on 15 July 2020 launched by the European Commission. The aim of the consultation was to collect the views and opinions of interested parties in order to inform the development of the renewed strategy.

**Accountancy Europe: EC's consultation on the renewed sustainable finance strategy :** As the main challenges we note the following: quality of data, coherence of legislation: availability of sustainable investment projects:

**BETTER FINANCE Response to the Joint ESAs Consultation Paper on ESG disclosures :** Considering that one of the major issues is the lack of a common definition of sustainable investments, it necessary to link how asset managers define sustainable investments with the taxonomy-compliant activities in order to avoid any regulatory divergences

**ICMA AMIC responds to ESAs' consultation on the Sustainable Finance Disclosure Regulation :** In light of the expected delay in adopting the implementation measures and the scale of the issues to be resolved, AMIC once again urges the EC and the ESAs to postpone the application date of SFDR.

**Insurance Europe: Insurers respond to ESAs consultation on ESG disclosures :** Insurance Europe has today published its response to the European Supervisory Authorities' (ESAs) joint consultation concerning environmental, social and governance (ESG) disclosures.

**FT Asset managers lobby Brussels to delay sustainable investing rules** : Asset managers are urging Brussels to delay implementation of its landmark sustainable investing rules, arguing its deadline is too ambitious given the mammoth reporting task awaiting investment houses.

**IPE: PensionsEurope: Draft EU ESG disclosure rules not appropriate for IORPs** : Sustainability-related disclosure rules proposed by EU supervisors have a focus on retail investors and are not yet appropriate for pension funds, which in some cases should be considered as end-investors rather than their members and beneficiaries, according to PensionsEurope.

**CFA: ESG Disclosure Standards for Investment Products - consultation** : The CFA Institute is developing a voluntary, global industry standard to provide greater product transparency and comparability for investors by enabling asset managers to clearly communicate the ESG-related features of their investment products.

**Bloomberg: Greening of Europe Means Lots More Red Tape for Investors** : Fund firms will soon be required to disclose their holdings' environmental impact. Europe's bankers and traders got plenty of slack from their regulators to weather the pandemic. For money managers, it's a different story.

**EFAMA + 7 associations: Integration of sustainability factors and risks into MiFID II, IDD and Solvency II** : Shared concerns of our associations regarding the proposed changes to the delegated acts under MiFID II, IDD and Solvency II on the integration of sustainability factors and risks - the introduction of the new definition of 'sustainability preferences' used across all three pieces of legislation.

**Insurance Europe: Insurers call on EC to give more prominence to adaptation in EU climate change strategy** : Insurance Europe has published its response to a consultation by the European Commission on the EU's strategy for adaptation to climate change.

**FSB stocktake considers climate risks and financial stability** : The Financial Stability Board (FSB) today published a stocktake of financial authorities' experience in including climate-related risks in financial stability monitoring. It draws on information provided by FSB member national authorities, international bodies and a workshop with the private sector.

**FT: Investors pounce on Germany's first green bond sale** : Investors queued up to buy Germany's first ever green bond on Wednesday, as the eurozone's safest borrower took advantage of surging interest in environmentally friendly investment.

**FT German parliament to open full inquiry into Wirecard collapse** : The German parliament is to hold a full inquiry into the collapse of the disgraced payments company Wirecard, in a move that will keep the affair at the top of the political agenda well into a critical election year.

## Fin Tech Regulation

**Commission: What are some of the benefits of the digital transformation of financial services?** : Even before Covid, digital finance was already transforming the traditional way of providing banking and financial services, offering a variety of products, applications, processes and business models. What benefits – and challenges – of digital finance? And what is the European Commission doing?

**ICMA: Joint association letter on digital future for financial markets** : ICMA, ISDA, ISLA, LBMA, UK Finance, Association of German Banks (BdB), AFMA and International Islamic Financial Market, have jointly submitted a letter to policy-makers asserting their commitment to defining and promoting the development of a digital future for financial markets...

**BIS: Regulating fintech financing: digital banks and fintech platforms** : The proliferation of digital banking and financing via web-based platforms (fintech balance sheet lending and crowdfunding) raises the question of where the regulatory perimeter should be drawn.

**Insurance Europe: New insight briefing: European insurers' views on artificial intelligence** : Insurers are already using AI to improve customer service, increase efficiency, provide greater insight into customers' needs and to prevent fraudulent transactions.

**Bloomberg: Bermuda Dives Deeper Into Crypto With Stimulus Coin Test Program** : Bermuda is taking another step toward embracing cryptocurrencies. The North Atlantic chain of islands is testing a digital stimulus token, which can be used to buy food and other essentials.

**Completing the Banking Union: Graham Bishop speaks at European Liberal Forum webinar** : Watch the video here [View Article](#)

**165th Brussels 4 Breakfast - Zoom video** : We continue with the fifth Zoom version of Brussels 4 Breakfast [View Article](#)

## Economic Policies Impacting EU Finance

**ECB: The macroeconomic impact of the pandemic and the policy response - Philip Lane blog** : First, I will compare Eurostat's flash estimate of Q2 GDP (published last Friday) to the June Eurosystem staff projections.[1] Second, I will discuss the role of the pandemic emergency purchase programme (PEPP) in supporting the euro area economy and protecting medium-term price stability.

**nts in public finances in EMU in 2019 - Part 1** : This annual report presents a review of key policy developments and analytical findings in the area of public finances.

## Brexit

**POLITICO: Pessimism mounts in Brussels over Brexit talks 'disaster'** : 'If we don't have a breakthrough in the week of September 7, it's hard to see how we can still avoid a disaster,' says one EU official. When it comes to Brexit, Brussels is still hoping for the best, but expecting the worst.

**POLITICO: EU banking on UK urgency to unlock Brexit talks** : With Britain's other trade talks seeing delays and setbacks, Brussels thinks it has the upper hand, but a breakthrough isn't imminent

**Reuters: Britain must move now to bag new EU deal this year, EU Brexit negotiator says** : Britain must engage now with EU demands on guarantees of fair competition, fisheries and solving disputes in order to seal a deal on new trade ties by a "strict deadline" of end-October, the EU Brexit negotiator said on Wednesday.

**FT: Brexit trade talks set to stall again over British truckers' EU access** : Brussels warns that UK demands on haulage are too close to single-market rights. Brussels has rejected the UK's opening demands for continued wide-ranging access to the EU for British truckers, setting the stage for a clash when Brexit trade negotiations resume.

**Federal Trust: "NO DEAL" BREXIT: AN ACCIDENT WAITING TO HAPPEN** : In an interesting article in this weekend's Sunday Times, its political correspondent Tim Shipman warns that the chances of a "no deal" Brexit are higher than usually assumed. He attributes this risk largely to misunderstandings by the EU and UK of each other's negotiating positions.

**BDI: Collapse in the negotiations on a partnership agreement is now all but inevitable** : Business on both sides of the Channel must now prepare itself for bilateral trade without an agreement under WTO rules, says BDI Director General Joachim Lang after the sixth round of Brexit talks.

**CER: Five reasons why even a basic EU-UK trade deal is better than nothing** : A deal would avoid tariffs, unlock supplementary benefits, allow for EU and UK customs co-operation, ensure the Northern Ireland protocol is implemented sustainably and provide a platform on which to build a deeper relationship in the future.

**EBA calls on financial institutions to finalise preparations for the end of the transitional arrangements between the EU and UK** : The EBA calls on the institutions to finalise the full execution of their contingency plans in accordance with the conditions agreed with the relevant competent authorities and ensure adequate communication to concerned EU customers.

**FT: EU warns City it faces longer wait for market access after Brexit** : Financial services chief says changes to Brussels regulations will delay process of awarding equivalence



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**ISDA: The Impact of a Cliff-edge Brexit on OTC Derivatives** : Five major associations have published a paper in response to concerns about the impact on EU and UK firms and their EU and UK clients resulting from the end of Brexit transition period in December.

**UKTPO: The Japan-UK Free Trade Agreement – Continuity or no continuity? How can it be still "ambitious"?** : Two underlying challenges; Little can be expected from market liberalisation; Rule-making is the key area of "ambition"; Area of ambition 1: Enhancing investmentArea of ambition 2: Promoting e-commerce and digital tradeWhat to do with unfinished business?

**Federal Trust: Brexit: Eurosceptics don't like what they voted for** : A recent incident illuminates, as few events have since 2016, the moral and intellectual chaos into which Brexit has (predictably) fallen over the past four years. This involves four familiar riders on the Brexit whirligig: The Sun, Iain Duncan Smith, the EIB and the Withdrawal Agreement.

**City of London: Promoting global recognition of the UK's world-leading financial and professional services offer** : The world is coming to terms with the exceptional challenge posed by the spread of COVID-19 and its aftermath. Now more than ever, the UK's global outlook and reach, and understanding of major partner markets, has significant value in connecting markets and supporting resilience