COVID-19

Rolling summary of recent UK regulatory developments affecting companies and auditors

Last updated by EY UK Regulatory and Public Policy: 26 June 2020
Overview of regulatory developments affecting companies and auditors in the UK: key messages and links to full summaries (1 of 10)

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<tr>
<th>Announcement</th>
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| **June 25** Department for Business Energy and Industrial Strategy (BEIS)   | ▶ The Corporate Insolvency and Governance Bill received royal assent on 25 June and is now an Act.  
▶ The Act consists of six insolvency measures and two corporate governance measures.  
Full summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Corporate Insolvency and Governance Act                                      | ▶ Two new reports from the Financial Reporting Council's Lab provide practical guidance to companies in areas of reporting that investors have highlighted as being most critical.  
▶ The first report provides further practical advice to companies following the Lab's infographic issued in March setting out the disclosures investors expect to see from companies during this time of uncertainty.  
▶ The second report gives specific guidance on going concern, risk and viability disclosures.  
Full summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Financial Reporting Council (FRC) Financial Reporting Lab (FRC Lab)         | ▶ Existing guidance on company filings, AGMs and other general meetings during COVID-19 has been updated to reflect measures contained within the Corporate Insolvency and Governance Bill 2020 which was introduced into the House of Commons on 20 May 2020.  
Full summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Practical guidance for companies in areas most important to investors       | ▶ Letter to chief executive officers of UK deposit takers, in response to updated FCA guidance on retail mortgage payment deferrals.  
▶ The purpose of the letter is to update the PRA's March 2020 guidance to address exits from initial payment deferrals  
Full summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Financial Reporting Council (FRC) Department for Business Energy and Industrial Strategy (BEIS) | ▶ From 1 June 2020, there will be an exception to the suspension of strike off activity. In cases where our law enforcement partners have concluded that companies are no longer in operation following an investigation, the registrar will continue with strike off action for those companies.  
Full summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Updated guidance for AGMS                                                   | ▶ The guide is intended to support pension scheme auditors navigate the additional challenges they are likely to experience as a result of the COVID-19 pandemic. Pension scheme trustees and accounts preparers will also find the guidance helpful.  
Full summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Prudential Regulation Authority (PRA)                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| COVID-19: IFRS 9 and capital requirements - further guidance on initial and further payment deferrals |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Companies House                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Further changes to strike off policy                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| ICAEW, ICAS and Pensions Research Accountants Group (PRAG)                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
## Overview of regulatory developments affecting companies and auditors in the UK: key messages and links to full summaries (2 of 10)

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| 27 May| Financial Conduct Authority (FCA)  
Statement on temporary relief for half-yearly financial reports for listed companies | - One month forbearance on interim reports subject to DTR 4.1-4.2 following the existing deadline.  
- This forbearance is intended to be temporary while the UK faces the disruption of the COVID-19 pandemic and its aftermath.  
  [Full summary](#) |
| 22 May| Bank of England (BoE) / Prudential Regulation Authority (PRA)  
Statement re guidance on the application of regulatory capital and IFRS 9 | - Eligibility for, and use of, COVID-19 related payment deferrals or extensions to those deferrals, granted in accordance with the FCA’s proposed guidance, would not automatically result in a loan: (a) being regarded as having suffered a significant increase in credit risk (‘SICR’) or being credit-impaired for ECL purposes, or (b) triggering a default under CRR.  
  [Full summary](#) |
| 20 May| Department for Business, Energy and Industrial Strategy (BEIS)  
Corporate Insolvency and Governance Bill | - The Bill consists of six insolvency measures and two corporate governance measures.  
- The corporate governance measures will introduce temporary easements and flexibility to businesses where they are coping with reduced resources and restrictions.  
  [Full summary](#) |
| 20 May| Financial Reporting Council (FRC)  
Guidance for companies updated to include Alternative Performance Measures (APMs) | - Existing guidance for companies updated to include Alternative Performance Measures (APMs).  
  [Full summary](#) |
| 20 May| Institute of Chartered Accountants of Scotland (ICAS)  
Going concern: Guidance for directors of large private companies | - This guidance on going concern is aimed at directors of large private companies. It may also be helpful to directors of medium-sized companies and smaller listed entities.  
  [Full summary](#) |
| 19 May| Institute of Chartered Accountants in England and Wales (ICAEW) and Institute of Chartered Accountants of Scotland (ICAS)  
Guidance on going concern for directors of SME businesses | - This guide is aimed primarily at the owners and directors of small and medium-sized businesses.  
- The short guide explains why it is important to assess the viability of the business for the purposes of accounts, and outlines some factors to consider when making this assessment.  
  [Full summary](#) |
## Announcement

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| May 14 | Financial Conduct Authority (FCA)  
FCA confirms measures to help insurance customers who may be suffering financial difficulties | - The FCA has confirmed a series of temporary measures to help customers who hold insurance and premium finance products and who may be in financial difficulty because of COVID-19.  
- The proposals were first announced on 01 May 2020.  
[Full summary](#) |
| May 14 | Department for Business, Energy and Industrial Strategy (BEIS)  
Further announcement on AGMs, wrongful trading and insolvency | - The Government announced it will amend insolvency law to give companies breathing space and allow them to keep trading while it explores options for rescue.  
- The temporary measures to give companies and other bodies flexibility around AGMs and other meetings will apply retrospectively from 26 March 2020.  
- The proposed temporary suspension of wrongful trading liability will continue until 30 June 2020.  
[Full summary](#) |
| May 14 | Financial Reporting Council (FRC) / Department for Business, Energy and Industrial Strategy (BEIS)  
Q&A on company filings, AGMs and other general meetings | - Further BEIS and FRC Q&As on company filings, AGMs and other general meetings.  
[Full summary](#) |
| May 12 | Financial Reporting Council (FRC)  
Guidance for companies | - FRC guidance for companies on corporate governance and reporting (including interim reports).  
[Full summary](#) |
| May 12 | Information Commissioner's Office (ICO)  
Guidance for employers on workplace testing | - The guidance explains how employers can carry out tests to check whether their staff have symptoms of COVID-19, while complying with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018  
[Full summary](#) |
| May 07 | Prudential Regulation Authority (PRA)  
PRA statement on prioritisation in light of COVID-19 | - Further details of the PRA’s plans to help firms maintain their safety and soundness, and deliver the critical functions they provide to the economy.  
[Full summary](#) |
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| May 06 | Financial Conduct Authority (FCA) FCA extends SMR cover | ► The FCA has extended from 12 to 36 weeks (in a consecutive 12-month period) the maximum period firms can arrange cover for a senior manager without being approved  
  **Full summary** |
| May 01 | Financial Conduct Authority (FCA) Legal clarity on business interruption insurance and measures to help consumers and small businesses | ► FCA intends to obtain a court declaration to resolve contractual uncertainty in business interruption insurance cover.  
  ► FCA proposes additional insurance guidance to ensure products continue to offer value and take into account the firm’s ability to deliver the benefits promised, and help individual customers who are finding it difficult to pay.  
  ► On 15 May 2020 FCA confirmed the measures to help insurance customers  
  **Full summary** |
| April 29 | The Chartered Governance Institute (ICSA) Guidance on withdrawal or amendment of dividend resolution at annual general meetings (AGM) | ► Boards may conclude that it is no longer appropriate to recommend or declare a dividend that is due to be put to shareholders for approval at the AGM.  
  ► Alternatively, Boards may conclude that a dividend should still be paid, but the amount of divided should be reduced.  
  **Full summary** |
| April 27 | Companies House Emergency filing service now available | ► Emergency filing service now available for a selection of registrar's powers documents.  
  ► This service will only be available for a selection of paper documents that do not already have an online option.  
  ► 05 May 2020: update LLP versions of registrar’s powers forms added to the service.  
  **Full summary** |
| April 27 | The Investment Association (IA) IA outlines expectations on executive pay | ► Remuneration committees will need to sensitively balance the need to continue to incentivise executive performance at a time when management teams are being asked to demonstrate significant leadership and resilience.  
  **Full summary** |
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<td><strong>Financial Reporting Council (FRC)</strong></td>
<td>► Auditors should gain sufficient appropriate evidence and disclose when this has not been possible.</td>
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<td>Podcast on audit guidance during COVID-19</td>
<td>► New procedures and technological innovation may be required.</td>
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<td>► Investors do not want a drop in standards.</td>
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<td><a href="#">Full summary</a></td>
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<td><strong>Prudential Regulation Authority (PRA)</strong></td>
<td>► The note clarifies how an earlier letter from Sam Woods should be read across to insurers’ internal assessments of loan creditworthiness and treatment of unrated assets.</td>
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<td>Follow-up note for PRA-regulated insurers clarifying the PRA’s position regarding International Financial Reporting Standards (IFRS) 9</td>
<td><a href="#">Full summary</a></td>
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<td><strong>Financial Conduct Authority (FCA)</strong></td>
<td>► FCA confirms it is implementing a package of measures to directly support consumers facing payment difficulties.</td>
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<td>FCA confirms support for motor finance and high-cost credit customers</td>
<td>► The range of targeted temporary measures cover motor finance and high-cost credit agreements, e.g., payday loans, buy now, pay later (BNPL), rent-to-own (RTO) and pawnbroking.</td>
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<td><strong>Financial Conduct Authority (FCA)</strong></td>
<td>► Given the impact of COVID-19, the FCA has introduced temporary measures for firms submitting regulatory returns.</td>
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<td>FCA changes to regulatory reporting up to 30 June 2020</td>
<td>► Submission deadlines for several regulatory returns have been extended.</td>
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<td><strong>The Investment Association (IA)</strong></td>
<td>► Enforcement of the annual 90% yield threshold test will be suspended for funds with a year-end after the end of February 2020.</td>
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<td>Guidance on equity income sectors</td>
<td>► Enforcement of the three-year test will be suspended.</td>
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<td><strong>Financial Reporting Council (FRC)</strong></td>
<td>► The document contains explanations of different types of modified auditor opinions and explains other disclosures.</td>
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<td>Guidance on modified audit opinions</td>
<td>► The FRC has provided a diagram outlining the decision making process an auditor follows when considering a modified opinion.</td>
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| Financial Reporting Council (FRC) | Government is bringing forward legislation, as soon as possible, to assist companies for which COVID-19 restrictions make it difficult to meet statutory obligations to hold meetings and to file documentation on the Companies Register.  
This Q&A document provides companies with further information to help them plan ahead.  
[Full summary](#) |
| Financial Conduct Authority (FCA) | FCA has announced another proposed package of measures to directly support consumers facing payment difficulties.  
The range of targeted temporary measures cover motor finance and high cost credit agreements, e.g., payday loans, buy now, pay later (BNPL), rent-to-own (RTO) and pawnbroking.  
[Full summary](#) |
| Financial Conduct Authority (FCA) | FCA expects firms to plan ahead and ensure the sound management of their financial resources. This means taking appropriate steps to conserve capital, and to plan for how to meet potential demands on liquidity.  
Non-bank lenders subject to IFRS9 are reminded that the standard requires that the forward-looking information used in expected credit loss estimates is both reasonable and supportable.  
[Full summary](#) |
| Companies House | Companies House is pausing the strike-off process to prevent companies from being dissolved.  
Companies House will also treat late filing penalty appeals sympathetically where late delivery was caused by the COVID-19 outbreak.  
[Full summary](#) |
| Information Commissioner’s Office (ICO) | The ICO has published a document setting out its regulatory approach during the COVID-19 pandemic.  
The ICO sets out the flexibility it has within the law to be a pragmatic and empathetic regulator.  
The ICO will focus on the greatest threats, and underline the important role that people’s information rights will continue to have.  
[Full summary](#) |
| Financial Reporting Council (FRC) | The FRC has updated its guidance for auditors, first published on 26 March (Link), with advice on gathering audit evidence by remote means.  
The COVID-19 crisis also means that there may be situations where there is a greater risk of fraud.  
[Full summary](#) |
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| **Financial Reporting Council (FRC)** | ► FRC is continuing to monitor governance, reporting and auditing developments to identify if they need to update the guidance issued earlier.  
► The Corporate Reporting Review team has paused issuing new letters to companies, but it will continue its discussions.  
[Full summary](#) |
| 9            |                |
| **Financial Conduct Authority (FCA)** | ► Temporary relief provided for consumers on credit products, to help soften the financial impact of COVID-19.  
► Products affected by this relief include loans, credit cards and overdrafts.  
[Full summary](#) |
| 8            |                |
| **The Investment Association (IA)** | ► Letter addressed to the chairs of all FTSE 350 companies setting out certain views of its members on COVID-19 pandemic.  
► The letter covers engagements, financial reporting, AGMs, dividends, executive pay and long-term capital raising.  
[Full summary](#) |
| 8            |                |
| **Financial Conduct Authority (FCA)** | ► The FCA announced a series of measures to help companies raise new funding, while retaining an appropriate degree of investor protection.  
► The FCA also published technical supplements on working capital statements, and the modification of general meeting requirements under the listing rules.  
[Full summary](#) |
| 8            |                |
| **Institutional Shareholder Services group of companies (ISS)** | ► ISS has published guidance on the application of its policies in light of the COVID-19 pandemic.  
► The guidance covers AGM postponements, virtual AGMs, director attendance, changes to the board and senior management, compensation, share purchases and share issuances.  
[Full summary](#) |
| 6            |                |
| **Financial Conduct Authority (FCA)** | ► Summaries of Client Assets Sourcebook (CASS)-related queries received by the FCA and their positions on issues raised.  
► The topics covered by the Q&As include handling cheques, CASS audit reports, physical asset reconciliations, depositing client money, notification of CASS breaches, CASS firm classification and delays to improvement programmes.  
[Full summary](#) |
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| Prudential Regulation Authority (PRA) | ▶ Various regulatory reporting deadlines and Pillar 3 disclosure requirements have been extended.  
▶ In due course, the PRA will consider whether the actions in the statement will be extended to reporting beyond 31 May 2020.  
[Full summary](#) |
| Amendments to regulatory reporting and Pillar 3 disclosure requirements | |
| Financial Conduct Authority (FCA) | ▶ Temporary relief for consumers on credit products because to soften the financial impact of COVID-19.  
▶ Affected products include loans, credit cards and overdrafts.  
[Full summary](#) |
| Temporary financial relief for consumers | |
| Financial Reporting Council (FRC) / Pre-Emption Group | ▶ Investors are recommended to consider supporting issuances of up to 20% on a case-by-case basis.  
▶ If this additional flexibility is sought, the company should fully explain its circumstances and how it is supporting shareholders.  
[Full summary](#) |
| Expectations for issuances | |
| **March 31** |               |
| Prudential Regulation Authority (PRA) | ▶ The PRA wants boards of insurers to think carefully before issuing distributions or bonuses, and to be mindful of their responsibilities in supporting policyholders and the economy through this crisis.  
[Full summary](#) |
| Insurers urged to take responsible approach to distributions and bonuses | |
| Financial Reporting Council (FRC) / the Chartered Governance Institute (ICSA) | ▶ FRC along with and the IA have jointly issued a guidance note on the work-around to enable virtual AGMs (with two-people still meeting in person to fulfil the quorum requirement).  
[Full summary](#) |
| Supplemental guidance for AGMs | |
| Financial Reporting Council (FRC) / Financial Conduct Authority (FCA) / Prudential Regulation Authority (PRA) | ▶ The statement accompanies the suite of guidance issued on the same day (see below).  
▶ Companies are encouraged to delay planned audit tenders, even when mandatory rotation is due.  
[Full summary](#) |
| Joint Statement | |
| Financial Reporting Council (FRC) | ▶ The FRC has published a non-exhaustive list of factors auditors should be considering when carrying out audit engagements in the current circumstances, along with guidance on how they might be addressed.  
[Full summary](#) |
<p>| FRC guidance for auditors | |</p>
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<td>▶ Companies House has allowed businesses to apply for a three-month extension for filing of accounts. While companies will have to apply for the extension, those citing issues around COVID-19 will be automatically granted. Applications can be made through a fast-tracked online system which will take just 15 minutes to complete.</td>
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<td>▶ Delayed deadlines for insurers reporting under Solvency 2 and confirmation that COVID-19 represents ‘a major development’ under Article 54(1) of the S2 Directive.</td>
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<td><strong>Government Equalities Office</strong></td>
<td>▶ Enforcement of the gender pay gap reporting deadlines suspended for this year.</td>
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<td><strong>FRC guidance for companies preparing financial statements</strong></td>
<td>▶ Letter to bank CEOs regarding IFRS9 accounting and definition of regulatory default, treatment of borrowers in breach of covenants and regulatory capital treatment of IFRS9.</td>
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| 16    | Financial Reporting Council (FRC)  
FRC guidance for auditors | Audits should continue to comply fully with required standards, noting that “additional time may be required to complete audits and that it is important that this is taken, even at the risk of delaying company reporting.”  
Full summary |
| 17    | Financial Conduct Authority (FCA)  
FCA Primary Market Bulletin 27 | The FCA will continue to consider requests from issuers to suspend trading in certain securities. However, they will challenge the need for suspension in scenarios where they think the situation could be more appropriately addressed by an announcement to the market.  
Full summary |
| 20    | Financial Conduct Authority (FCA)  
FCA requests delay to preliminary financial statements | The FCA strongly requests all listed companies observe a moratorium on the publication of preliminary financial statements for at least two weeks (on 26 March it was announced this can end on 05 April 2020).  
Full summary |
| 20    | London Stock Exchange Group  
AIM temporary measures | Three temporary measures introduced for nominated advisors of AIM companies in relation to suspension of trading disclosures and engagement responsibilities of nominated advisers.  
Full summary |
| 18    | Financial Reporting Council (FRC)  
AGMs guidance | Companies should consider adapting, delaying, postponing or adjourning their AGMs, or conduct a hybrid AGM.  
Companies should balance pragmatism with their legal and regulatory obligations and good practice.  
Full summary |
| 20    | Bank of England (BoE) / Prudential Regulation Authority (PRA)  
BoE / PRA announce supervisory and policy measures | BoE / PRA announce a number of measures aimed at alleviating operational burdens on PRA-regulated firms and BoE regulated financial market infrastructures.  
The BoE recognises that uncertainty in the wake of COVID-19 makes the preparation of reliable and detailed forecasts very challenging (i.e. forecasts under IFRS9).  
Full summary |
In this period of regulatory relaxation, investors are communicating their expectations of companies and preparers.

The Investment Association (IA)

27 April 2020 : IA outlines shareholder expectations on executive pay in light of COVID-19: (Link)

► IA wrote to FTSE 350 chairs outlining investors’ expectations: (Link)
► Companies are asked to maintain as open a dialogue as possible with their shareholders and other stakeholders over the coming months.
► Financial reporting. The IA supports companies and auditors taking the necessary time to prepare and audit their preliminary results, report and accounts.
► AGMs. The IA welcomes companies holding virtual AGMs or GMs during stay at home measures.
► Dividends. While IA members expect companies to take a prudent approach to current and future dividend payments, they would be concerned if companies unnecessarily reduced or rebased the dividend level. They expect companies who do decide to suspend, to restart dividend payments as soon as it is prudent to do so.
► Executive pay. If companies are cancelling dividend payments or making changes to workforce pay, IA members will support boards and remuneration committees that demonstrate how this should be reflected in their approach to executive pay.
► Long-term capital raising. The Pre-Emption Group guidelines should be respected by investors.
► IA supports Pre-Emption Group statement. The statement allows companies additional flexibility under their guidelines on a case-by-case basis for a limited period.

Institutional Shareholder Services group of companies (ISS)

08 April 2020: ISS has published guidance on the application of its policies in the light of the COVID-19 pandemic: (Link)

► It will be positively noted when companies use electronic communications to engage with investors.
► ISS will make no adverse vote recommendations against virtual-only meetings while it is unsafe to do so.
► Shareholders need adequate information about absences from board and committee meetings.
► Boards are encouraged to provide contemporaneous disclosures to shareholders of their rationale for making changes to performance metrics, goals or targets used in short-term compensation plans.
► ISS will continue to recommend in favour of repurchase authorities within customary limits, but will monitor how directors are managing risk.
► ISS’s existing policy framework will be applied to general authorisation and share issuance requests, adapted to take account of regulatory relaxations or new guidance as a result of the crisis.

Financial Reporting Council (FRC) / Financial Reporting Lab

25 March 2020: The FRC’s Financial Reporting Lab has summarised key areas in which investors would like to see disclosures: (Link)
1. How much cash does the company have?
2. What cash and liquidity could the company obtain in the short-term?
3. What can the company do to manage expenditure in the short-term?
4. What other actions can the company take to ensure its viability?
5. How is the company protecting its key assets and value drivers?
Additional resources and information

- **FRC COVID-19 response**
  All updates issued by the FRC categorised by stakeholder

- **ICAEW COVID-19 hub**
  Information to help businesses, technical guidance, online webinars and analysis

- **PRA regulatory measures for PRA firms**
  Information to help businesses, technical guidance, online webinars and analysis

- **FCA COVID-19: information for firms**
  Information to help businesses, technical guidance, online webinars and analysis

- **Companies House COVID-19 guidance**
  Guidance for Companies House customers, employees and suppliers

- **ICSA COVID-19 webpage**
  ICSA resources and updates

- **Investment Association COVID-19 webpage**
  IA expert pages, press releases and webinars

- **ICO Data Protection and COVID-19 Hub**
  Data protection resources for individuals and organisations
Appendix: summaries of developments

The following slides are composed of excerpts sourced from the websites of UK regulators and government departments.
Practical guidance for companies on areas of reporting most important to investors (1 of 4)

15 June 2020: Practical guidance for companies on areas of reporting most important to investors. (Link)

The UK Financial Reporting Council’s Financial Reporting Lab has published two reports providing practical guidance for companies in areas of reporting that investors have highlighted as being most critical during the COVID-19 pandemic.

Links to the reports:
► FRC Lab Report 1 - Resources, action, the future
► FRC Lab report 2 - Going concern, risk and viability

FRC Lab Report 1 - Resources, action, the future

Context: The report expands on the FRC Lab infographic from March on what information investors are seeking during the COVID-19 pandemic - see below. Contained within the report are many examples of disclosures from different companies, along with an explanation of what makes them useful.

Summary:

This report provides more detailed guidance and examples to help companies answer the questions raised in the infographic. The first section covers some practical issues regarding reporting at this time and the subsequent sections are structured around the three key reporting areas highlighted on the infographic:
► Resources – including the availability of cash;
► Actions – to manage short-term expenditure and ensure viability; and
► The future – how the decisions taken now ensure the sustainability of the company and impact customers, suppliers and employees.

The FRC Lab expects that disclosures will evolve throughout the year (and across reporting documents) to reflect the most pressing concerns at that point in time. How this information is provided will depend on where a company is in its reporting cycle and the regulatory requirements for updating the market at a point in time. However, investors expect to be kept updated and encourage companies to provide information in the most appropriate form (whether through results announcements, trading updates, interim or annual reports) on a timely basis.

Both investors and regulators seek information that is specific to the company rather than boiler-plate disclosures, which are of little value. The below graphic provides the Lab’s model for disclosure.
Resources - Cash
► Disclosures that can be more helpful to investors in answering their questions about cash are often provided outside of the cash flow statement, and often outside of the annual report completely.
► Good disclosures cover three elements: the current cash position, operational cash generation and expected finance-based cash inflows. Providing information about the amount, context and timing of each is very helpful.
► Some areas that investors identified as helpful include:
  ► Information about the company's short-term financing arrangements, facilities and other obligations and likely changes.
  ► Information about the credit lines (committed and uncommitted, drawn and undrawn) that the company has access to.
  ► Whether the company has added support, e.g., from related businesses, shareholders, suppliers.
  ► Whether any covenants are being imposed or waived.

Action
► As crucial as currently available cash are the actions that management can take to sustain, extend, and support the company's ability to remain viable.
► Discussions with investors identified two distinct objectives for disclosure. Firstly, to provide the details of actions actually taken, and secondly to provide information that helps investors understand possible future actions depending on the plausible scenarios that it might face.
► Dividends: Investors want to understand a company's policy on dividends, and the capacity to maintain that policy over the medium term. Such disclosures are fundamental to their assessment of stewardship (in the current period) and the longer-term value and sustainability of the company.
► Supply chain: Investors are also interested in understanding the status of the supply chain and the actions that management has taken to mitigate supply chain risk or support suppliers.
► Capital expenditure and expenses: Investors are beginning to consider and categorise companies depending on the impact of the crisis:
  ► Hibernated - Those, often physical, businesses that can't operate during government lockdown or are significantly restricted (e.g., car factories), but need to be in a position to reopen as normal.
  ► Curtailed - Those businesses that have been curtailed and for which their market may not rebound to the same level (e.g., airlines).
  ► Active - Those businesses that have continued to operate and may have grown (e.g., supermarkets and online businesses). For each category, investors want to understand different aspects of a company's cost profile and resulting actions.
Government support and other concessions: Investors (and other stakeholders, including NGOs) are looking for clarity on:
► The amount of any such support;
► Its nature and related timing (extension opportunities or winddown times); and
► Any obligations that it creates (and in time how those obligations have been met).
Management control: Investors, regulators and others need information on how management has adapted and changed and what the impact of those changes are.

The future
Investors are interested in how decisions made now will affect the future of the company and also the company's views on the future of the business itself.
Purpose: The current circumstances offer an opportunity for companies to assess whether their 'purpose', for those companies reporting against the UK Corporate Governance Code or who choose to do so, meets the challenge of COVID-19.
Stakeholders: Understanding how the company has regard for its stakeholders is critical for investor decisions regarding whether they retain trust in management. Investors are interested, particularly, in the effects on the workforce.
Scenarios and forecasts: Investors find details of management's base case for the recovery critical to understanding management actions and assessing the longer-term value of the company. Investors do not expect that any scenario or forecast prepared by management will be 100% correct. But investors do expect that companies have a perspective on the future and are preparing for different scenarios.

FRC Lab report 2 - Going concern, risk and viability

Context: This second report gives specific guidance on going concern, risk and viability disclosures. Contained within are many examples of disclosures from different companies, along with an explanation of what makes them useful.
Summary:
The report highlights the impact on three key areas of disclosure:
► Going concern:
   ► Locating and obtaining short-term cash resources is often about building resilience and flexibility but, for some, it is ultimately about survival. In such circumstances, reporting on going concern and uncertainties becomes more important. The disruption to business models in the short-term might mean that the going concern assessment is more complex task. However, going concern is not a simple binary or pass/fail concept. A company can be a going concern even when one or more material uncertainties exist. In such circumstances what becomes important is the disclosure about the uncertainties and management’s consideration of these.
A company can be a going concern even when there are material uncertainties that cast significant doubt over that going concern status. Investors recognise that the level of uncertainty is unprecedented and, to a large extent, outside the company's control. They, therefore, expect that companies will report many areas of uncertainty and estimation.

**Risk reporting:**
- COVID-19 has created risks for many companies and caused a reconsideration of risk profile and appetite. Investors therefore want to understand how those risks have changed and how they specifically affected companies, and how management have responded.
- While much of the FRC and Lab guidance focuses on the Annual Report, in times of uncertainty there is a need to focus on shorter-term reporting. Ensuring that such ad-hoc reporting on risk reflects and references the wider annual report disclosure is helpful for investors, or, where different, such differences are highlighted and described.

**Viability statement:**
- The current crisis is a test of the value of viability statements. A viability statement with realistic scenarios and clear assumptions provides boards an opportunity to communicate their longer-term prospects, even when the short term outcome is less certain.
- The lack of certainty has meant that many companies are reluctant to provide a perspective on the future. But it is the longer-term perspective, inherent within the viability statement, that should provide confidence to companies to make such statements.
- A combination of going concern and viability statements are necessary to show a company's position and expectations.
08 June 2020: Measures in respect of company filings, AGMs and other general meetings during COVID-19. (Link)

On 8 June 2020, BEIS and the FRC published an updated version of their Q&As on company filings, AGMs and other general meetings during COVID-19.

The Q&As have been updated to include guidance on best practice for AGMs following publication of the Corporate Insolvency and Governance Bill 2020, which contains temporary suspensions of certain statutory and constitutional requirements relating to AGMs.

The guidance notes that not all organisations will want, or need, to exercise the temporary flexibilities in full. Companies should monitor and review their position and take a view on what approach best balances the safety of members and their legitimate expectation to be afforded engagement with the board. The guidance sets out some considerations for when a full meeting cannot be held, including the possibility of convening a physical meeting with a representative cross-section of members and the need to explore how members might actively participate by virtual means. Where member engagement in the AGM has been limited, how members may be accommodated later in the year, either online or physically, should be considered.

The guidance also sets out the following features of good practice by organisations with regard to member communications:
► Issuing communications in a timely fashion to ensure members can consider the matters to be voted on.
► Ensuring that clarity is given on proxy voting.
► Explaining the procedure for both the meeting and any communications prior to the meeting.
► Giving all members the opportunity to both ask questions and receive responses to those questions prior to voting either at a real time online meeting or via proxy.
► Making answers to any questions raised available to all both in the meeting and in written form following the meeting. This could be in real time in the case of virtual meetings.
► Offering a physical meeting to all shareholders once government restrictions are lifted.

The guidance states that, over the longer term, bodies and their members may benefit from a move to a hybrid AGM format that enables attendance both in-person and online. The FRC plans to produce an assessment of best practice later this year.
On 26 March 2020, the PRA issued guidance to UK banks and building societies on estimating expected credit loss (ECL) and the regulatory definition of default in the light of the COVID-19 pandemic. The first payment deferrals are now coming to an end. As a consequence, firms are assessing the capital and accounting treatment of the various ways in which those initial payment deferrals might end. The purpose of the letter is to update the PRA's March 2020 guidance to address exits from initial payment deferrals.

Summary:

► When there has been a payment deferral, counting of days past due should be based on the agreed schedule for the purposes of the ECL backstops and for the CRR definition of default. However, loans that are not past due can still have suffered a significant increase in credit risk (‘SICR’), credit impairment or default.

► Eligibility for, and use of, Covid-19 related initial and further payment deferrals taken up in accordance with the FCA’s guidance on the subject does not on its own automatically result in a loan: (a) being regarded as having suffered a SICR or being credit-impaired for ECL; or (b) triggering a default under CRR. Firms will therefore need to consider other indicators to determine the appropriate treatment. For example, for CRR purposes, firms will need to assess whether the deferral should be considered a distressed restructuring and in cases where it is likely to result in a diminished financial obligation, this may be an indication of default.

► Firms are likely to have limited borrower-specific information to make the determinations on an individual borrower-basis. Firms will therefore need to make holistic assessments that look beyond past-due information and use of payment deferrals in order to treat such loans appropriately for accounting and regulatory purposes.

► We [PRA] do not envisage that these holistic assessments for accounting and CRR purposes will be made at the time when a payment deferral is taken up, as the FCA guidance does not require such information to be available at that time. These assessments are expected to be made subsequently and be based on the information available at the next and subsequent reporting dates.
04 June 2020: Further changes to Companies House strike off policy. (Link)

Companies House has further amended its COVID-19 guidance for Companies House customers, employees and suppliers.

From 1 June 2020, there will be an exception to the suspension of strike off activity. In cases where our [Companies House] law enforcement partners have concluded that companies are no longer in operation following an investigation, the registrar will continue with strike off action for those companies.
ICAS, ICAEW and PRAG have published new joint guidance on pension scheme reports and financial statements, and related matters in the context of the COVID-19 pandemic.

The guide is intended to support pension scheme auditors navigate the additional challenges they are likely to experience as a result of the COVID-19 pandemic. Pension scheme trustees and accounts preparers will also find the guidance helpful.

The guide covers a wide range of topics including:

► Responsibilities for reporting to TPR.
► The impact of the COVID-19 pandemic on the control environment of pension schemes.
► The trustees’ report and the chair’s statement.
► Going concern and the trustees’ assessment of going concern.
► Accounting for scheme investments.
► Events after the end of the reporting period.
► Audit issues.
► The auditor’s statement about contributions.
The FCA has confirmed additional temporary relief for listed companies facing the challenges of corporate reporting during the COVID-19 crisis.

This temporary relief will permit listed companies which need extra time to complete their half-yearly financial reports an additional month in which to publish them. Currently, under the Transparency Directive, listed companies are required to publish half-yearly financial reports no later than three months from the end of the period to which the report relates.

The additional month, available on a temporary basis, is to reflect the additional capacity concerns that listed companies currently face. It complements the previous FCA Statement of Policy: Delaying annual company accounts during the coronavirus crisis and is consistent with ESMA’s statement of 27 March on financial reporting deadlines in light of COVID-19.

The FCA has also published a Q&A with additional detail about the application of this temporary relief for half-yearly financial reports.

- The temporary relief does not extend to issuers with a Home State under the Transparency Directive that is not the UK.
- This temporary relief is only relevant to companies subject to DTR 4.1 and DTR 4.2. This does not include those with securities admitted only to markets that are not regulated markets under MiFID - such as AIM or NEX Growth.
- The FCA will also give temporary relief from taking action against companies that are subject to the requirement to publish annual financial reports or half-yearly financial reports via other Listing Rules (LR 9.2.6BR, LR 14.3.23R, LR 18.4.2R and 18.4.3R).
Statement re guidance on the application of regulatory capital and IFRS 9

22 May 2020: Statement re guidance on the application of regulatory capital and IFRS 9 (Link).

The guidance in this statement has been developed in the context of COVID-19 and will be reviewed in light of future developments. BoE/PRA believe the guidance is consistent with IFRS and the Capital Requirements Regulation (‘CRR’). However, BoE/PRA also recognise it is the responsibility of firms to satisfy themselves that they have prepared their annual and interim financial reports in accordance with the applicable reporting frameworks, and for auditors to reach their own audit or review conclusions about those reports.

In summary, eligibility for, and use of, COVID-19 related payment deferrals or extensions to those deferrals granted, in accordance with the FCA’s proposed guidance, would not automatically result in a loan: (a) being regarded as having suffered a significant increase in credit risk (‘SICR’) or being credit-impaired for ECL purposes, or (b) triggering a default under CRR. That means:

► PRA guidance has not changed for payment deferrals related to COVID-19 that are granted to borrowers for the first time. That includes existing payment deferrals granted prior to this guidance and new payment deferrals granted to borrowers who have not yet had a payment deferral. 

► Borrowers coming to the end of an existing payment deferral will have different abilities to pay and varying financial situations. The FCA’s proposed guidance explains that, where borrowers are coming to the end of an existing payment deferral, lenders should distinguish between those who are able to resume full payments immediately, and those who are unable to resume full payments due to circumstances arising out of COVID-19. The key judgments for regulatory capital and ECL purposes is whether those borrowers who do not resume full payments at the end of a payment deferral should be treated as in default (for CRR), or as having suffered a significant increase in credit risk or credit impaired (for IFRS 9).

Identifying whether a significant increase in credit risk or credit impairment has occurred for IFRS 9

Underlying the guidance of 26 March were three basic principles, all of which we continue to regard as critical in implementing IFRS 9’s ECL requirements:

► ECL should be implemented well and on the basis of the most robust, reasonable and supportable assumptions in the current environment in order to enhance consistency and reduce the risk of firms recognising inappropriate levels of ECL, whether they be under-statements or over-statements.

► Forward-looking assessments need to take a balanced view of both the potential impact of the virus and the unprecedented level of support provided by governments and central banks, domestically and internationally, to protect the economy.

► The assumptions that have been used in implementing ECL prior to COVID-19 and related actions should not be applied mechanically to the current circumstances, because those assumptions may no longer hold in the context of the current unprecedented situation.
The Corporate Insolvency and Governance Bill received royal assent on 25 June and is now an Act of Parliament (law).

The government has introduced the Corporate Insolvency and Governance Bill in Parliament, which will put in place a series of measures to amend insolvency and company law to support business to address the challenges resulting from the impact of COVID-19.

The Bill consists of six insolvency measures and two corporate governance measures.

This Bill’s three main purposes are:
► To introduce new corporate restructuring tools to the insolvency and restructuring regime to give companies the breathing space and tools required to maximise their chance of survival.
► To temporarily suspend parts of insolvency law to support directors to continue trading through the emergency without the threat of personal liability, and to protect companies from aggressive creditor action.
► To amend company law and other legislation to provide companies and other bodies with temporary easements on company filing and annual general meetings (which will extend to charitable incorporated organisations and mutual societies) thus allowing them to focus their resources on continuing operations in this uncertain time.

Annual General Meetings (AGMs) and General Meetings (GMs):
► The Bill temporarily allows those companies that are under a legal duty to hold an AGM or GM to hold a meeting by other means, even if their constitution would not normally allow it. As a result, directors will not be exposed to liability for measures that need shareholder endorsement, and shareholders’ rights are preserved.
► The measures relating to company meetings are intended to be retrospective from 26 March so that any company that has already had to hold an AGM in a way that adhered to social distancing measures, but that, as a result, did not meet relevant obligations in their constitution, will have done so in accordance with the law. Companies who were forced to postpone AGMs which were due to be held after 26 March will be given a limited period after the Bill is passed to hold those AGMs using the new flexibilities.
► The measures will not prevent shareholders from exercising their right to vote on resolutions or other matters brought before the meeting, though they may be prevented from voting in person (rather than by post or by electronic means).

Extension of filings:
The Bill enables the Secretary of State to make regulations to extend deadlines for three types of filing:
► Accounts.
► Confirmation statements (including event-driven filings that are required to be submitted in advance of the confirmation statement).
► Registrations of charges.
Alternative Performance Measures (APMs) added to guidance for companies

20 May 2020: Alternative Performance Measures added to FRC guidance for companies on corporate governance and reporting ([Link]).

The FRC has added a further update to its guidance for companies, on alternative performance measures (APMs).

Alternative Performance Measures (‘APMs’):

Companies often use APMs in their Interim and Annual Reports and Accounts to supplement information provided under IFRS. These frequently include measures such as profit adjusted for exceptional or similar items. Companies are expected to provide APM disclosures that:

► have clear and accurate labelling;
► have an explanation of their relevance and use;
► are reconciled to the closest IFRS measure; and
► are not given more prominence than the equivalent IFRS measures.

APMs should also be presented consistently year-on-year. However, there may be circumstances where the COVID-19 crisis has, for example, resulted in a company making changes to its operations or business model. These may result in changes to the APMs used to run and monitor the business. In these circumstances, readers should be informed of any such changes and given an explanation of why they provide reliable and more relevant information.

APMs which attempt to provide a measure of ‘normalised’ or ‘pro-forma’ results, excluding the estimated effect of the COVID-19 crisis, are likely to be highly subjective and, therefore, potentially unreliable. In addition to the subjectivity arising around which costs to exclude, in most cases COVID-19 is likely to have resulted in reductions in revenues. Any adjustment for lost revenues would be hypothetical and could not be reflected reliably in an APM. The FRC does not expect companies to provide these measures; for example, by including them in a ‘third-column’ income statement presentation.
20 May 2020: Alternative Performance Measures added to FRC guidance for companies on Corporate Governance and Reporting (Link).

The FRC has added a further update to its guidance for companies, on alternative performance measures (APMs).

**Alternative Performance Measures ('APMs'):**

Companies often use APMs in their interim and Annual Reports and Accounts to supplement information provided under IFRS. These frequently include measures such as profit adjusted for exceptional or similar items. Companies are expected to provide APM disclosures that:

► have clear and accurate labelling;
► have an explanation of their relevance and use;
► are reconciled to the closest IFRS measure; and
► are not given more prominence than the equivalent IFRS measures.

APMs should also be presented consistently year-on-year. However, there may be circumstances where the Covid-19 crisis has, for example, resulted in a company's making changes to its operations or business model. These may result in changes to the APMs used to run and monitor the business. In these circumstances, readers should be informed of any such changes and provided with an explanation of why they provide reliable and more relevant information.

APMs which attempt to provide a measure of ‘normalised’ or ‘pro-forma’ results, excluding the estimated effect of the Covid-19 crisis, are likely to be highly subjective and, therefore, potentially unreliable. In addition to the subjectivity arising around which costs to exclude, in most cases Covid-19 is likely to have resulted in reductions in revenues. Any adjustment for lost revenues would be hypothetical and could not be reflected reliably in an APM. We do not expect companies to provide these measures; for example, by including them in a 'third-column' income statement presentation.
ICAS has issued guidance to assist directors of large private companies in their assessment of whether the use of the going concern concept of accounting is appropriate when preparing financial statements. It may also be helpful for directors of medium-sized companies and smaller listed entities.

This guidance highlights useful existing guidance and certain specific COVID-19 related factors that directors may need to consider.

Directors should consider the specific facts and circumstances of their company in determining the extent of the procedures to be undertaken when forming the going concern assessment, whilst being cognisant of wider macroeconomic conditions. The quality of the disclosures made by the directors in the financial statements and the underlying supporting evidence will be key when the auditor considers the opinion that they will issue on the financial statements.

The guidance covers the following factors that are likely to require consideration in forming the going concern assessment:

- Macroeconomic conditions.
- The impact on business operations.
- Forecasting, including stress testing.
- Potential actions to mitigate risk.

Reporting needs to be tailored to the company, and should provide useful information about the impact of COVID-19 on the company to users.

That directors prepare financial statements on a going concern basis is not intended to, and does not guarantee, that a company will continue in existence for at least 12 months from the date at which the financial statements are approved for issue. Additionally, doubts about the ability of a company to remain as a going concern do not necessarily mean that the company is, or is likely to become, insolvent.

Ultimately, directors should place their emphasis on the importance of telling the story of the company. They should set out the key information sources, judgments and assumptions as at the date of making the assessment.
Guidance on going concern for directors of SME businesses

19 May 2020: ICAEW/ICAS joint guidance on going concern for directors of SME businesses (Link).

The guidance has been written by experts at ICAS and ICAEW to aid the many small and medium-sized businesses that have been affected by the COVID-19 crisis as they prepare their accounts.

Company directors are required each year to assess whether the business is a going concern when drawing up their annual accounts, and this should cover at least the 12 months from the date the accounts are to be approved by the directors. But COVID-19 has had a dramatic change on the performance and prospects of many businesses, leaving some under threat, and accounts will have to reflect its impact.

The publication explains to business owners and directors the importance of forecasting cash flow and how to reflect the impact of COVID-19. Additionally, it provides suggestions on how to work with auditors and accountants during the pandemic, including the need to provide evidence which shows that conclusions reached regarding going concern are reasonable.
Further announcement on AGMs, wrongful trading and insolvency

14 May 2020: BEIS makes further announcement on AGMs, wrongful trading and insolvency laws (Link).

The Government made a further announcement in relation to its forthcoming legislation to enable companies to hold AGMs, temporarily suspend wrongful trading provisions, and introduce new insolvency restructuring procedures.

It announced that, subject to the successful passage of the upcoming Corporate Insolvency and Governance Bill, there will be:

► Company moratorium: The Bill proposes to create a moratorium during which no legal action can be taken or continued against a company without leave of the court.

► Suspension of Ipso Facto (Termination) clauses: When a company enters an insolvency or restructuring procedure, suppliers will often either stop or threaten to stop supplying the company. The supply contract often gives them the right to do this, but it can jeopardise attempts to rescue the business. The Bill proposes that suppliers will not be able to jeopardise a rescue in this way. The proposals include safeguards to ensure that continued supplies are paid for, and suppliers can be relieved of the requirement to supply if it causes hardship to their business.

► Temporary suspension of wrongful trading provisions from 1 March 2020 for 3 months: The Bill proposes to temporarily remove the threat of personal liability arising from wrongful trading for directors who continue to trade a company through the COVID-19 pandemic, with the uncertainty that the company may not be able to avoid insolvency in the future. Liquidators and administrators will not be able to take an action against an insolvent company’s directors for any losses to creditors resulting from continued trading while the wrongful trading rules are suspended. This will remove the pressure on directors to close otherwise viable businesses to avoid potential liability.

► Temporary measures to give companies and other bodies flexibility around AGMs and other meetings will be apply retrospectively from 26 March 2020.

► Temporary suspension of wrongful trading liability will continue until 30 June 2020.

The FCA has also released a statement outlining that the company moratorium, temporary suspension of wrongful trading liability, Suspension of Ipso Facto (Termination) clauses will not be available for some financial services firms and contracts. The list of exclusions from the measures is expected to include banks, investment firms, insurers, payments and e-money institutions and certain market infrastructure bodies. Firms that safeguard client assets are also expected to be excluded from the company moratorium during the COVID-19 period and temporary suspension of wrongful trading provisions.

In addition, the Bill proposes to provide a new Restructuring Plan which is expected to be available to financial services firms, through the appropriate safeguards including a role for the FCA and PRA.
Further announcement on AGMs, wrongful trading and insolvency

14 May 2020: Q&A on company filings, AGMs and other general meetings (Link).

BEIS and the FRC published further Q&As to provide additional information on the proposed legislation to alleviate difficulties in meeting statutory obligations to hold shareholder meetings during the pandemic.

The Q&As include the following:
► The Government intends to introduce the legislation as soon as Parliamentary time allows, and the measures relating to meetings will be drafted to take effect retrospectively from 26 March 2020. However, it is up to companies to make their own judgements when deciding whether to hold an AGM in accordance with the draft legislation, for example virtually.
► If an AGM needs to be held by a certain date and the legislation has not passed by the notice period date, the company should still call the meeting, even if it is likely to be delayed once legally possible. Shareholders should be kept informed of such plans.
► The proposed legislation will enable companies to temporarily override certain requirements in their constitutions relating to the mode of meeting, for example, a requirement to hold a physical meeting. In the longer term, companies should review their constitutional documents to determine whether additional flexibility is necessary.
► Under the proposed legislation, companies will have until the end of September 2020 to hold their AGMs, with the government having the power to make further extensions. Companies required to hold AGMs under their constitutions will be given the same grace period as those required to hold AGMs by legislation.
► The same flexibilities around the mode in which general or other meetings of members are convened will be available until the end of September 2020.
► Directors should explore all options to provide members with the best level and quality of engagement they can reasonably expect. For example, where physical meetings cannot be held, they should do what they can to hold them virtually. Processes and timelines should be designed so that as wide a range of members as reasonably practicable can engage, exercise their voting rights, and their feedback can be taken into account. BEIS and FRC intend to publish guidance on best practice in this regard.
► Companies will need to consider the specific requirements of their articles, and the resolutions passed at previous AGMs, to determine whether the authorisations obtained at last year’s AGM will still be valid if the AGM is postponed to more than a year after the last AGM.
12 May 2020: FRC guidance for companies on corporate governance and reporting (including interim reports (Link)).

This update builds on the guidance for companies first issued on 26 March. Most significantly, guidance has been provided for companies in relation to interim results.

The FRC says the guidance is intended to help boards focus on areas of reporting of most interest to investors; and to encourage them to provide clarity on the use of key forward-looking judgements. Below are some summary highlights, but the guidance is also worth reading in full.

Interim reports:
► Directors will need to exercise judgement about the nature and extent of the procedures that they apply to assess the going concern assumption at the half-yearly date. This might include disclosures of: any material uncertainties to going concern; assumptions made about the future path of COVID-19 and the public health responses; the projected impact on business activities; use of Government support measures; and access to bank and other financing.
► Issues which might trigger a need to re-examine the going concern assumption and going concern and liquidity risk disclosures include:
  ► a significant adverse variation in operating cash flows between prior budgets and forecasts, and the outturn in the first half of the year;
  ► a significant reduction in projected revenues for the second half of the year based on plausible scenarios for the COVID-19 pandemic and public health responses, and taking into account Government support measures;
  ► a failure to obtain renewal or extension of committed financing facilities; and
  ► a failure to sell capital assets for their expected amounts or within previously forecast time-frames.
► If going concern has become a significant issue since the previous annual financial statements, directors should undertake procedures similar to those that they would have carried out for annual financial statements, to ensure that all relevant issues have been identified and considered.
► It is a matter for a company to decide whether to engage their auditors to perform an interim review engagement— it is not a legal or regulatory requirement. However, feedback we have received from investors indicate that such a review provides valuable assurance, and this may be particularly so in the current environment.

Publication extensions:
► The FRC encourages companies, as appropriate, to make use of the extension announced by the FCA to the deadline for publication of audited annual financial reports from four to six months, from the end of the financial year.
12 May 2020: FRC guidance for companies on corporate governance and reporting (including interim reports).

This update builds on the guidance for companies first issued on 26 March. Most significantly, guidance has been provided for companies in relation to interim results.

The FRC says the guidance is intended to help boards focus on areas of reporting of most interest to investors; and to encourage them to provide clarity on the use of key forward-looking judgements. Below are some summary highlights, but the guidance is also worth reading in full.

Interim reports:
► Directors will need to exercise judgement about the nature and extent of the procedures that they apply to assess the going concern assumption at the half-yearly date. This might include disclosures of: any material uncertainties to going concern; assumptions made about the future path of COVID-19 and the public health responses; the projected impact on business activities; use of Government support measures; and access to bank and other financing.
► Issues which might trigger a need to re-examine the going concern assumption and going concern and liquidity risk disclosures include:
  ► a significant adverse variation in operating cash flows between prior budgets and forecasts, and the outturn in the first half of the year;
  ► a significant reduction in projected revenues for the second half of the year based on plausible scenarios for the COVID-19 pandemic and public health responses, and taking into account Government support measures;
  ► a failure to obtain renewal or extension of committed financing facilities; and
  ► a failure to sell capital assets for their expected amounts or within previously forecast time-frames.
► If going concern has become a significant issue since the previous annual financial statements, directors should undertake procedures similar to those that they would have carried out for annual financial statements, to ensure that all relevant issues have been identified and considered.
► It is a matter for a company to decide whether to engage their auditors to perform an interim review engagement – it is not a legal or regulatory requirement. However, feedback we have received from investors indicate that such a review provides valuable assurance, and this may be particularly so in the current environment.

Publication extensions:
► The FRC encourages companies, as appropriate, to make use of the extension announced by the FCA to the deadline for publication of audited annual financial reports from four to six months, from the end of the financial year.
Strategic report:
► In setting out its principal risks and uncertainties, a company should consider the specific resources, assets and relationships that are most under threat and the steps being taken to protect them.
► All stakeholders, including investors, are concerned about companies’ workforces and seek an understanding of how they are being retained and supported.

Viability statement:
► Boards are required to have a “reasonable expectation” of the company's viability over the period of assessment – during the current emergency and unprecedented pace of change, any reasonable level of expectation would naturally carry a much lower level of confidence.
► Being clear on the company’s specific circumstances and the degree of uncertainty about the future is important information.
► When presenting a company’s viability statement, its board should draw attention to any qualifications or assumptions as necessary.
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Going concern and material uncertainties:
► When assessing whether material uncertainties exist, boards should consider both the uncertainty and the likely success of any realistically possible response to mitigate this uncertainty.
► Boards should pay attention to their current and potential cash resources, including access to existing and new financing facilities, revolving facilities, invoice discounting and reverse factoring. The company’s access to and use of such facilities should be disclosed appropriately.
► Boards should also consider their access to government support measures that have been announced.
► If a material uncertainty does exist, then the company should disclose it in terms that are as specific to the entity as possible.

Significant judgements and estimation uncertainty: The requirement to disclose significant judgements (IAS 1 paragraph 122) is normally distinguished from the requirement of IAS 1 paragraph 125 regarding sources of estimation uncertainty. However, at this time, the FRC encourages companies to provide as much context as possible for the assumptions and predictions underlying the amounts recognised in the financial statements, irrespective of any narrow interpretation of the requirements.

Events after the reporting date: There is a general consensus that the outbreak of COVID-19 in 2020 was a non-adjusting event for the vast majority of UK companies preparing financial statements for periods ended 31 December 2019. Companies will need to judge how much of the impact of COVID-19 should be considered to arise from non-adjusting events for subsequent reporting dates.
Guidance for workplace testing

12 May 2020: ICO guidance for employers on workplace testing ([Link]).

The Information Commissioner's Office (ICO) has published workplace testing guidance for employers, in the form of a set of FAQs, in light of the COVID-19 pandemic and the move out of lockdown.

Topics covered include:

► Lawful basis for testing employees. The ICO suggests a public task (for public authorities) and legitimate interests are likely to be the most relevant lawful grounds for processing. For special category personal data such as health, the ICO suggests that the relevant condition will be the employment condition in Article 9(2)(b) of the General Data Protection Regulation ((EU) (2016/679)) (GDPR) along with the condition in Schedule 1, paragraph 1 of the Data Protection Act 2018 (DPA 2018) for employer health and safety obligations (see Practice note, GDPR: lawful processing of employee data and the problem with consent: Necessary for performance of rights and obligations in connection with employment).

► Demonstrating compliance and accountability. Employers must keep records to demonstrate compliance, and employers undertaking testing and processing of health information will need to conduct a data protection impact assessment (DPIA) (see Practice note, Data protection impact assessments under the GDPR (GDPR and DPA 2018) (UK) and Standard document, Data protection impact assessment (DPIA) (GDPR and DPA 2018)).

► Data sharing and retention. Employers can keep specific health data about employees (such as who has symptoms or has tested positive), provided that this is actually necessary and relevant for their stated purpose. Data protection should not be seen as a barrier to sharing data with authorities for public health purposes, or the police where necessary and proportionate, but when sharing information with other staff, employers should avoid naming individuals if possible and not provide more information than is necessary.

In relation to using temperature checks or thermal cameras for testing and monitoring staff, the ICO again stresses the need for transparency and for any monitoring to be proportionate and necessary. It is important to consider whether there are other less intrusive means that could be used. The ICO refers to the DPIA template developed by the ICO and the Surveillance Camera Commissioner (SCC), specific to surveillance systems (see SCC: Data protection impact assessments for surveillance cameras (updated 1 April 2020) and Legal update, ICO and SCC announce updated DPIA template for surveillance cameras). For more information on conducting workplace temperature checks, see Practice note, COVID-19 (Coronavirus) and employment law: Can employers lawfully conduct temperature checks on employees, workers or visitors?.

The FAQs also cover transparency in providing information to staff, exercise of data subject rights, security and confidentiality, and compliance with principles such as data minimisation and accuracy.
07 May 2020: Statement by the Prudential Regulation Authority on prioritisation in light of Covid-19 (Link).

This statement sets out further details of the Prudential Regulation Authority’s plans to help firms maintain their safety and soundness and deliver the critical functions they provide to the economy.

The Prudential Regulation Committee and the Financial Policy Committee have agreed to a re-prioritisation in the following areas of the PRA’s work:

Climate change
► The PRC and FPC have agreed to postpone the launch of the exercise until at least mid-2021. This delay reflects a desire to maintain the ambitious scope of the exercise, whilst giving firms enough time to invest sufficiently in their capabilities to allow them to deliver to a high standard.
► Whilst COVID-19 represents a present risk, minimising the future risks from climate change requires action now. As such, the BoE will continue its work to understand and mitigate these risks more effectively.

LIBOR transition
► Due to COVID-19, the PRA and FCA suspended transition data reporting at the end of Q1, and cancelled some Q1 firm meetings. In light of the developments since, including the FSR statement on LIBOR today, the PRA and FCA have decided to resume full supervisory engagement on LIBOR from 1 June 2020, including data reporting at the end of Q2.

Insurance Stress Test 2019
► The PRA has decided to pause further work on the Insurance Stress Test, given other pressures on firms and the need to focus on COVID-19 specific stresses.

Stressed VAR
► The PRA does not expect firms to update their SVAR 12-month period during the current period of financial market stress, other than if a firm’s current period no longer represents a significant period of stress for the firm’s portfolio (e.g., due to a material change in risk profile).
► The BoE and PRA have also announced changes to resolution measures aimed at alleviating operational burdens on PRA-regulated firms.
FCA extends period to cover absent Senior Managers

06 May 2020: FCA extends period to cover absent Senior Managers (Link).

The FCA has extended the maximum period firms can arrange cover for a Senior Manager without being approved, from 12 weeks to 36 weeks, in a consecutive 12-month period.

The modification by consent to rule SUP10.3.13R is available to all solo regulated firms. It aims to provide flexibility to firms managing their governance arrangements during the COVID-19 pandemic.

It also allows firms to allocate an absent Senior Manager's prescribed responsibilities to the individual covering the role (a modification to SYSC 24.1.2).

Firms can use the modification by consent if, for example, a Senior Manager is absent because of COVID-19, or recruitment to replace a Senior Manager is delayed due to the pandemic.

Firms can apply for the modification by consent as a precautionary measure, in advance of actually needing it.

The modification by consent will take effect from the date the firm applies for it, and will end on 30 April 2021.
01 May 2020: FCA seeks legal clarity on business interruption insurance alongside a package of measures to help consumers and small businesses ([Link](#)).

**Business interruption insurance**

The FCA intends to obtain a court declaration to resolve contractual uncertainty in business interruption insurance cover. This is due to continuing and widespread concerns about the lack of clarity and certainty for some customers making business interruption claims, and the basis on which some firms are making decisions in relation to claims.

**Insurance guidance**

The FCA is also proposing a series of measures to support both consumers and businesses who hold insurance products and who are facing other issues as a result of COVID-19. The package of measures sets out the FCA’s expectations that insurance firms should consider whether their products still offer value to customers in the current situation, and whether they can be doing more for those suffering a financial impact because of COVID-19.

The package of measures sets out how the FCA expects insurance firms to:

- Ensure products continue to offer value and are appropriate for customers taking into account the impact of COVID-19, including the firm’s ability to deliver the benefits promised.
- Help individual customers who may be finding it difficult to pay their insurance premiums or meet their premium finance payments as a result of COVID-19.

The FCA expects insurers to assess the value of their insurance products to customers during this period and to consider appropriate action. This might include changing how benefits are delivered, refunding some premiums or suspending monthly payments for a certain period of time. The FCA proposes to give insurers up to six months to assess this so that it can take into account the effects of COVID-19 in a more rounded manner.

The FCA is seeking comments on its proposal to help customers in temporary financial distress by 5 May, and to assess the value of insurance products by 15 May. If confirmed, the measures to help customers in temporary financial distress will apply shortly after 5 May, and those for value assessments shortly after 15 May. Once implemented, the FCA will review this guidance and it may revise it if appropriate. ([The measures are now confirmed](#))
Guidance on the withdrawal or amendment of a dividend resolution at an AGM

29 April 2020: ICAS guidance on the withdrawal or amendment of a dividend resolution at an Annual General Meeting (Link).

The Chartered Governance Institute has published a new guidance note on the withdrawal or amendment of a dividend resolution at an Annual General Meeting.

Due to the unprecedented impact of COVID-19 on businesses, many companies will be considering the need for prudent cash management. The Board may therefore conclude that it is no longer appropriate to recommend or declare a dividend that is due to be put to shareholders for approval at the Annual General Meeting. Alternatively, Boards may conclude that a dividend should still be paid but the amount should be reduced.

The guidance addresses the following questions:

► What can a company do if it wishes to withdraw or amend its dividend resolution?
► If the resolution is being amended to reduce the size of the dividend after proxy votes have been submitted, how should proxy votes be treated?
► Does the stock exchange announcement in these circumstances need to say it contains inside information (under MAR)?
► If the company is withdrawing or reducing the dividend, should the stock exchange announcement make some sort of trading update at the same time?
27 April 2020: Updated Companies House guidance – emergency filing service now available for a selection of registrar's powers documents (Link).

Companies House announced that its emergency filing service is now available to enable a selection of registrar's powers forms to be uploaded and submitted online.

The system can be used to:

► Apply for rectification by the registrar of companies (Form RP02A).
► Apply for rectification of a change of registered address (Form RP02B).
► Object to a request to rectify the register (Form RP03).
► Apply to remove material about a director (Form RP06).
► Apply to change a company's disputed registered office address (RP07).
► Correct a director's date of birth (Form RPCH01).

Companies House states that the service will be expanded to include more document types and features, such as acknowledgments and payments. It will only be available for a selection of paper documents that do not already have an online option.

05 May 2020 update: Emergency filing service v1 now available. LLP versions of registrar's powers forms added to the service.
Shareholder expectations on executive pay

27 April 2020: IA outlines shareholder expectations on executive pay in light of COVID-19 (Link).

The IA has outlined shareholder expectations on executive pay in light of COVID-19 in its latest guidance to companies.

Shareholders recognise that Remuneration Committees will need to sensitively balance the need to continue to incentivise executive performance at a time when management teams are being asked to demonstrate significant leadership and resilience, and ensure the executive experience is commensurate with that of shareholders, employees and other stakeholders.

The impact of COVID-19 will be different for each and every company, whilst there are minimum expectations for every company, shareholders expect Remuneration Committees to take account of their individual circumstances particularly considering the impact on their stakeholders.

The main questions addressed in the guidance are:

► Should a company that has suspended or cancelled a dividend in relation to FY 2019, consider adjusting bonus outcomes for FY2019?
► Would shareholders support performance conditions being adjusted to take account of COVID-19?
► Where companies have already granted 2020 LTIPs (as is likely for December year-end companies), what do shareholders expect from Remuneration Committees to ensure that a windfall gain will not be received by executives?
► Where companies expect to make LTIP grants in the coming months, what are shareholders expectations on long-term incentive grant sizes and performance conditions?
► What are shareholders’ expectations if a company seeks additional capital from shareholders or takes money from the government such as furloughing employees?
► Many companies will have their three-year Remuneration Policy up for a shareholder vote at the forthcoming AGM. How will shareholders consider proposals to change remuneration structures, including increases to variable pay opportunity?

In this podcast FRC Acting Executive Director of Regulatory Standards, Mark Babington, reiterated the key messages of recent FRC guidance and written statements.

Key points of the 10 minute recording include:

► Auditors should gain sufficient appropriate evidence and disclose when this has not been possible.
► Audits might need more evidence than before because there is such a high level of uncertainty.
► Extended filing deadlines might provide more time for gathering evidence. Auditors and companies should agree the right approach.
► New procedures might be needed – and these might not be within the current methodology of the firms.
► Technological innovations can/are supporting evidence gathering (and these practices may stick post-crisis):
  ► Video links.
  ► Extracting info from live systems.
  ► Validated digital copies of documents.
► FRC has engaged with investors. Investors do not want lower standards. FRC has told investors there could be more disclosures of material uncertainties and more qualified opinions.
Follow-up note to insurers: IFRS 9, capital requirements and loan covenants

23 April 2020: Follow-up note for PRA-regulated insurers clarifying the PRA’s position regarding IFRS 9, capital requirements and loan covenants (Link).

On Thursday 26 March 2020 Sam Woods wrote to Chief Executive Officers of UK Banks setting out the PRA’s position regarding IFRS 9, capital requirements for their firms and loan covenants. Some insurance firms have sought clarification as to how the points in that letter should be read across to their internal assessments of loan creditworthiness and treatment of unrated assets.

The PRA’s expectations for the use by insurers of unrated assets are set out in Supervisory Statement (SS) 3/17 ‘Solvency II: Illiquid, unrated assets’ (updated on Thursday 2 April 2020). Paragraphs 2.8A to 2.8L of the SS set out relevant expectations regarding risk identification and the application of judgements and methodologies. The accompanying Policy Statement (PS) 9/20 ‘Solvency II: Income producing real estate loans and internal credit assessments for illiquid, unrated assets’ further refers to published measures to alleviate operational burdens arising due to the COVID-19 outbreak.

In this context, while Sam Woods’ letter itself does not address insurers’ internal credit ratings, some points in the letter can be considered of wider applicability beyond those insurers using IFRS 9 to account for financial instruments.

Insurers are advised to read the letter in its entirety. Of particular relevance to the judgements underlying internal ratings is the paragraph stating that firms should ‘make well-balanced and consistent decisions that consider not just the potential impact of the virus, but also take full account of the unprecedented level of support provided by governments and central banks domestically and internationally to protect the economy. The need for well-balanced decisions also means that due weight will need to be given to established long-term economic trends, given the challenges of preparing detailed forecasts far into the future’. Paragraph 5 of the letter’s Annex includes further examples of considerations that insurance firms may find helpful when forming their judgements on the impact of COVID-19 on their internal credit assessments.

Similarly, regarding breaches to loan covenants arising directly as a result of COVID-19, the letter further noted that in the current uncertain environment such breaches may not necessarily be reflective of long-term credit risk, e.g., as noted in the letter’s section relating to the treatment of borrowers who breach covenants (see page 2 of the letter).

Nevertheless, it should be noted that firms will need to use their judgment to determine which covenant breaches do reflect increased credit risk and which do not. As set out on page 2 of the letter, it remains important that firms’ assessments of covenant breaches take into account fully the differences between ‘normal’ covenant breaches and those that might occur directly because of the COVID-19 pandemic.
Help for motor finance and high cost credit customers

24 April 2020: FCA support for motor finance and high-cost credit customers (Link).

The FCA will be introducing the package of measures outlined last week to support consumer credit customers facing payment difficulties due to COVID-19.

Motor finance:
► Firms to provide a 3 month payment freeze to customers who are having temporary difficulties meeting finance or leasing payments due to coronavirus. If customers are experiencing temporary payment difficulties due to coronavirus and need use of the vehicle, firms should not take steps to end the agreement or repossess the vehicle.
► Firms should not alter Personal Contract Purchase (PCP) or Personal Contract Hire (PCH) agreements in a way that is unfair. For example, firms should not try to recalculate PCP balloon payments based on a temporary depreciation of car prices caused by the coronavirus situation. The FCA expect firms to act fairly where terms are adjusted.
► Where a customer wishes to keep their vehicle at the end of their PCP agreement, but does not have the cash to cover the balloon payment due to coronavirus-related payment difficulties, firms should work with the customer to find an appropriate solution. Given the increased potential for disparity between the balloon payment and the value of the vehicle in the current climate, firms should ensure that solutions do not lead to unfair outcomes. For example, refinancing the balloon payment might not be appropriate in the circumstances.

High-cost short-term credit (including payday loans):
► Firms to provide a 1 month payment freeze to customers facing temporary payment difficulties due to the coronavirus pandemic. No additional interest should be charged to the customer as a result of the payment freeze. This shorter period reflects the much shorter length of most of these loans and the higher interest rates compared to other high cost credit products.
► The FCA expect firms to use the deferral period to engage with their customers to understand whether they are likely to be in a position to resume payments. Where the customer continues to face payment difficulties we expect firms to provide forbearance in line with our rules. This could include one single payment after the end of the term or by a number of smaller instalments.
► High-cost-short-term-lenders are also reminded, like all lenders, to consider whether immediate formal forbearance may be more suitable if a customer was already in financial difficulty before the impact of coronavirus. If the consumer expects their financial difficulties to last longer than a month, then immediate forbearance may be more suitable.

Other credit products:
► Firms that enter into RTO, BNPL, or pawnbroking agreements to provide a 3 month payment freeze to customers facing payment difficulties due to coronavirus.

The measures will be in force from Monday 27 April 2020. Customers should be able to request a payment deferral at any point after the guidance comes into force for a period of 3 months.
FCA changes to regulatory reporting up to 30 June 2020

22 April 2020: FCA changes to regulatory reporting up to 30 June 2020 (Link).

Given the impact of COVID-19, the FCA has introduced some temporary measures for firms submitting regulatory returns.

The deadline for specific returns - most of which are unaudited, supervisory returns relating to the financial condition of FCA solo-regulated firms or FCA-regulated firms’ compliance requirements - have been extended as set out below.

Highlighted (in bold) are extensions that relate to annual financial reports. One extension (in bold green) is applicable to listed companies.

<table>
<thead>
<tr>
<th>1-month extension (SUP16)</th>
<th>2-month extension (other Handbook returns)</th>
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<tbody>
<tr>
<td>► COR001A (Own funds)</td>
<td>► FIN-A (annual report and accounts)</td>
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<tr>
<td>► COR001B (COREP Leverage Ratio)</td>
<td>► NB firms are not required to submit the following Employers’ Liability Register compliance return for 2020</td>
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<tr>
<td>► COR002 (COREP LE)</td>
<td>► Annual financial reports (as required under Disclosure Guidance and Transparency Rules)</td>
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<td>► COR003 (COREP NSFR)</td>
<td>► Credit union complaints return (CREDS 9 Annex 1R)</td>
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<td>► COR005 (Asset Encumbrance)</td>
<td>► Complaints return (DISP Annex 1R)</td>
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<td>► FRP001 (FINREP)</td>
<td>► Claims management companies complaints return (DISP 1 Annex 1AB)</td>
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<td>► FSA004 (Breakdown of Credit Risk Data)</td>
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<td>► FSA005 (Market Risk)</td>
<td>► FSA019 (Pillar 2 Information)</td>
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<td>► FSA007 (Operational Risk)</td>
<td>► FSA055 (Systems and Controls Questionnaire)</td>
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<td>► FSA008 (Large Exposures)</td>
<td>► REP005 (High Earners Report)</td>
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<td>► FSA014 (Forecast Data from Firms)</td>
<td>► RMA-D2 (Financial Resources)</td>
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<td>► FSA017 (Interest rate gap report)</td>
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FCA has also confirmed that:
► Other returns, not specified in the announcement, do not have an extension and firms must submit their data in the usual timeframe (please note, for example, the absence of SUP16 reporting requirements relating to audit reports and CASS).
► If the extended deadline date falls on a weekend, the submission should be made by the next working business day.
► For small or medium-size businesses (paying less than £10,000 in fees and levies in 2020/2021) the administrative fee for late returns has been waived until 30 June 2020.
► Firms are still expected to submit returns as soon as possible, and should a deadline be missed in the period up to 30 June, the FCA will send a reminder letter.
► The FCA will continue to monitor the situation over the next few weeks and will keep these changes under review.
New guidance on equity income sectors in light of COVID-19


New guidelines have been issued by the Investment Association (IA) on the UK Equity Income and Global Equity Income sectors, to ensure that in light of COVID-19 they can continue to function effectively in the best interests of savers and investors.

The IA’s UK Equity Income and Global Equity Income sectors are comprised of 87 and 57 funds respectively, which aim to provide investors with a regular income based on the dividend payments from the companies the fund is invested in.

In light of COVID-19, many companies have reviewed their dividends with some suspending or postponing payments, which in turn has impacted on equity income funds. This means that some funds may be unable to meet the requirements to be included in these sectors, including two tests based on the annual and three-year rolling average yields of the FTSE All Share and the MSCI World indices.

The new guidelines are designed to prevent any short-term disruption to these sectors, so that savers can continue to easily identify and compare equity income funds. They will also enable fund managers to focus on long-term outcomes for savers, instead of potentially needing to make immediate changes to meet sector requirements. As such, with immediate effect:

► The enforcement of the annual 90% yield threshold test will be suspended for funds with a year-end after the end of February 2020. This suspension will last twelve months and means any fund currently in these sectors which does not meet the annual yield limit will now not be automatically removed from the sector.
► The enforcement of the three-year test will be suspended as the current circumstances will also impact on the three-year rolling average yield. The IA will review the application of the three-year rolling test as the markets settle and the outlook clears.
► Monthly monitoring data will continue to be published publicly on the IA’s website to ensure ongoing transparency so that savers can access up-to-date information about fund performance.
21 April 2020: FRC issues further guidance in relation to modified opinions and reports during the COVID-19 crisis (Link).

The FRC has just released further guidance in relation to modified opinions and reports during the COVID-19 crisis.

Context:
► The guidance builds on the FRC guidance for auditors released on 16 March in which the FRC highlighted the possibility that current circumstances may require auditors to consider modifying their audit opinion.
► The guidance is aimed at users of financial statements, to help them understand why auditors modify reports.

Summary:
► The FRC advises that the need for a modified opinion may arise because certain audit procedures cannot be performed (for example physical inventory testing because of travel restrictions), and no other procedures can be undertaken to produce the required volume or quality of reliable audit evidence.
► Alternatively, management’s key judgements in areas such as asset and liability valuations, or the assumptions and cashflow estimates underpinning the use of the going concern basis of accounting, may be difficult to support in the light of wider economic and political uncertainty, or not agreed by the auditor.
► The document contains explanations of different types of modified auditor opinions: Modified Opinions, Adverse Opinions, Disclaimer of Opinions. It also explains other disclosures: Key Audit Matters, Emphasis of Matter, Going Concern disclosures.
► The FRC has provided a diagram outlining the decision making process an auditor follows when considering a modified opinion. The diagram is intended to provide the users of financial statements with a better understanding of why an auditor has modified their report.
Q&A on measures in respect of Company filings, AGMs and other general meetings

17 April 2020: FRC Q&A document on measures in respect of company filings, AGMs and other general meetings during COVID-19 (Link).

Context:

► The FRC has released a Q&A document designed to help companies plan ahead in light of the announcement on 28 March that the government is expediting legislation to relax statutory obligations around company filings, AGMs and other general meetings.

► The letter builds on previous guidance issued on 27 March by the Chartered Governance Institute on virtual AGMs.

Summary:

► Closed virtual AGMs and other general meetings are envisioned. In some cases, companies will have the ability to override their Articles of Association for a short period.
► There will be additional flexibility to enable quorate meetings without compromising personal safety.
► Virtual meetings with full freedom for shareholders are not envisioned, as mandating their use is likely to create further significant issues.
► Companies are expected to engage stakeholders prior to, during and following meetings including responding to shareholders’ questions sent in by electronic or other means. Any response could also be included in the minutes of the AGM.
► Companies should consider holding shareholder days later in the year, which will offer shareholders access to the board in a similar way to an AGM.
► Companies will temporarily be granted flexibility to restrict the communication of notices and other meeting documentation to emails, websites and other electronic media, rather than paper copies.
► Annual Reports with lower quality production values, which are quicker and easier to produce, may be appropriate, provided information is accurate and up to date.
► In most cases extending the filing deadline for companies should be enough to help companies manage their filing and accounting requirements during the current crisis. In some circumstances companies may consider there is a need to extend their accounting reference period and they can do this by contacting Companies House and giving notice to change their accounting reference date.
► If deemed necessary, further breathing space will be afforded to companies on other documents that must be submitted to Companies House.

Timeline: The letter states the additional measures are being developed “urgently” and that the legislation will be brought forward “as soon as possible”.
FCA's expectations on financial resilience for FCA solo-regulated firms – statement update


FCA expects solo-regulated firms to plan ahead and ensure the sound management of their financial resources. This means taking appropriate steps to conserve capital, and to plan for how to meet potential demands on liquidity.

Capital and liquidity buffers are there to be used in times of stress. Firms that have been set buffers can use them to support the continuation of the firm's activities. If a firm is planning to draw down a buffer, it should contact the FCA or its named FCA supervisor.

If the firm needs to exit the market, planning should consider how this can be done in an orderly way while taking steps to reduce the harm to consumers and the markets. Firms should maintain an up-to-date wind-down plan that takes consideration of the current market impact of the coronavirus (COVID-19) crisis.

Government schemes to help firms through this period can be part of a firm's plans for how they will meet debts as they fall due.

If a firm is concerned it will not be able to meet its capital requirements, its debts as they fall due, or if its wind-down plan has identified material execution risks, it should contact the FCA or its named FCA supervisor, with its plan for the immediate period ahead.

When considering whether to make a discretionary distribution of capital to fund a share buy-back, fund a dividend, upstream cash or meet a variable remuneration decision, FCA expects firms and their boards to satisfy themselves that each distribution is prudent given market circumstances, and consistent with their risk appetite. FCA would not expect firms to distribute capital that could credibly be required to absorb losses over the coming period.

Firms that are prudentially regulated by the Prudential Regulation Authority (PRA) should consider the PRA's requirements and discuss their concerns with them. Those firms should also keep us notified of any significant developments.
Changes to Companies House strike off policy and late filing penalties

16 April 2020: Changes to Companies House strike-off policy and late filing penalties (Link).

Companies House has added new measures to its existing COVID-19 guidance for Companies House customers, employees and suppliers.

The new measures include:

► Pausing the strike-off process to prevent companies from being dissolved. When a company makes a voluntary application for strike-off, Companies House will publish a notice in the Gazette in accordance with its usual process, but will suspend any further action to dissolve the company in order to protect those who may wish to object to the company being struck off. Companies House also states that while it will continue to write to companies that have failed to file their annual accounts or confirmation statement, it will not publish a Gazette notice indicating its intention to strike-off the company. These changes do not apply to businesses being dissolved under an insolvency procedure, such as administration or liquidation.

► Treating late filing penalty appeals sympathetically where the late delivery was caused by the COVID-19 outbreak. Companies House also states that it will provide a break for companies to pay late filing penalties, as well as offering additional support with payment plans for late filing penalties. These changes build on the previous measures announced in March 2020, under which companies can apply for an immediate and automatic three-month extension for filing their annual accounts where they are affected by the COVID-19 crisis.
15 April 2020: How ICO will regulate during coronavirus (Link).

The ICO will:

- Continue to recognise the rights and protections granted to people by the law around their personal information and their right to freedom of information.
- Focus its efforts on the most serious challenges and greatest threats to the public.
- Assist frontline organisations in providing advice and guidance on data protection laws.
- Take firm action against those looking to exploit the public health emergency through nuisance calls or by misusing personal information.
- Be flexible in approach, taking into account the impact of the potential economic or resource burden its actions could place on organisations.
- Provide maximum support for business and public authorities as they recover, including developing further regulatory measures ready for use at the end of the crisis.

The ICO will continue to act proportionately recognising that the current reduction in organisations' resources could impact their ability to comply with aspects of data protection law. For example, although organisations should report personal data breaches within 72 hours, the ICO will take a proportionate approach if this crisis impacts their ability to do so. The ICO has stood down all audit work. Before issuing fines, the ICO takes into account the economic impact and affordability, which in these circumstances may mean the level of fines being reduced. The reduction in organisations' resources could impact their ability to respond to subject access requests and the ICO will take this into account when considering formal enforcement action.

The reduction in resources could impact organisations' abilities to comply with aspects of Freedom of Information (FOI) law, such as how quickly they can answer FOI requests, but appropriate measures should still be taken to record decision making.

UK data protection law sets out the importance of the ICO recognising the public interest and allows for people's health and safety to be prioritised without the need for legislative amendment. The ICO will continue to safeguard information rights in an empathetic and pragmatic way that reflects the impact of COVID-19.
Guidance for auditors updated to include gathering audit evidence by remote means

09 April 2020: The FRC has updated its ‘Guidance for auditors’ first published on 26 March to include guidance on gathering audit evidence by remote means (Link).

The key points are:

► To find new ways of delivering their work, auditors will need to show innovation, carefully assess each source of evidence, and clearly record the judgments taken and the rationale for them.

► Auditors should carefully determine whether additional or alternative procedures to physically gathering evidence are necessary, and if so, which procedures are to be performed. This should be done on a case by case basis and will be dependent on the applicable facts and circumstances. It is a judgment call the auditor needs to make, considering explicitly whether evidence obtained electronically is reliable in the circumstances, and is not subject to manipulation.

► If auditors are seeking to gather evidence through greater use of technology, including through the use of secure third party systems to provide confirmations, or by the provision of evidence to the auditor through secure live streaming or screen sharing, then the auditor should consider what factors will allow them to evaluate the appropriateness of that evidence. This assessment includes the risk that evidence might be manipulated, and how this risk can be mitigated.

► As an example, an auditor may gain sufficient appropriate evidence for a stocktake by attending it remotely, engaging with staff at the audited entity to challenge those carrying out the work, and requesting items to be counted. This may need to be recorded on the audit file in a different way, but it allows the auditor to confirm that they have gathered the necessary evidence. Rather than being physically present to observe and inspect processes and control activities to determine whether controls have worked effectively, the auditor might gain sufficient appropriate evidence by carrying out this work through sharing screens, live streaming through secure means, or obtaining screen shots of the different stages of the process that verify the effective operation of controls.

► The COVID-19 crisis also means that there may be situations where there is a greater risk of fraud. The auditor should consider the need for additional procedures to address the risk.
09 April 2020: FRC releases a statement on COVID-19 (Link).

Summary:

► FRC extends its ‘stay at home’ period until at least 4 May 2020.
► Continued monitoring of Covid on; governance, reporting and auditing developments to identify if there is need to update further the guidance issued on 26 March for companies and auditors, and on 27 March for AGMs.
► Audit Quality Review Team - continues to finalise its inspection work for our 2019/20 cycle with the aim of publishing the results in July for the largest audit firms and in the autumn in the Developments in Audit publication. For 2020/21 inspection and supervision work, including the ongoing work through the Audit Firm Monitoring and Supervision approach, the FRC is working with audit firms to reduce the regulatory demands on them during this crisis.
► Corporate Reporting Review team - continues to correspond with companies on issues under discussion as at 26 March but has paused issuing new letters to companies. The FRC is mindful that companies may face challenges in providing timely responses. Work has commenced on a number of thematic reviews.
► Financial Reporting Lab - is focusing on providing insight into emerging reporting issues arising and reviewing climate-change reporting under TCFD to contribute to the FRC’s wider thematic review. It will bring forward a review of s172 statements to identify good practices in reporting but pause the project on business models, strategy and the longer term.
► Corporate Governance and Stewardship Team - continue to engage with companies, investors and other stakeholders to understand the most important issues affecting them. The FRC is working alongside Government and other regulators to identify and overcome unnecessary burdens and barriers so that companies and investors can continue to achieve effective and high quality governance and stewardship.
► Professional Oversight Team - continues to work with BEIS on preparations for equivalence and adequacy negotiations with the EU and in developing the post Transition Period regime.
► Broader Audit Reform - FRC continues to make progress on the recommendations of the Kingman, CMA and Brydon reviews to ensure plans are well advanced by the time BEIS publishes its consultation on audit market reform.
► Commitment to continue to relax timetables were necessary - recognising that stakeholders face challenges during this period FRC has paused requests for participation on projects and the publication of additional consultations unless they are required to meet legal, regulatory or international obligations. Where new material is issued, FRC is reviewing the effective dates, and will consider extensions to those dates if the period of uncertainty is further extended.
► The FRC has also paused demands on, requests from and meetings with audit firms on operational separation for one month. FRC has also postponed until January 2021 the internal governance changes which were announced in the recently published Plan & Budget for 2020/21.
09 April 2020: FCA confirms temporary financial relief for customers impacted by coronavirus (Link).

FCA's temporary guidance to firms to provide short-term financial support for customers with credit cards, loans and overdrafts, facing temporary financial difficulties because of COVID-19.

As announced last week, firms will be expected to, amongst other things:

► Offer a temporary payment freeze on loans and credit cards for up to three months, for consumers negatively impacted by coronavirus.
► Allow customers who are negatively impacted by coronavirus and who already have an arranged overdraft on their main personal current account, up to £500 charged at zero interest for three months.
► Make sure that all overdraft customers are no worse off on price when compared to the prices they were charged before the recent overdraft pricing changes came into force.
► Ensure consumers using any of these temporary payment freeze measures will not have their credit file affected.

► Final guidance for firms is available from:
  ► Credit cards (including retail revolving credit) and coronavirus: temporary guidance for firms
  ► Personal loans and coronavirus: temporary guidance for firms
  ► Overdrafts and coronavirus: temporary guidance for firms

The rule changes and the full range of measures will apply by Tuesday 14 April 2020 to allow firms time to ensure they have the appropriate level of resources available to handle customer requests. All firms will be ready to receive customer requests by 14 April, although some firms, including the major banks and building societies, will be adopting the changes immediately.
08 April 2020: Investment Association letter to FTSE 350 chairs (Link).

The Investment Association has published a letter addressed to the chairs of all FTSE 350 companies setting out certain views of its members in relation to the COVID-19 pandemic.

Matters covered include:

- **Engagement and communication.** Companies are asked to maintain as open a dialogue as possible with their shareholders and other stakeholders over the coming months. The IA states that it supports firms who place their primary focus on maintaining a business that is ultimately sustainable over the long-term rather than prioritising short-term financial returns.

- **Financial reporting.** The IA supports the FCA call for companies and auditors to take the necessary time to prepare and audit their preliminary results, report and accounts and companies should use the additional 2 months, if needed.

- **AGMs.** The IA welcomes the ICSA guidance setting out how companies can hold their AGMs or GMs under the stay at home measures and seek shareholder approvals, and encourages companies to consider how to effectively engage with their shareholders in lieu of an AGM.

- **Dividends.** While IA members expect companies to take a prudent approach to current and future dividend payments, they would be concerned if companies unnecessarily reduced or rebased the dividend level. They expect companies who do decide to suspend to restart dividend payments as soon as it is prudent to do so. Companies should be transparent about their approach, particularly if seeking additional capital.

- **Executive pay.** If companies are cancelling dividend payments or making changes to workforce pay, IA members will support boards and remuneration committees that demonstrate how this should be reflected in their approach to executive pay.

- **Long term capital raising.** The Pre-Emption Group guidelines should be respected. It is noted that a number of capital raising options are available to companies, from rights issues to placings and/or open offers. It is stated that the IA will work with other stakeholders to consider ways to shorten the timetables.

- **The IA supports the recent Pre-Emption Group statement allowing companies additional flexibility under their guidelines on a case-by-case basis for a limited period. Shareholders expect management to consider their views and not just be led by the views of advisory banks. They also expect companies to offer the placing to existing long-term shareholders in the first instance. The decision to use cashboxes will be scrutinised in the usual way at the next AGM.**
08 April 2020: FCA Statement of Policy: listed companies and recapitalisation issuances during the coronavirus crisis (Link).

The FCA announced a series of measures to help these companies to raise new funding while retaining an appropriate degree of investor protection. The FCA also published technical supplements on working capital statements and the modification of general meeting requirements under the Listing Rules which include further details on those measures.

The package includes a combination of temporary policy interventions and reminders of some existing options for companies and their current and prospective shareholders. These include:

► Providing clarity on the FCA’s expectations about the due diligence supporting ‘working capital statements’ in share prospectuses given the significant economic uncertainties caused by coronavirus.
► The ability to apply to the FCA for waivers to ensure that shareholder approval can be sought for certain transactions without the need to hold a general meeting given government guidelines on social distancing.
► Welcoming recent industry work on placings of new shares to agree sensible steps to balance the pre-emption rights of existing shareholders with the need for these transactions to be done as efficiently as possible given the economic environment.
► Encouraging eligible companies to make use of the new simplified prospectus, introduced by the Prospectus Regulation last year. These prospectuses, recognising that the investor base has access to a range of information already relating to the issuer, remove the need to include information such as organisational structure, capital resources, remuneration and benefits and board practices.

These measures, taken together, provide certainty for issuers and their advisors on the FCA’s expectations during this crisis. This should facilitate new capital being raised as efficiently as possible in ways that balance the need to support UK listed companies and the wider economy with the need to ensure that shareholders are properly informed, consulted where required, and their rights are respected.

The FCA response to the coronavirus will continue to evolve as the situation develops. This guidance will apply from 8 April and the FCA is not conducting a formal consultation in this instance but welcomes feedback from stakeholders on these measures, and on any future actions or clarifications which stakeholders consider would further support effective UK capital markets.

The FCA reminds market participants and issuers that during the period in which these temporary measures apply, they continue to be subject to the requirements set out in the Market Abuse Regulation which, among other things, require important disclosures to investors.
ISS policy guidance

8 April 2020: ISS has published guidance on the application of its policies in the light of the COVID-19 pandemic (Link).

Matters covered include:

► AGM postponements. ISS acknowledges that health and safety concerns must be paramount this year. Shareholders are likely to expect companies using standard disclosure documents, press releases and websites to keep constituencies informed about material developments. It will be positively noted when companies use webcasts, conference calls and other electronic communications to engage with investors, even if meetings have been postponed.

► Virtual-only meetings. In markets where ISS benchmark policy discourages virtual-only meetings and their use is allowed by law without amendment of bylaws, ISS will alter its policy so as not to make adverse vote recommendations until it is safe to hold in-person meetings again. If boards opt to hold virtual-only meetings, they should disclose clearly their reasons and strive to provide shareholders with a meaningful opportunity to participate as fully as possible, including being able to ask questions of directors and senior management and engage in dialogue. Boards are encouraged to commit to return to in-person or hybrid meetings (or to put it to shareholders to decide) as soon as practicable.

► Director attendance. While disclosures related to directors' attendance should be sensitive to privacy concerns regarding an individual's health, they should provide adequate information to allow shareholders to make informed judgments about absences from board and committee meetings.

► Changes to the board or senior management. ISS states that it believes that boards should have broad discretion during this crisis to ensure that they have the right team in place and will adjust the application of its policies as appropriate for the exceptional circumstances.

► Compensation issues. Boards are encouraged to provide contemporaneous disclosure to shareholders of their rationales for making any changes to performance metrics, goals or targets used in short-term compensation plans. Regarding long-term compensation plans, ISS will look at any in-flight changes on a case-by-case basis to determine if directors exercised appropriate discretion and provided adequate explanation of the rationale; and will assess structural changes under existing benchmark policy frameworks. If boards seek shareholder approval/ratification of repricing actions at 2020 meetings, it will apply its existing policy for the market.

► Share repurchases. While ISS will, in the absence of barring regulation or serious concerns related to the company, generally continue to recommend in favour of repurchase authorities within customary limits, the board's actions will be reviewed in the run up to the next AGM to consider if the directors managed risks of repurchases in a responsible fashion.

► Share issuances: ISS's existing policy framework will be applied to general authorisation and share issuance requests, adapted to take account of regulatory relaxations or new guidance as a result of the crisis.

► ISS proposes to update this guidance or provide new information as needed throughout the remainder of the 2020 main proxy season.
06 April 2020: Client assets and COVID-19 (Link).

The FCA has issued summaries of CASS-related queries received by the FCA and their positions on the issues raised. The information is relevant to CASS firms and their auditors.

The topics covered by the Q&As include:

► Handling cheques
► CASS audit reports
► Physical asset reconciliations
► Depositing client money
► Notification of CASS breaches
► CASS firm classification
► Delays to improvement programmes

On CASS audit reports:

► Some firms are concerned the current situation could lead to additional breaches needing to be reported and costs of the CASS audit reports could increase but the FCA has not heard from auditors that reporting on extra breaches would result in significantly increased costs of audits.
► If an audit firm subject to SUP 3.10.4R is not able to submit a CASS audit report to the FCA within the 4-month deadline (SUP 3.10.7R), it should follow the ‘late reporting’ rules in SUP 3.10.8, sending an email to CASSAudit@fca.org.uk setting out: the name and FRN of the regulated firm; the period covered by the audit report; a full account of the reasons for the delay; and when it expects to be able to report.
► The FCA reminds audit firm that if they are aware of any significant matters with the firm’s CASS compliance, they should also notify the FCA under the statutory duty to report. The FCA suggests that “audit firms may wish to remind their clients that regulated firms may also be under a duty to notify the FCA through CONNECT of certain matters under Principle 11, SUP 15 and various provisions in CASS”.

The FCA has provided an email address for queries from firms about how to apply the CASS rules in the current circumstances but the FCA reminds firms that they expect them “to have taken reasonable steps to research and analyse the topic before approaching us (and in some cases, where possible, it may be helpful for firms to obtain professional advice)”. Queries will also be treated as requests for individual guidance under SUP 9.2.
PRA amends regulatory reporting and Pillar 3 disclosure requirements

02 April 2020: PRA amends regulatory reporting and Pillar 3 disclosure requirements ([Link]).

The PRA has published a statement on amendments made to regulatory reporting and Pillar 3 disclosure requirements as a result of COVID-19.

The statement follows the EBA's recently published statement. Among other things, the PRA has considered the EBA's recommendations and:

► Will accept delayed submissions (of up to one month) for certain specified aspects of harmonised regulatory reporting, where the original remittance deadlines fall on or before 31 May 2020. However, remittance dates for information on the liquidity coverage ratio (LCR) and the additional liquidity monitoring metrics (ALMM), as well as reporting for resolution planning purpose, will not be delayed.

► Will accept delayed submission (of up to one or two months) for certain specified aspects of PRA-own regulatory reporting where the remittance deadlines in the PRA Rulebook fall on or before 31 May 2020.

► Strongly encourages firms to submit branch return data for the first half of 2020 using the old version of the branch return template instead of the new template. Firms considering submitting the new branch return are advised to discuss this with their supervisors.

► May ask for more frequent submissions of particular reports, and additional ad hoc reporting on key prudential metrics, to maintain the safety and soundness of firms.

► Will take a flexible approach to assessing the reasonableness of any delay to the publication of firm's Pillar 3 disclosures. Where firms reasonably anticipate that publication of their Pillar 3 reports will be delayed, the PRA expects them to inform their supervisors and market participants of the delay, the reasons for the delay and, to the extent possible, the estimated publication date.

► Clarifies that where firms follow the EBA's recommendation to assess the need for additional disclosures on the impact of COVID-19 and, in that context, choose to make additional disclosures relating to the LCR, these should be calculated using the average of 12-monthly end points as specified in the EBA guidelines on the LCR disclosure.

► In due course, the PRA will consider whether the actions in the statement will be extended to reporting beyond 31 May 2020.
02 April 2020: FCA proposes temporary financial relief for customers impacted by COVID-19 (Link).

The FCA has proposed a range of targeted temporary measures designed as a stop-gap to quickly support users of certain consumer credit products who are facing a financial impact because of the exceptional circumstances arising from coronavirus.

This package is intended to complement measures already announced by the government to support mortgage holders (and renters) and the assistance being provided for furloughed employees and the self-employed.

A brief consultation is open until 9am on Monday 06 April, with the measures coming into force by 09 April, if approved.

The FCA’s proposals:

► Set out the FCA’s expectations on firms to offer a temporary payment freeze on loans and credit cards where consumers face difficulties with their finances as a result of coronavirus, for up to three months.
► Ensure that for customers who have been hit financially by the coronavirus and already have an arranged overdraft on their main personal current account, up to £500 will be charged at zero interest for up to three months.
► Require firms to make sure that all overdraft customers are no worse off on price when compared to the prices they were charged before the recent overdraft changes came into force.
► Ensure consumers using any of these temporary measures should not have their credit rating affected because of this.

The FCA will keep these measures under review.

Update: On 06 April 2020 the FCA confirmed it is going ahead with the proposals.
01 April 2020: The FRC published the Pre-Emption Group (PEG) expectations for issuances in the current circumstances (Link).

Summary:

The FRC acts as secretariat to the PEG, which issues best-practice guidance on pre-emption rights applicable to companies, investors and intermediaries.

Given the disruption being caused by COVID-19, investors want companies they invest in to have access to capital needed to maintain solvency.

In order to help companies in these exceptional circumstances, the PEG has issued a statement recommending investors consider supporting issuances of up to 20% on a case-by-case basis. (LINK)

The 20% figure is higher than the usual 5% for general corporate purposes and additional 5% for specified acquisitions and investments.

The PEG has set out how this will work: if this additional flexibility is sought, the company should fully explain its circumstances and how it is supporting shareholders; it should consult with a representative sample of company shareholders; it should try to issue on a soft pre-emptive basis; and company management should be involved in the allocation process.

The PEG explains its expectations of companies issuing up to 20% capital: they are expected to disclose information about consultation undertaken prior to issuance and the efforts made to respect pre-emptive rights in the time available; they should not seek to normalise existing share awards to negate the effect of extended issuance; directors of companies will be held accountable at AGM for their decisions.

Simon Fraser, the Acting Chair of the PEG (and Chairman of the Investor Forum), has provided the following statement on the new measures:

“In these exceptional times the PEG wishes to support companies to ensure they have access to the capital they need. The PEG recommends investors consider additional flexibility, but appropriate engagement remains key.”

Timescale:

The PEG recommendation to apply additional flexibility will be in place on a temporary basis until 30 September 2020. The PEG will reconvene before then to assess how companies and investors have responded to the flexibility.

The PEG notes that this move does not signify an intention to change the 5%+5% threshold in normal circumstances.
31 March 2020: The PRA CEO wrote to boards of insurers reminding them of their responsibilities to policyholders and the real economy, as they consider distributions and bonuses amid COVID-19 (Link).

Background:

Sam Woods, CEO of the Prudential Regulation Authority (PRA) has written to the boards of insurers reminding them of their important role supporting policyholders and the real economy during the COVID-19 crisis.

The letter encourages them to pay heed to this responsibility as they consider making distributions to shareholders or setting variable remuneration (i.e. bonuses).

The letter comes after the Bank of England, Treasury, and FCA wrote to banks on 25 March 2020 reminding them that they have “an important part to play in the UK response to COVID-19” protecting jobs and the economy. (LINK)

Mr Woods reminds insurers of the PRA’s expectations as they consider distributions to shareholders, or setting variable remuneration.

The PRA expects insurers to be mindful of their policyholders and their own financial safety and soundness through COVID-19.

The PRA expects insurers to play a full part in supporting the real economy through COVID-19 Mr Woods reminds them that they play an essential part in providing a safety net for individuals and businesses through life and general insurance, and through long-term investing.

Insurers need to manage their financial resources prudently so that they can continue to meet their commitments to policyholders and support the economy.

Referencing Supervisory Statement 4/18 (SS4/18) (LINK), Mr Woods reminds boards that they need to satisfy themselves that any distributions are prudent. Section 4 of the SS specifically addresses this:

4.1: dividends must be consistent with risk appetite
4.2: insurers should consider how dividends could be adjusted in the event of adverse market conditions
4.3: insurers should consider the longer-term implications of dividend policies
4.4: the PRA may review the sustainability of dividends per its supervisory responsibilities

Update: on 08 April 2020 the PRA issued a statement welcoming the decisions by some insurance companies to pause dividends given the uncertainties associated with COVID-19.
AGMs and impact of COVID-19: Supplement

27 March 2020: Updated guidance about AGMs and the impact of COVID-19 issued (Link).

This guidance supplements the initial advice published by ICSA on 17 March 2020 (Link), to reflect the Government’s ban on public gatherings of more than two people. It offers advice on various aspects of AGMs and answers the following questions:

► How do you ensure the meeting is quorate?
► Who should chair the meeting?
► Which directors will be allowed or expected to attend the general meeting?
► Where should you hold the meeting, if the planned venue is unavailable or otherwise inaccessible?

The guidance essentially explains how companies can legally hold virtual AGMs (with two-people still meeting in person to fulfil the quorum requirement) during government imposed stay at home measures.

The key points include:

► The guidance is aimed at companies that do not wish or are not able to postpone their AGMs. It sets out how listed companies might implement contingency plans in light of the Stay at Home Measures in the absence of any relevant legislative changes.
► Companies can hold an AGM ‘behind closed doors’ with only two people present. Quorum may be satisfied by two director and/or employee shareholders of the company attending the meeting, with resolutions being passed by the proxy votes of those who have not been able to attend in person (or by appointing one of those employees as a corporate representative under section 323 Companies Act 2006) and the votes of those in attendance. The fact that their presence is necessary in order for a quorum to be formed means that their presence is 'essential for work purposes' (and therefore permitted).
► Companies should make it clear that anyone seeking to attend the meeting will be refused entry to the meeting and that shareholders should vote by proxy.
► All, or almost all, companies should be able to form a quorate meeting in this way.
► Companies will need to consider their own individual circumstances, including their articles of association and any other relevant matters.
► The two people physically attending should observe social distancing.

The guidance was prepared by ICSA with the help of several law firms and with the support of the FRC. It was also reviewed by BEIS.
In response to the current situation the FCA, FRC and PRA announced a series of actions to ensure information continues to flow to investors and support the continued functioning of the UK’s capital markets. This includes:

1. A statement today by the FCA allowing listed companies an extra 2 months to publish their audited annual financial reports. (summarised later within this document).
2. Guidance from the FRC for companies preparing financial statements in the current uncertain environment. This is complemented by guidance from the PRA regarding the approach that should be taken by banks, building societies and PRA-designated investment firms in assessing expected loss provisions under IFRS9. (summarised later within this document).
3. Guidance from the FRC for audit firms seeking to overcome challenges in obtaining audit evidence. (summarised later within this document).

Further measures to allow companies and auditors to focus on the delivery of information to investors and the capital markets include:

► Delaying the filing of accounts by companies - Companies House has issued guidance to permit a delay to the filing of accounts at Companies House by companies. While companies will still have to apply for the 3-month extension to be granted, those citing issues around COVID-19 will be automatically and immediately granted an extension via a fast-tracked process. For example, this will permit applications for delayed filing of financial statements for subsidiary companies of listed entities.
► Postponement of audit tenders. Companies are encouraged to consider delaying planned tenders for new auditors, even when mandatory rotation is due. The FRC has a power in law to extend certain mandates, where the initial appointment commenced after 17 June 1994 by up to 2 years in exceptional circumstances.
► Postponement of audit partner rotation. Key audit partners are required to rotate every five years. However, where there are good reasons, for example to maintain audit quality in current circumstances, the rotation can be extended to no more than seven years. This needs to be agreed with the audit committee of any affected entity and does not need to be cleared with or approved by the FRC.
► Reduction of FRC demands on companies and audit firms. The FRC will, where possible, delay or extend the deadlines for consultations; it has paused for at least one month writing new letters to companies following its review of their annual reports and accounts; it is considering how it can adjust its audit quality review work to reduce demands on audit firms; and it will pause for at least one month requests to firms on supervisory initiatives, such as operational separation of audit practices.
► Extension of reporting deadlines for public sector bodies. HM Government is revising deadlines for reporting by a range of public bodies, which will also provide some relief to their auditors. For example, the deadline for publication of final report and accounts of local government authorities has been extended by two months to the end of September.
26 March 2020: FRC issues guidance for auditors and matters to consider where engagements are affected by COVID-19 (Link).

The FRC is planning to delay or extend its consultation deadlines and other activities and regulatory interventions. This includes changes to its upcoming audit quality inspections. It has not specified the extent or duration of this withdrawal, other than stating that it will delay, for at least a month:

► issuing written responses to companies whose reports and accounts it has reviewed; and
► seeking/engaging with audit firms on operational separation and other such initiatives.

The FRC has also taken this opportunity to remind auditors that the Ethical Standard permits the provision of a non-audit service to support a PIE in addressing:

► a time critical and price sensitive issue; and
► where that service would not undermine the auditor’s independence from the perspective of an objective, reasonable and informed third party.

The FRC states that this should be taken to include supporting companies (which a firm audits), in making applications to any of the business support schemes announced by government in response to COVID-19.

Incoming auditors

► Incoming auditors should consider and seek to agree what work can be undertaken remotely to make an assessment, supported by technology.

Audit planning

► The auditor should revisit their risk assessment and the proposed response to identified risks (e.g., fraud and obtaining audit evidence about internal controls operating around the year-end). It will also need to consider whether alternative work is necessary to obtain sufficient and appropriate audit evidence in support of their audit opinion.

Materiality

► An audited entity may result in non-standard amounts or disclosures being recorded in the financial statements. The auditor may want to consider how to take account of this when setting materiality.
Communication with the board and audit committee

► Auditors will need to agree with audit committees how to communicate with them through other means, and how to ensure that sufficient time is set aside by audit committees for comprehensive, complete and informed communication with the auditor.

► This will need to take account of the potential for extended communication to explain any modified audit reports, or to report any higher than expected deficiencies or misstatements, that may result from the current circumstances.

Evidence and confirmations

► Restrictions on travel, movement and visiting client sites may mean that auditors will need to think about whether there are other ways for them to obtain sufficient and appropriate audit evidence. This might include employing greater use of technology to examine evidence, but only where the auditor has assessed both the sufficiency and appropriateness of the audit evidence produced.

► Some items will still require the testing and verification of original source documentation, or the verification of physical assets and inventories. The auditor may consider which items are vital to test physically, and where evidence can be obtained through other means.

Compliance with law and regulation

► Auditors are still required to report promptly to the regulator any information concerning a PIE it is auditing which may have/ or is currently undertaking activities that might cause: a material breach of the laws; regulations or administrative provisions; a material threat or doubt concerning the continuous functioning; and/or a refusal to issue an audit opinion on the financial statements or the issuing of an adverse or qualified opinion.

Going concern

► The revised ISA (UK) 570 in September 2019, which is effective for periods commencing on or after 15 December 2019, requires a more structured and rigorous auditor risk assessment, greater work effort and expanded reporting. When performing an audit for which the revised standard is not yet effective, auditors may consider using some or all of the requirements in the revised standard to help them to carry out their risk assessment and to undertake their work in this area to the necessary high standard.

► More companies and auditors may need to consider reporting on material uncertainties. Where they do so, this should draw on the available facts and circumstances. Auditors should not generically report on material uncertainties.
Going concern (continued)

► Companies and their auditors will need to evaluate whether the entity has access to sufficient liquidity and can remain solvent through the crisis. They will also need to consider the terms of their financing facilities, any liquidity or other support accessed, and whether any such support gives rise to future obligations.

► Deferral of payments now, or the receipt of grants to offset costs may alleviate liquidity challenges but may affect the entity’s solvency if the liquidity support does not continue long enough for the entity to recoup those losses from future profits.

► Auditors should exercise professional scepticism where the board has decided that the current circumstances are not expected to have any material financial impact on the business, and that no material uncertainties related to going concern exist for the entity.

Group audits

► If the work of group audits cannot be reviewed, then it cannot provide sufficient appropriate audit evidence, and the group auditor will have to determine whether they can obtain the necessary evidence by carrying out additional procedures at the group level. The auditor may also need to consider whether the performance of procedures they consider necessary to seek to obtain sufficient appropriate audit evidence would require deferral of the planned issuance date of the audited financial statements and, if so, the implications for the audit.

Quality control

► Auditors will still need to comply with all of the requirements in ISQC (UK) 1 and ISA (UK) 220. However, in the current circumstances, some meetings, discussions and access to files will be virtual and facilitated through technology. Given this, the auditor will need to document clearly on the file how the direction, supervision and review process was structured and operated to overcome obstacles.

Reporting key audit matters

► The auditor should report, as a key audit matter, situations where in its professional judgment one of the most significant matters affecting the audit (including strategy, allocation and direction of resource) is COVID-19. When making these reports the auditor must not use boilerplate language.
Summary of the COVID-19 Bulletin for Auditors (4 of 4)

Reporting audit scope

► Auditors might consider it helpful to also include more information in the scoping paragraph of their auditor’s report reference to the circumstances in which the audit was carried out, and the impact that this had on the overall audit approach. Again, when making these reports, the auditor must not use boilerplate language for the reasons explained above.

Reporting modified opinions

► Auditors are reminded that when they cannot obtain sufficient appropriate audit evidence, they are required to modify their opinion. Where the possible impact on the financial statements could be both material and pervasive, the auditor is required to disclaim their opinion, or if it is material but not pervasive, to express a qualified opinion.

► Auditors should remain alert to the possibility that, in the current circumstances, misstatements may occur. Such misstatements may arise, for example, due to: the application of the going concern basis of accounting when it is not appropriate; the omission of disclosures about a material uncertainty relating to going concern; or a failure to recognise adequate impairment of assets or adequate provisions for obligations or to provide related disclosures.

Adjusting and non-adjusting events

► The timing of the COVID-19 outbreak was not, for most entities with December 2019 year ends, an adjusting post balance sheet event. However, this may not be the case for entities with year ends from January 2020 onwards. Given the potential magnitude of these events, auditors will need to consider what evidence they will require in support of the disclosure of such events and any adjustments made as a result.

Written representations

► These representations may be obtained by auditors to help confirm positions reported by management. Whilst this is a helpful supplement to the available information, written representations will never, alone, constitute sufficient appropriate audit evidence.

Professional scepticism

► In the current circumstances, auditors will need to consider how they demonstrate and record an appropriate level of scepticism. Auditors always need to ensure they appropriately challenge judgments and assumptions made by management.

Partner rotation

► The UK’s five-year rotation requirement for a key audit partner can be extended to no more than seven years, and only where there are appropriate reasons (for instance maintaining audit quality), and where the audit committee of the entity agrees.
26 March 2020: The FRC issues guidance for companies preparing financial statements (Link).

The FRC highlights some key areas of focus for boards in maintaining strong corporate governance and offers high-level guidance on the most pervasive issues when preparing the annual report and other corporate reporting.

The FRC’s key messages to boards on corporate governance include:
► Develop and implement mitigating actions and processes to ensure a continued effective control environment, addressing key reporting and other controls historically relied upon but which may not prove effective in the current circumstances;
► Secure reliable and relevant information, on a continuing basis, in order to manage the future operations, including the flow of financial information from significant subsidiary, joint venture and associate entities;
► Pay attention to capital maintenance, ensuring that sufficient reserves are available when the dividend is paid, not just proposed; and sufficient resources remain to continue to meet the company’s needs, or otherwise halt any dividend;
► While Boards cannot predict the extent and duration of the COVID-19 pandemic, investors do expect companies to be able to articulate their expectations of the possible impacts of COVID-19 on their specific business in different scenarios;
► All stakeholders, including investors, are concerned about companies’ workforces and seek an understanding of how they are being retained and supported.

Boards are encouraged to focus on areas of reporting of most interest to investors (viability, resilience and solvency of companies):
► It is likely that more companies will disclose “material uncertainties” to going concern in current circumstances. These assessments are significantly more difficult currently given the uncertainties about the impact of COVID-19, the extent and duration of social distancing measures, the impact on the economy and asset prices generally. Boards should also consider their access to government support measures;
► Users cannot expect all companies to apply consistent assumptions when there is such uncertainty. This lack of consistency makes the need for full disclosure of judgements, assumptions and sensitive estimates significantly more important than usual;
► Companies should disclose underlying assumptions applied when preparing a viability statement, and any significant judgements made when assessing whether there are material uncertainties to disclose, providing as much context as possible;
► There is a general consensus that the outbreak of COVID-19 in 2020 was a non-adjusting event for the vast majority of UK companies preparing financial statements for periods ended 31 December 2019. Companies will need to judge how much of the impact of COVID-19 should be considered to arise from non-adjusting events for subsequent reporting dates. Disclosures and qualitative or quantitative disclosures may be appropriate.
This Statement of Policy provides listed companies with an additional two months of temporary relief to prepare and publish their audited financial statements. Companies can now publish up to six months after their financial year-end. This is to relieve pressure on issuers and auditors in the wake of COVID-19. The FCA has also clarified the date on which the moratorium on preliminary statements of account can end (Link).

Temporary relief for listed companies:
► Listed companies which need extra time to complete their annual reports due to COVID-19 can now publish up to six months after their financial year-end;
► Normally, issuers subject to DTR 4 (DTR 4.1.3R) would be required to submit reports within four months of their financial year-end. If issuers were unable to meet this deadline, they would be required to request suspension of their listed securities from the FCA. If this was not forthcoming, the FCA could enact a unilateral suspension (under section 77 FSMA and LR 5.1.1R);
► However, the FCA does not now expect issuers to request a suspension of their securities if they breach DTR 4.1.3R, and the FCA will not take steps to unilaterally suspend listing;
► There will be no enforcement so long as annual reports are published within the new six-month timeframe.

Note to market participants on utilisation of additional time:
► A company’s decision to use the full six months for reporting should not draw adverse inferences from market participants;
► COVID-19 is causing all businesses to re-plan, and the FCA encourages companies to make use of the extra time granted to prepare reports.

Market Information and Market Abuse Regulation:
► FCA notes that it is still vital that the market is kept up to date with information;
► Companies are still required to fulfil their obligations concerning inside information per the Market Abuse Regulation, unless a valid reason for delay exists;
► Companies should consider that the COVID-19 pandemic may alter what information constitutes inside information, and what is considered material to business prospects.

Effect of COVID-19 on market practice:
► COVID-19 inevitably means that companies will need to rethink their reporting calendars to ensure accurate and carefully-prepared disclosures;
► Markets often draw adverse inferences from firms that do not publish financial information well in advance of the time required by the Transparency Directive. The FCA is clear that on this, markets will need to adjust, as this adds unnecessary pressure on issuers and auditors in the current environment.

Moratorium on preliminary statements of account:
► On 31 March 2020 the FCA published a statement requesting a two-week moratorium on preliminary statements of account. It has now announced this can end on 05 April 2020;
► The FCA notes that the moratorium was voluntary but well-observed, and should have given companies time to consider the effects of COVID-19 as they prepared their disclosures.

The FCA has published a Q&A on this Statement of Policy:
► The Q&A (LINK) provides answers to key questions such as how the measures are being achieved, whether this covers half-yearly reports (it does not currently), and under what circumstances the FCA suspends listing of securities.
Letter from Sam Woods ‘COVID-19: IFRS 9, capital requirements and loan covenants’

26 March 2020: Letter to Chief Executive Officers of UK Banks (Link).

The PRA has published a Dear CEO letter, from Sam Woods, BoE Deputy Governor Prudential Regulation and PRA CEO, setting out guidance on estimating expected credit loss (ECL) and the regulatory definition of default in the light of the COVID-19 pandemic.


The PRA expects firms to give the letter their urgent attention. In particular, the messages on accounting will be relevant to firms finalising March/April year-end annual financial statements and Q1 quarterly reports based on IFRS, as directors will need to take decisions about forward-looking ECL estimates in the coming days and weeks.
Companies House extends filing deadlines by three months

25 March 2020: Companies to receive 3-month extension period to file accounts during COVID-19 (Link).

- From 25 March 2020, businesses will be able to apply for a 3-month extension for filing their accounts.
- This joint initiative between the government and Companies House will mean businesses can prioritise managing the impact of Coronavirus.
- There are approximately 4.3 million businesses on the Companies House register, and all companies must submit their accounts and reports each year. Under normal circumstances, companies that file accounts late are issued with an automatic penalty.
- As part of the agreed measures, while companies will still have to apply for the 3-month extension to be granted, those citing issues around COVID-19 will be automatically and immediately granted an extension. Applications can be made through a fast-tracked online system which will take just 15 minutes to complete.
- The government is also in close consultation with company representative bodies, legal practitioners and others, to look at solutions for the impact COVID-19 may have on companies' ability to hold Annual General Meetings. Updated guidance on this matter will be published in due course.
- Full guidance on applying for an extension - www.gov.uk/ch/extend-accounts-deadline
- Companies that have already extended their filing deadline, or shortened their accounting reference period may be ineligible for an extension
- This policy will be kept under review and amended as necessary in light of the progress of the COVID-19 pandemic

On 26 March 2020, the London Stock Exchange announced that an AIM company will be able to apply to AIM Regulation for a three month extension to the reporting deadline for the publication of its annual audited accounts pursuant to AIM Rule 19. (Link)

This extension will be available for AIM companies with financial year ends between 30 September 2019 to 30 June 2020.

The request for extension must be made to AIM Regulation by the nominated adviser, prior to the AIM company's current AIM Rules reporting deadline.

London Stock Exchange will keep under review the operation of the AIM Rules and in particular, the requirements for reporting of half yearly reports under AIM Rule 18.
Employers do not have to report gender pay gaps

24 March 2020: Enforcement of the gender pay gap reporting deadlines suspended for this year (Link).

Due to the Coronavirus outbreak, the Government Equalities Office (GEO) and the Equality and Human Rights Commission (EHRC) have taken the decision to suspend enforcement of the gender pay gap deadlines for this reporting year (2019/20).

The decision means there will be no expectation on employers to report their data.

In a joint statement, Minister for Women & Equalities, Liz Truss, and EHRC Chair, David Isaac, said:

“We recognise that employers across the country are facing unprecedented uncertainty and pressure at this time. Because of this we feel it is only right to suspend enforcement of gender pay gap reporting this year.”

Further information:
► In normal circumstances, the EHRC has the power to investigate employers that fail to report their gender pay gap data and could face an unlimited fine after court action.
► More than 3000 employers have already reported their data via the gov.uk website this year (26% of expected reporters) and GEO will continue to provide support to employers in reporting their data should they wish to do so.
COVID-19 regulatory reporting amendments (1 of 2)


Solvency II harmonised reporting

The PRA has considered EIOPA’s recommendations and will accept the following delays for the following aspects of harmonised regulatory reporting:

Annual reporting (31 December 2019 year-end or a year-end after that date but before 1 April 2020)

► Solo level annual Quantitative Reporting Templates - Up to 8 weeks delay
  ► Except for:
  ► Contents of submission (S.01.01) - Up to 2 weeks delay
  ► Basic Information (S.01.02)
  ► Balance sheet (S.02.01)
  ► Cash-flow projections for life business (S.13.01)
  ► LTG (S.22.01)
  ► Own funds (S.23.01)
  ► SCR calculation (S.25.01 to S.25.03)

► Group level annual Quantitative Reporting Templates - up to 8 weeks delay
  ► Except for:
  ► Contents of submission (S.01.01) - Up to 2 weeks delay
  ► Basic Information (S.01.02)
  ► Balance sheet (S.02.01)
  ► LTG (S.22.01)
  ► Own funds (S.23.01)
  ► SCR calculation (S.25.01 to S.25.03)
  ► Undertakings in the scope of the group (S.32.01)

► Solvency & Financial Condition Report (SFCR) - Up to 8 weeks delay
  ► The COVID-19 situation is to be considered a “major development” as per Article 54(1) of the Solvency II Directive. The information relating to the effect of COVID-19 should be published at the same time as the SFCR.

► Regulatory Supervisory Report (RSR) - Not required for year-end 2019

► Own Risk & Solvency Assessment (ORSA) - Up to 8 weeks delay

Quarterly reporting (Q1 2020-end occurring 31 March or after that date but before 30 June 2020)

► Solo and group level Q1 2020 Quantitative Reporting Templates and Quarterly Financial Stability reporting - Up to 4 weeks delay.
PRA-owned regulatory reporting

The PRA will accept the following delays for the following aspects of PRA-owned regulatory reporting:

Annual reporting (31 December 2019 year-end or a year-end after that date but before 1 April 2020):
- National Specific Templates - Up to 8 weeks delay.
- Internal model outputs - Up to 8 weeks delay.
- Standard formula reporting for firms with an approved internal model (SF.01) - Up to 8 weeks delay.
- Market Risk Sensitivities - Up to 4 weeks delay.

Firms are able to submit anytime from the original submission date up to the end of the extended deadline window as per the above. Where reporting submissions are comparatively well-progressed, the PRA encourages firms to submit them earlier in the windows to the extent possible.

Firms should note the Technical Annex within the EIOPA recommendations document, and in particular that any subsequent submissions shall include all previously submitted templates for that period to avoid submissions being overwritten. Corresponding external audit deadlines are also extended to accommodate the above.
20 March 2020: The Bank of England ("Bank") and Prudential Regulation Authority ("PRA") announced a number of measures aimed at alleviating operational burdens on PRA-regulated firms ("firms") and Bank-regulated financial market infrastructures ('FMIs') in the wake of the COVID-19 outbreak (Link).

Summary:
► These measures will provide flexibility to help firms and FMIs maintain their safety and soundness and deliver the critical functions they provide to the economy.
► Bank statement on IFRS 9 and COVID-19.
► The Bank and the PRA recognise the importance of IFRS9 as a forward-looking measure of losses, which were previously not considered in IAS39.
► The Bank and PRA also note the very high levels of uncertainty around how COVID-19 will impact the economy.
► The PRA believes that there is very little information available as yet, and regards the preparation of reliable and detailed forecasts to be very challenging. In the event that firms believe such forecasts can be made (i.e., Expected Credit Losses ECL under IFRS 9) the PRA requires firms to reflect the temporary nature of the shock, and fully take into account the significant economic support measures already announced by global fiscal and monetary authorities.
21 March 2020: The FCA announces it will be writing to companies it is aware were intending to publish preliminary financial statements in the next few days to delay their planned publications (Link).

► The FCA strongly requests all listed companies observe a moratorium on the publication of preliminary financial statements for at least two weeks.

► Investors in capital markets rely on trustworthy information on the companies whose instruments they trade. The unprecedented events of the last couple of weeks mean that the basis on which companies are reporting and planning is changing rapidly. It is important that due consideration is given by companies to these events in preparing their disclosures. Observing timetables set before this crisis arose may not give companies the necessary time to do this.

► In addition, listed companies and the audit profession are facing unprecedented practical challenges during the Coronavirus crisis. The FCA believes the practice of issuing preliminary financial statements in advance of the full audited financial statements is adding unnecessarily to the pressure on companies and the audit profession at this moment.

► The FCA notes that the practice of issuing preliminary financial statements is common among UK-listed companies but is not required by either the Listing Rules or the Transparency Directive. Rather, the requirement is that companies publish full audited financial statements within four months of the financial year end. The FCA further notes that it is common to publish preliminary financial statements considerably earlier than the four months permitted for the filing of full financial statements.

► The FCA confirms it in talks with the Financial Reporting Council and the PRA about a package of measures aimed at ensuring companies take the necessary time in these uncertain times to prepare appropriate disclosures and address current practical challenges and the three bodies intend to announce details shortly.

► The FCA reminds companies that the Market Abuse Regulation remains in full force and listed companies are still required to announce inside information to the market as soon as possible unless a valid reason to delay disclosure under the regulation exists.

Update: It was announced on 26 March 2020 this moratorium can end on 05 April 2020.
AIM temporary measures to navigate challenges from COVID-19

20 March 2020: AIM temporary measures to navigate the challenges from COVID-19 (Link).

Until further notice, AIM Regulation will be applying three (3) new discretionary measures to the application of certain of the AIM Rules for Companies and the AIM Rules for Nominated Advisers ("AIM Rules"). The regulator will continue to keep the situation under review, in particular the potential impact on financial reporting and will provide further guidance as necessary;

Temporary suspension of trading;
► Timely and accurate disclosure is a key requirement under the AIM Rules and all AIM companies should continue to meet their disclosure obligations without delay. It is therefore important that nominated advisers have a sound understanding of how their AIM companies are planning and responding to the events as they unfold, so that they are able to make disclosures in accordance with their AIM Rules obligations.
► Where an AIM company requires more time to make a fully compliant notification, than would be the case in ordinary circumstances, the nominated adviser should approach AIM Regulation to discuss whether a temporary suspension is required. Given the importance of disclosure, such a request will need to fully explain why the suspension is appropriate in the circumstances and any decision to suspend is at the discretion of AIM Regulation. If granted, such a temporary suspension will be for a limited period to enable the AIM company to make a fully compliant notification.

Suspended AIM companies
► Currently where an AIM company has been suspended for more than six months, pursuant to AIM Rule 41 the company’s securities will be cancelled. We appreciate that, given the logistical challenges during this period, further time might be required to resolve the reason for suspension. Accordingly, we will be using discretion to extend the period to 12 months for any AIM company that has been suspended between 30 September 2019 and 1 July 2020.

Engagement responsibilities for a nominated adviser
► When taking on a new client, as part of its due diligence, a nominated adviser is generally required to undertake a site visit to the AIM company’s material place of operations and meet the directors and key managers. Where travel restrictions and social distancing measures make it difficult to meet this obligation, provided that a nominated adviser uses alternative measures that are reasonably available (such as virtual meetings), we will temporarily suspend the requirement for a physical site visit. Once any applicable restrictions have been lifted, nominated advisers will be expected to undertake the site visit in order to fulfil its obligations under the AIM Rules.
► We also recognise that in the current circumstances for the purposes of providing directors’ AIM Rules education, nominated advisers are likely to be undertaking telephone or virtual meetings with directors instead of physical meetings.
AGMs and impact of COVID-19 guidance


► On 17 March 2020, the Chartered Governance Institute and Slaughter and May published guidance about company AGMs and the impact of COVID-19 in order to support British businesses and their shareholders during the coronavirus pandemic. It is supported by the FRC, GC100, the Investment Association and the Quoted Companies Alliance, and has been reviewed by the Department for Business, Energy and Industrial Strategy, the guidance suggests that companies consider their contingency plans in light of the spread of COVID-19.

► Paul George, FRC Executive Director of Corporate Governance and Reporting said:

► “As the AGM season rapidly approaches, companies need to manage the risks presented by the spread of coronavirus transparently whilst ensuring shareholders continue to have the maximum opportunity to have their say. The Guidance offers practical support for companies on holding AGMs and they should familiarise themselves with it now to manage any risks whilst meeting their reporting responsibilities.”

► The options laid out by the guidance, which reflects UK law and regulation, are as follows:
  ► Adapt the basis on which you hold the AGM
  ► Delay convening the AGM, if notice has not yet been issued
  ► Postpone the AGM, if permitted under the articles of association (Articles)
  ► Adjourn the AGM
  ► Conduct a hybrid AGM, if permitted under the Articles.

► Given that the situation continues to evolve, companies may ultimately have to use more than one of these options.

► Peter Swabey, Policy and Research Director at The Chartered Governance Institute advised:

► “It is important that companies balance the need for pragmatism in the light of the COVID-19 outbreak against their legal and regulatory obligations and good practice. In my view, as a general rule, they cannot go very far wrong if they try to maximise the opportunity for shareholders to take part in the meeting. Encouraging proxy voting, the establishment of an online shareholder Q&A for the AGM and live streaming the AGM are all sensible measures to consider and companies may also choose to offer an opportunity for retail shareholders to engage with the board later in the year. Companies should also remember that it may become necessary to postpone or adjourn the meeting if the situation changes. A dedicated area on the company website should be established to provide shareholders with the most up-to-date information.”

Note – a supplement to this guidance issued on 27 March 2020 (link to summary within this document)

Corporate reporting and Annual General Meetings
► Issuers should put in place contingency plans when producing accounts for upcoming periods reports to minimise the impact (e.g. considering where non-essential parts of their report and their reporting cycle can be deprioritised).
► Issuers must make public their annual financial reports no later than four months after the end of each financial year. Half-yearly financial reports are required no later than 3 months after the end of the period.
► If an issuer does not believe it is able to meet its continuing obligations, it should take appropriate advice and contact the FCA to discuss. They should also engage with their auditors, who should contact the FRC as appropriate.
► Deadlines for listed issuers under the Disclosure Guidance and Transparency Rules remain unchanged.
► The FCA will continue to keep this under review and liaise closely with the FRC.
► The FCA are supportive of the use of virtual methods to run AGMs.

Ongoing disclosure under the Market Abuse Regulation (MAR)
► Issuers should continue to comply with their obligations under the MAR and relevant FCA rules.
► Issuers own operational response to COVID-19 may itself meet the requirements for disclosure under MAR.
► Recognising the challenges COVID-19 creates in convening and the operation of disclosure committees. Listed issuers should make every effort to meet their disclosure obligations in a timely fashion. However, the FCA appreciates there may slight delays as new processes are put in place.

Market volatility and suspension of trading
► The FCA will continue to consider requests from issuers to suspend trading in certain securities. However, they will challenge the need for suspension in scenarios where they think the situation could be more appropriately addressed by an announcement to the market.
► Prior to submitting a request for suspension, issuers should ensure they have thoroughly examined the justification for this.

Corporate transactions and admissions
► The FCA will continue to review documentation for corporate transactions in line with the established principles set out on their website.
► Where issuers are looking to carry out urgent transactions they should, in the first instance, engage with their relevant sponsor firm or adviser.
FRC guidance for auditors arising from the coronavirus pandemic


The guidance is focused on preserving the delivery of high quality audits during this time of uncertainty. It offers consideration that address many of the practical difficulties for both firms and companies in preparing accounts and carrying out audits. The guidance stresses audits should continue to comply fully with required standards, noting that “additional time may be required to complete audits and that it is important that this is taken, even at the risk of delaying company reporting.”

Auditor considerations:
► The auditor’s risk assessment, and whether it needs to be revised.
► How the auditor gathers sufficient, appropriate audit evidence, recognising that the planned audit approach may need to change, and alternative procedures developed, particularly in group audit engagements. The auditor must be able to gather the necessary evidence to be able to report or consider modifying their audit opinion.
► How the group auditor proposes to review the work of component auditors to meet the requirements in standards, including considering whether alternative procedures can be used: for example, where travel is restricted.
► The auditor’s assessment of going concern and the prospects of an audited company, given that uncertainty about the global economy and the immediate outlook for many companies has increased.
► The adequacy of disclosures made by management about the impact on the company of COVID-19, so that users of the financial statements are properly informed, and the company’s prospects and how they might be affected are described, recognising the high degree of uncertainty.
► The need for the auditor to reassess key aspects of their audit as a result of the fast-changing situation, recognising that this assessment will take place right up to the point of signing the auditor’s report, and may need the provision of further evidence and information by management. Where the current circumstances have had a significant impact on the delivery of the audit, the auditor will need to consider how to explain this in their report, for example, by reporting this as a key audit matter.

Engagement with companies – particularly audit committees:
► The auditor sets clear expectations as to the level of disclosure they expect to see in annual reports to communicate the impact and risk of COVID-19 on the company; and
► Companies, and in particular their audit committees, understand it is vital that auditors have sufficient time and support to carry out their work to an appropriate standard, including reassessing work done to reflect changed circumstances - in some cases, this may need companies to reconsider their reporting deadlines. Where auditors are unable to obtain sufficient, appropriate audit evidence to support their audit, they will need to consider necessary modifications to their audit opinion.
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