{ KEY FINDINGS FROM THE ALLEN & OVERY ANNUAL CORPORATE FUNDING MONITOR }

38% Year-on-year fall in new leveraged loans due to deterioration in the oil and commodities sectors, syndication issues and the Federal Reserve's leveraged lending guidelines.

$1.58 trillion **The total amount of investment-grade loans in 2015 – a steep rise and overtaking the value of investment-grade bonds for the first time since 2007.**

$6 trillion Total funding for corporates during 2015 – only the second year in history this level has been breached.

THE STATS

$450bn Amount of new capital issued by public companies last year.

94% **Record rise in investment-grade lending values during the year.**

{ AROUND THE WORLD IN 30 DAYS }

DOUBTS PERSIST OVER US ECONOMY

The strength of the US economy remains in doubt, despite December's Federal Reserve decision to raise interest rates by a quarter point.

Disappointing retail sales figures showed a 0.1% fall in the final month of 2015. After stripping out car and petrol sales, and other factors such as construction materials, sales were down 0.3%.

The data showed total sales rising 2.1% in 2015 – the slowest pace of growth since 2009 – prompting some economists to question when the Fed would again be in a position to hike the cost of borrowing from its historic lows.

Government bond prices have risen since the data was published.

SHUTTERSTOCK

San Francisco, US

Iceland refunds UK treasury

Britain has received the final payment from Iceland following the collapse of Landsbanki, one of the country's banks which failed during the 2008 financial crisis.

The UK Treasury said it had received £740m from the Landsbanki estate, which ran the online savings business Icesave, taking the total paid back to £4.5bn.

The payment draws a line under the affair which saw Iceland's banking insurance scheme unable to cover deposits and sparking years of protracted international litigation.

Iceland's financial trauma led to capital controls being imposed to protect the nation's krona currency. Once creditors are paid off Iceland will be able to lift these controls, which have held back investment.

Swiss shocks

Switzerland was already facing a difficult 2016 after the Swiss National Bank suddenly removed the exchange rate cap of 1.20 Swiss francs to the euro last January. It was one of the biggest financial shocks for years.

Economists subsequently forecast the country's economy will grow by 1-1.5% this year following 2015's decline in consumption, increased pressure on wages and job losses.

But the country has started the year weakly with analysts downgrading their forecasts for growth.

The Credit Suisse ZEW index, which gauges respondents' expectations for the next six months by measuring the difference between forecast improvement and deterioration in the economy, slipped to -3 in January from 16.6 in December – its weakest level since last July.

{ CONTEXT OF TREASURY }

SUPER-JUMBO LOANS FUEL SECOND RECORD YEAR IN M&A

Total funding for corporates remained above $6 trillion last year for only the second time in history as the return of the 'super-jumbo' loan fuelled a record rise in investment-grade lending values.

According to the latest annual Corporate Funding Monitor from law firm Allen & Overy (A&O), the rise in lending values, including large-scale short-term bridge financing, was a healthy 94%, thanks to booming mergers and acquisitions activity.

The clearest trend of 2015 was the steep rise in investment-grade loans which hit $1.58 trillion and overtook the value of investment-grade bonds for the first time since 2007.

It was also a record year for follow-on equity issues, with almost $450bn of new capital issued by public companies around the world.

Richard Cranfield, partner at A&O, said: "The jumbo M&A trend in 2015, which required large-scale bridge financing, has resulted in a sharp rise in the number of loans scheduled to mature in 2016, which will contribute to a bumper year for bonds.

"Of the $360bn lent to corporates in the top 20 investment-grade deals, 38% was bridge finance – we envisage these loans will be refinanced in the investment-grade bond market with little difficulty."

One downwards trend was in leveraged loans, which fell sharply in 2015 after two years of strong growth.

Elsewhere, the maturing of the European high-yield bond market means it is now seen as a normal instrument for chief financial officers and treasurers of any sub-investment grade company in Europe. While issuance dropped last year, total high-yield issues in Europe are now a fifth of the wider bond market.

A steady flow of loans and bonds are maturing each year until 2020, which A&O said indicated a healthy flow of transactions over the next few years.

{ RISK MANAGEMENT }

US regulator to spotlight ETFs and variable annuities

The US Securities and Exchange Commission (SEC) has declared its regulatory agenda for 2016, setting its sights on key financial products for investigation.

The US regulator has said that investigations of financial products including variable annuities and exchange-traded funds (ETFs) will be prioritised, along with scrutiny into how institutions promote these kinds of products. Liquidity controls, cybersecurity, microcap fraud and fee selection will also be on its radar over the course of the year.

The SEC's Office of Compliance, Inspections and Examinations (OCIE) will carry out the required legwork as part of the regulator's intentions to increase protection for retail investors, and has announced it will explore how products like ETFs are structured and the trading practices around them. It will also make recommendations and explore disclosure in the variable annuities market.

> It is the regulator's intention to evaluate liquidity-related risk

"To help fulfil the SEC's mission of maintaining fair, orderly and efficient markets, the OCIE will continue its focus on cybersecurity controls at broker dealers and investment advisers," said an SEC spokesperson.

It is the regulator's intention to evaluate liquidity-related risk-management practices among broker-dealers and investment advisers and to look at their compliance with last year's protocol aimed at improving technology infrastructures in the US securities market.

In addition, the regulator will use big data techniques to assist its investigations into anti-money laundering compliance, microcap fraud detection and reviews of excessive trading. It is hoped data analytics will help OCIE examinations of what it deems to be high-risk areas.

SEC chair Mary Jo White said: "These new areas of focus are important across the spectrum. Through information sharing and conducting comprehensive examinations, OCIE continues to promote compliance with the federal securities laws to better protect investors and our markets."

GETTY IMAGES

SEC chair, Mary Jo White

{ CONTEXT OF TREASURY }

EU DATA LAWS TO BRING IN FINES FOR BREACHES

If financial losses arising from data breaches and cyber crime were not enough of an incentive to take technology security seriously, the EU has announced data protection laws that could see corporates fined up to 4% of their global turnover.

After three years of negotiation, the EU's modernisation of its data protection laws will bring in mandatory data breach notifications, tougher restrictions on profiling and a requirement to appoint a data protection officer.

Corporates will now have two years to prepare for the changes, but in that period many will need to radically overhaul their collection and use of customer data.

Jens Puhle, managing director of cyber security firm 8MAN, said: "With the strict new rules on data protection agreed by the EU, meaning that large firms could now see the cost of data breaches reach the billions, there should no longer be a single organisation leaving any element of their data protection to chance. Harsh financial punishments appear to be the best way to drive home the message that data security should be at the top of the agenda for the board and extend throughout the organisation."

Under the new regime, corporates will need to provide complete visibility on how and when data is accessed.

MAKING THE NEWS

Greek bank CEO resigns

Greece's economic reconstruction continues to be hit by controversy, with the Piraeus Bank chief executive standing down last month in the face of apparent mounting government pressure.

Anthimos Thomopoulos' resignation came as a result of state pressure, according to a report by the *Financial Times*, and followed prolonged conflict between Greece's left-wing government and US hedge fund Paulson & Co, the bank's leading foreign shareholder.

Piraeus Bank has been widely seen as the poorest performer among the country's four biggest banks. But Thomopoulos had enjoyed the support of investors including Paulson & Co, which holds a stake of 9%.

Bank of England to get tougher on bonuses

In what is regarded as one of the world's toughest regulatory climates on bankers' conduct, the UK's central bank is set to introduce new rules enabling bonuses to be cut, stopped or clawed back.

The Bank of England wants to tackle situations where bankers receive bonuses, but move on to another employer before any poor conduct or reckless behaviour can be detected.

The proposed rule changes target buyouts, when a bank compensates a new employee for any unpaid bonus that may have been cancelled in the event of a job change.

"Individuals should be held accountable for their actions and not be able to actively evade the consequences of their actions," said Andrew Bailey, deputy governor of the Bank of England.

Tucker goes to US regulator

Former deputy governor of the Bank of England Paul Tucker is to chair independent US regulator, the Systemic Risk Council, succeeding the founding chair Sheila Bair.

As well as his role at the Bank of England, Tucker has served as a member of the G20 Financial Stability Board's steering group.

The Systemic Risk Council was formed to monitor and encourage regulatory reform of US and global capital markets, focusing on systemic risk.

Tucker, who left the Bank of England in 2013, was also a member of the bank's rate-setting Monetary Policy Committee and served on the board of the Bank of International Settlements.

UK interest rates on hold

Expectation of rising interest rates in the UK receded when Bank of England governor Mark Carney announced another hold, as falls in the oil price, uncertainty in new markets – particularly China, and slower-than-expected growth in the UK marked the turn of the year. Carney indicated that the bank would wait to see greater progress on growth, a firming in UK domestic cost pressures and more certainty that inflation is moving closer to its 2% target rate.