

## COVID-19: THE UNITED KINGDOM'S RESPONSE TO COVID-19: A QUICK GUIDE FOR GLOBAL INVESTMENT MANAGERS

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### UK Investment Management Alert

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The recent outbreak of the new coronavirus ("COVID-19") has triggered a blizzard of actions from governments and regulators around the world. We recognize that it is very difficult to keep track of it all, and here, we offer a way into some of the key developments being discussed in the UK market that we think will be of interest to global investment managers. We are happy to supplement the information provided on any particular development upon request.

- **Measures introduced by UK government** – The UK government has introduced a range of temporary, timely, and targeted measures to support public services, people, and businesses throughout the disruption caused by COVID-19, including a scheme to support self-employed individuals.
- **FCA COVID-19 webpage** – On March 17, 2020, the UK Financial Conduct Authority ("FCA") published a new webpage providing firms with information regarding COVID-19. The page summarizes the actions the FCA is currently taking, provides links to recent regulatory updates and guidance, and features a list of the latest COVID-19 financial news.
- **Prudential regulatory response to COVID-19** – On March 11, 2020, the Bank of England announced a package of prudential measures designed to help UK businesses and households "bridge" the economic disruption that is being experienced.
- **Short-selling prohibitions** – A number of European regulators (including regulators in Austria, Belgium, France, Greece, Italy, and Spain) are imposing temporary short-selling prohibitions on identified issuers under the European Union ("EU") Short Selling Regulation, based on the impact COVID-19 has had on financial stability and market confidence. On March 17, 2020, the FCA released a statement confirming that it did not intend to impose a short-selling ban or restriction. On March 23, 2020, it published a further statement explaining why this was the case.
  - For further information, please see:
    - <https://www.fca.org.uk/markets/short-selling/restrictions-prohibitions> – FCA webpage on short selling and prohibitions.
    - <https://www.esma.europa.eu/press-news/esma-news/esma-requires-net-short-position-holders-report-positions-01-and-above> – European Securities and Markets Authority ("ESMA") decision regarding the temporary reduction of thresholds for reporting to local regulators regarding short positions in stocks listed on EU-regulated markets from 0.2 percent to 0.1 percent.

- **Delays to corporate reporting** – On March 26, 2020 the FCA, the Financial Reporting Council ("FRC"), and the Prudential Regulation Authority released a joint statement announcing a series of actions to ensure information continues to flow to investors and support the continued functioning of the United Kingdom's capital markets. The actions announced include a statement by the FCA allowing listed companies an extra two months to publish their audited annual financial reports, as well as guidance from the FRC for companies preparing financial statements in the current uncertain environment.
- **Delay to launch of directory for certified and assessed persons** – Following the introduction in the United Kingdom of the senior managers and certification regime, the FCA was due to publish a directory of certified and assessed persons on the Financial Services Register by the end of March 2020. The FCA has announced on its webpage that in light of COVID-19, publication of the directory has been delayed for at least a month. The timing of the directory's launch is now under review, and the FCA will provide further updates on the webpage when it is in a position to do so.
- **Property fund suspensions** – Managers of many large open-ended commercial real estate ("CRE") funds have temporarily suspended dealing in the units of these funds on the basis that there is currently material uncertainty over the value of CRE and that a fair and reasonable valuation of the funds cannot be established. On March 18, 2020, the FCA released a statement acknowledging that, under the current circumstances, suspension is likely to be in the best interests of fund investors.
- **Delay of the reporting start date for the securities financing transactions** – On March 26, ESMA updated its statement on the implementation of the Securities Financing Transactions Regulation ("SFTR"), noting that national competent authorities are not expected to prioritize supervisory activity towards firms' compliance with SFTR. In line with this update, the FCA has confirmed that it will not prioritize supervision of SFTR reporting requirements for firms that had been due to start reporting on April 13, 2020, until at least July 13, 2020.
- **Potential delay to the margin requirements for uncleared swaps** – On March 26, 2020, the International Swaps and Derivatives Association ("ISDA®") published a letter it submitted on behalf of 21 industry associations and their members, requesting a suspension of the current timeline for the initial margin phase-in. Asset managers and other institutions with more than €50 billion in notional value of derivatives must begin to apply initial margin requirements by September 2020. The deadline for institutions with more than €8 billion in notional value of derivatives is September 2021. ISDA® requested the delay on the basis that it no longer appeared possible or practicable to meet documentation and operational requirements by these dates.
- **Brexit transition period** – As COVID-19 continues to develop, the possibility of an extension to the Brexit transition period, which is currently due to last until December 31, 2020, is increasing. Although no formal announcement has been made at the time of this writing (March 30, 2020), the prospect of an extension will require careful monitoring over the coming weeks.

## KEY CONTACTS



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