

Press release

News from the International Capital Market Association (ICMA)

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Please see foot of release for contact details

ICMA/2007/02

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release: immediate

ICMA review of 2006

(London, UK) The International Capital Market Association (ICMA), the self-regulatory organisation and trade association which represents constituents and practitioners in the international capital market worldwide, has in the past year under the direction of its new Executive President, René Karsenti, been active in the following areas in support of the interests of its global membership.

Regulatory policy

ICMA has invested in advocacy services on behalf of members through enlargement of its regulatory policy team to co-ordinate the market response to new regulatory initiatives. Member firms have already reaped the benefits of this investment in the form of regular communications and guidance from the Association on EU directives and implementation plans in national markets. Over 1000 financial market participants attended a series of seminars, held throughout Europe in co-operation with national trade associations and regulators, on the implementation progress and implications of the Markets in Financial Instruments Directive, where ICMA staff and local experts analysed how MiFID is likely to shape their business in the future. Events were also held to update practitioners and lawyers on progress of the implementation of the Prospectus Directive in different countries including Ireland, Luxembourg and Italy. The outreach to the market continues with further events planned in major financial centres in Europe and elsewhere in the months to come.

Bond market transparency

In Europe the debate on whether to impose, by regulation, some form of mandatory quote obligation on bond and derivatives dealers in the OTC market has entered a crucial stage. In 2006 ICMA, along with other associations, funded independent academic research into Europe's bond markets and developed a position on the issue in close consultation with its members. The Association continues to work with its members and the industry as a whole to develop industry led solutions to increase post trade transparency without damaging liquidity.

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Self-regulation

ICMA has continued to update its rules and recommendations, which form the vital self-regulatory framework for the international capital market, in the light of market developments throughout the year. Specifically the Handbook, which governs primary market practice, now contains guidance notes on the treatment of debt securities with denominations over €50,000 and the role of the calculation agency with respect to derivative-linked securities.

ICMA has been an active participant in recent discussions between the sell-side and investors focusing on the timeliness and accuracy of disclosure and clarity of covenants which appear in bond documentation. Concerns raised by institutional investors about the interpretation of some terms and covenants used in the documentation of bond issues, in particular the term "senior" and the "negative pledge" covenant, were addressed by a guidance note explaining their use. Issues surrounding the timeliness and availability of prospectus to investors were also addressed in the handbook.

The Global Master Repurchase Agreement (GMRA) – the standard document used for transactions in the repo market - is supported by legal opinions on the enforceability of its netting provisions in different jurisdictions. Updated opinions were issued in 2006 for all jurisdictions and new opinions obtained bringing the number of countries covered to 53, emphasising the scope of activity of ICMA's members in the repo market.

Repo

ICMA's European Repo Council (ERC) successfully oversaw two training courses in Shanghai and in Madrid to promote better understanding of market practices in this important sector.

The results of the December 2005 and June 2006 European repo market survey, co-ordinated by the ICMA Centre with the cooperation of the ERC, provided hard statistical evidence of the rapid rate of growth of the market. The ERC continues to provide the forum where market practitioners can discuss and resolve infrastructure issues that affect the functioning of the market.

Coordinating market representation

The Association has been involved over the past year in the creation of two important new cross-industry groupings. Together with the International Swaps and Derivatives Association (ISDA) and the Securities Industry and Financial Markets Association (SIFMA), it has created the Global Capital Markets Board, and is also a founding member of the European Financial Markets Federation (EFMF). EFMF members include the European Securities Forum, the Euro Debt Market Association (AMT€) and the Associazione Italiana Operatori Mercati dei Capitali (ASSIOM).

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The formation of both these new collaborative organisations represent further steps towards the goal of coordinating the capital markets' currently fragmented advocacy and industry representation structures – at the global and European levels respectively.

Extending the membership base

While the Association has continued to serve as a voice for market participants with a European focus, not just in the EU or the EEA, but further afield, for example in Russia, ICMA has started the process of building on its membership base in the Middle East and North Africa, and is working more closely with practitioners in Asia, to share the European experience of creating a strong cross-border capital market.

Organisation

ICMA has undertaken a thorough review of its organisational structures and corporate governance to ensure that it complies with best practice in these areas and also that it delivers increased value to its members. A newly created Advisory Board will give strategic guidance to the board from experienced practitioners in the years to come. ICMA's committees are central to the way the Association interacts with its membership, new committees have been formed with the remit to remark on and inform policy in the areas of legal and documentation, Euro Commercial Paper and Regulation. Other longer standing committees such as the Primary Market Practices have been revitalised with new members and a strong sense of purpose.

Education

ICMA has for many years made investment in professional education for the financial markets a priority. In 2006 it consolidated its education offering with courses being both administered and delivered by the ICMA Centre at the University of Reading, who have provided academic oversight to the programmes for many years. The Association's three core certifications - Operations Market Certificate, International Fixed Income and Derivatives Certificate (residential and distance learning versions) and the Primary Markets Certificate courses - all ran successfully to large audiences of international market participants throughout the year. In 2007 additional specialised advanced courses will be added to the portfolio including seminars on credit derivatives.

René Karsenti commented, "In 2006, with the successful merger of ISMA and IPMA accomplished, we have reviewed and restated the purpose of our organisation and made significant advances towards revitalising ICMA as the leading voice for the international capital market, building on the central role that it, and its predecessor organisations, have played in the phenomenal development of the international capital market, particularly in Europe, over the past three decades. We have been supported in these endeavours by our membership and look forward to further strengthening our commitment to our members in the years to come."

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Notes for editors

1. International Capital Market Association (ICMA)

The International Capital Market Association is the self-regulatory organisation and trade association representing constituents and practitioners in the international capital market worldwide. ICMA's members are located in 48 countries across the globe, including all the world's main financial centres, and currently number some 400 firms in total. ICMA performs a crucial central role in the market by providing and enforcing a self-regulatory code of industry-driven rules and recommendations which regulate issuance, trading and settlement in international fixed income and related instruments. ICMA liaises closely with regulatory and governmental authorities, both at the national and supranational level, to ensure that financial regulation promotes the efficiency and cost effectiveness of the capital market. www.icma-group.org

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