

## Covid-19 coronavirus – Update on recent measures adopted by the European Union

11 June 2020

Since the state of crisis was declared, the European Union has been implementing new measures and guidelines to help economic actors overcome their operational and/or financial difficulties. To help keep you informed of these developments, we have compiled a list of these recent measures.

*If you would like to discuss any of the issues raised in this paper in more detail, please reach out to your usual Allen & Overy Luxembourg contact.*

### Asset Management

#### ESRB measures in relation to liquidity risks in the investment fund sector

On 5 June 2020, the *Banque centrale du Luxembourg (BcL)* and the Luxembourg financial sector supervisory authority, the *Commission de Surveillance du Secteur Financier (CSSF)* highlighted to industry participants a first set of actions in five priority areas that have been identified by the European Systemic Risk Board (**ESRB**) to address the impact of Covid-19 on the financial system. These actions include a comprehensive set of policy measures applicable to various sectors of the financial system and across countries. The [ESRB press release](#) and details of the [policy measures](#) can be found in the included links.

Particular attention has been called to the following policy actions related to, and having implications for, investment funds and their activities:

- The [ESRB recommends](#) that ESMA coordinate with relevant national authorities to manage the supervision of investment funds significantly exposed to corporate debt and/or real estate assets in order to evaluate the preparedness of these funds to potential future elevated redemption

pressures, deterioration in market liquidity conditions, and/or increased valuation uncertainty and to recommend potential improvements.

- The **ESRB emphasized** the importance of the availability and timely use of liquidity management tools by fund managers.
- The **ESRB examines** in an issue note on liquidity in the corporate bonds and commercial papers markets, the implications of large-scale downgrading of corporate bonds, the implications for asset managers and insurers, and how such can impact the broader financial sector. The objective is to assist policy makers to better evaluate the risks associated with downgrades, such as, i.e. the negative impact they could have on market liquidity where financial institutions sell such assets, especially in the high-yield corporate debt segment.

Keeping abreast of the operational impact of Covid-19 on our clients' businesses is important to us. Please [click here](#) to access our Covid-19 global microsite for more information as well as our insights into the situation as it evolves.

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