Secondary Market Practices Committee

Meeting of the ICMA SMPC, August 10th 2016: Preliminary Draft

The meeting was held at the London Capital Club, and co-chaired by Sonali Theisen, Citi, and Andy Hill, ICMA

<u>Attendees</u>

In the room:

Sonali Theisen	Citi	(Co-chair)
Louise Drummond	Aberdeen Asset Management	
Philip Cramp	BGC Partners	
Mariano Goldfischer	Credit Agricole	
Adam Bate	Morgan Stanley	
Ruchi Gawri	Morgan Stanley	
Sanjiv Ingle	SocGen	
Mathieu Casadevall	SocGen	
Elizabeth Callaghan	ICMA	
Ruari Ewing	ICMA	
Andy Hill	ICMA	(Secretary & acting Co-chair)
Patrik Karlsson	ICMA	
Martin Scheck	ICMA	
Alexander Westphal	ICMA	

On the line:

Dinos Daborn	AxeTrading	
Kieran Davis	Barclays	
Stephen Fisher	BlackRock	
Domingo Puertastrillo	BNP Paribas	
Andrei Serjantov	BNP Paribas	
David Gibson	ERSTE Group	
Oliver Huckel	HVB - Unicredit	
Neelam Saini	JP Morgan	
Chris Muyldermans	KBC AM	
Rutger Olthof	NN Investment Partners	
Brett Chappell	Nordea AM	
Alex Sedgwick	T. Rowe Price	
Josh Masters	Westpac	
Charles Deslandes	AFME	(Observer)
Vicky Webster	AFME	(Observer)

Chair's welcome

Sonali Theisen (Citi and Co-Chair) thanked all those in the room and on the call for joining the third meeting of the SMPC of 2016. She noted that participation remained very high, even if most of attendees were on the phone, and particularly given that it was August and many people were away. She commented that given that there was so much going on in terms of relevance to the corporate bond secondary markets, which is reflected in a packed and diverse agenda, it was perhaps not surprising that there was a lot of interest in this meeting, as had been reflected in the level of participation and engagement in the SMPC over the previous twelve-to-eighteen months.

Agenda items

1) Implications of Brexit for European and UK corporate bond secondary markets

Sonali Theisen introduced the first agenda item, asking the Committee to think about how ICMA, and in particular the SMPC, could play a meaningful and supportive role with respect to the recent 'Brexit vote' and the decision of the UK to leave the European Union. In particular, what were the key considerations with respect to market liquidity, and where could the SMPC add most relevance to the discourse without creating duplication with parallel work-streams or projects.

Market liquidity

Louise Drummond (Aberdeen AM) commented that liquidity in the sterling corporate bond market was already poor before the Brexit vote. Following the result, it had been very difficult to find bids on UK names, although this changed with the announcement by the Bank of England of its corporate bond purchase scheme.

MiFID impacts

Liz Callaghan (ICMA) informed the Group that earlier that week ICMA had facilitated a small working group to focus on the potential practical implications for MiFID II/R. The meeting highlighted three key areas of relevance: (i) transparency; (ii) continuity of access; and (iii) continuity of data.

In terms of transparency, she explained, once the UK moves to third country status, trades that are executed between UK regulated entities, or on UK regulated venues, will not necessarily be automatically reported to ESMA. If this data, which is likely to be a significant proportion of all overall trading in European securities, is not included in the calibration of transparency thresholds for pre- and post-trade reporting, this could seriously undermine the credibility of the regime. With respect to continuity of access, Liz explained, as a result of separation of the UK MiFID II regime from the EU MiFID II regime, the harmonization of instruments available for trading on a venue, the 'universe of instruments' will become non-standard. There will be differences in the tradeable instrument scope on a UK registered MTF or OTF as opposed to an EU MTF. Finally, with separate obligations in the UK MiFID II regime and the EU MiFID II regime, depending on the scenario for cross border trading, overall market data feeds could either be inflated or confused with duplicate prints (e.g. a UK MTF trade from an EU firm being re-reported as OTC in the EU), further impairing the overall aim of transparency.

FCA, ESMA, and other authorities

Sonali Theisen raised the question of the FCA's focus on the Brexit implications for EU and UK financial regulation, and whether ICMA was in contact with the both the FCA and ESMA on these issues. Martin Scheck (ICMA) responded that ICMA maintained a close relationship with both the FCA and ESMA, and that on August 17 ICMA would be meeting with Edwin Schooling-Latter (Director of Markets at the FCA) to discuss Brexit. Furthermore, Rene Karsenti (President of ICMA) was a member of the ESMA Securities and Markets Stakeholders Group. Therefore, if any of the SMPC members had thoughts or questions that they wished to communicate either to the FCA or ESMA on these matters, they should channel them through Andy Hill or any of the other ICMA secretariat.

Martin added that HMT was also instrumental in the Brexit discussions, and that they would be participating in the next meeting of ICMA's Regulatory Policy Committee to discuss Brexit. Meanwhile, ICMA was also actively engaged with key authorities in other EU countries, including BAFIN, CSSF, AMF, and the Irish Central Bank, in order to ascertain their input.

Ruchi Gawri (Morgan Stanley) noted that in terms of Best Execution rules under MiFID II/R, the FCA had been holding the pen, and had been instrumental in balancing diverse views from the member states, particularly with respect to issues around competitiveness and the relationship between 'best-ex' and the deferral regime. She raised the concern that if the FCA now held less sway in these delicate negotiations, this could be seen as detrimental.

Best-execution

Liz Callaghan responded to this concern, notifying the Committee that ICMA was currently exploring the potential need and feasibility of a work-stream to support the implementation of MiFID II best-execution obligations by identifying possible areas where standardization and harmonization of market practice with respect to data provision could be beneficial. She further encouraged SMPC members to contact her if they had thoughts on where ICMA and the SMPC could play a constructive role in supporting MiFID II best-execution. Chris Muyldermans (KBC) asked whether the focus of this potential work-stream would be on a best-execution from a post-Brexit UK perspective, noting that this would be unlikely to garner favour from EU authorities. Liz responded that any outcomes would be structured within the confines of the MiFID II/R framework, and therefore inherently pan-EU.

The Swiss model

Taking the discussion back to Brexit, and rounding off, Martin Scheck made the point that ICMA is a Swiss organization, with extensive and deep connections and relationships with numerous Swiss banks, institutions, and authorities, and so was well positioned to learn from the 'Swiss model' of operating outside of the EU. Accordingly, this insight and experience is something that ICMA is able to share with its broader, international membership.

Action point: ICMA to keep SMPC members notified of Brexit discussions with various UK, EU, and other authorities and regulatory bodies, as well as to act as a means to raise key issues and points with the relevant official bodies.

Action point: ICMA, with buys-side and sell-side members, to explore the need and feasibility of a work-stream to support implementation of MiFID II best-execution obligations.

Action point: ICMA to invite SMPC members to participate in a Working Group to explore the potential for drafting 'Best Execution Principles' for fixed income secondary markets.

2) Corporate Sector Purchase Programme

Eurozone CSPP

Andy Hill opened the discussion by informing the Committee that as of July 15, the relevant NCBs had purchased roughly €10 billion of bonds under the ECB's CSPP. 93% of purchases had been made in the secondary market, with 7% in the primary market, and the majority of trades were a ticket size of under €10 million. Purchases constituted 458 different issues, and 175 different issuing entities. The range of yields were -0.30% to roughly 3%, with 20% of purchases executed at negative yields.

Rutger Olthof (NN Investment Partners) commented that so far the CSPP has not crowded out the primary market, but, to a large extent, it was doing this in the secondary market. There was no longer a willingness of dealers to short eligible bonds, and so liquidity had declined in these issues, even if values had not changed much. Sonali Theisen concurred that this was also the feedback from her traders, and that while there had not been a major impact on prices since the start of the program, but liquidity was drying up. Mario Goldfischer (Credit Agricole) added that part of the problem was that there is no functioning repo market for corporate bonds, which has been in decline for several years. He explained that even where there is repo liquidity, this is only overnight, and that term markets for corporate bonds no longer exist. He floated the idea of an ICMA working group focused on improving credit repo liquidity, since this would be essential to enhance offer-side liquidity.

Brett Chappell (Nordea AM) noted that to date the total size of purchases were €14.5 billion, in more than 500 different bonds, and already the ECB's presence could be felt. He noted that a number of bonds were now getting squeezed, particularly autos and utilities. This significant distortion in pricing and liquidity was creating a problem for fund managers who had a fiduciary duty to their investors who have to hold investment grade bonds, and are struggling to generate the requisite yields. Sonali Theisen asked if high yield bonds were also being impacted. Brett Chappell responded that it was certainly impacting cross-over names. Mariano Goldfischer added that as a result of investment grade getting too expensive, they were seeing a move into high yield as investors 'reached for yield'. Louise Drummond concurred that they, too, were seeing a buy-side move into lower rated, non-eligible issues.

Sonali Theisen noted that this move down the credit curve was one of the desired outcomes of the CSPP, and raised the question of whether this was good for the market. She also asked the Committee how best we can provide this feedback to the ECB. Martin Scheck commented that a good forum to provide direct feedback is via the ECB's Bond Market Contact Group, in which many of the SMPC's members had representatives. He updated the Committee that the next meeting was in September. Andy Hill also asked the Committee whether they thought there was value in inviting the ECB back, perhaps at the next SMPC, as an opportunity for members and the ECB to share constructive views on how the CSPP was progressing and its market impacts. There was broad consensus that this was a good idea.

UK CBPS

Andy Hill turned the focus to the recently announced Bank of England Corporate Bond Purchase Scheme (CBPS), noting that ICMA had published a briefing note ahead of the Bank's surprise announcement, discussing the potential implications of extending asset purchases to the corporate bonds in the wake of the UK's 'Brexit' vote. He asked the Committee whether they had any major concerns arising from the CBPS, and if there had already been any notable market impacts.

Louise Drummond commented that the impact of the CBPS for sterling credit markets had the potential to be greater than the CSPP. She pointed out that while the size of the UK program is smaller than the Eurozone program, the sterling corporate bond market is much smaller and inherently less liquid. She also noted that the fall-out was already visible in the market, and that following the Brexit vote it had been very difficult to find bids in UK names, but since the announcement of the CBPS it had become almost impossible to find offers in potentially eligible bonds.

Andy Hill informed the Committee that he was in contact with the Bank of England, and would discuss the CBPS with them the following week. He also suggested that it may be possible to set up a call or meeting with the Bank and the SMPC to discuss the program, in the same way as the ECB had attended the previous SMPC meeting to discuss the CSPP. Sonali Theisen agreed that this would be very helpful and should be explored with the Bank. Patrik Karlson (ICMA) added that it might also be helpful to discuss with both the Bank of England and the ECB to what extent they had considered the potential impacts of their respective corporate bond purchase programs on end investors.

Action point: ICMA to invite the Bank of England to join a meeting or call with the SMPC to discuss the CBPS.

Action point: ICMA to invite the ECB to join either the next SMPC, or a separate meeting, to discuss further the progress of the CSPP.

3) Update in the European Commission's CMU Workshop on corporate bond liquidity

EC Workshop on corporate bond market liquidity

Andy Hill reminded the Committee that DG Fisma had held a workshop for market participants on corporate bond market liquidity, in Brussels on July 26. The objective of the workshop was to bring together policy makers, researchers, market participants, and end-users of corporate bond markets to assess the functioning of the corporate bond market in Europe. The aim was to facilitate a constructive, forward-looking discussion and to generate practical insights on how corporate bond market liquidity could be improved. Around 70 participants were engaged in the workshop, representing the various market constituents, including banks, asset managers, intermediaries and infrastructure providers, corporate issuers, as well as regulators and policy makers.

Andy Hill summarized the key take-aways from the roundtable as being: (i) the Workshop was intended to be a launch pad for future work to support Pan-European corporate bond market functioning and liquidity; (ii) while it is difficult both to define and measure liquidity, the overriding view of market participants was that liquidity is becoming more difficult to provide and source; (iii) the causes of deteriorating liquidity are multiple and complex, and difficult to isolate, although regulation, monetary policy, and changes in market structure are all recognized as being contributing factors; and (iv) any analysis or potential solutions of corporate bond market liquidity must also include the credit repo market and the single-name CDS market, as the three are intrinsically linked. Andy further added that there appears to be a perceived imbalance at the governance level where the primary objective is to establish financial stability, but with little focus on or regard for how this impacts capital markets, and that here needs to be a better understanding of how macro-prudential regulation feeds down to the internal pricing and allocation of capital and funding within banks, and how this gets transmitted to the trading desk. However, it was also made very clear by the Commission that while regulation can be recalibrated or fine-tuned to support market liquidity, this needs to be balanced with the objective of ensuring financial stability.

Issuer engagement

Brett Chappell, who had also participated in the Workshop, added that his sense of the workshop was also very much that the primary concern of the authorities is to make banks safe, and that they do not want to be put in a position where the banks needs bailing out again. If this was at the expense of market liquidity, then this was viewed as a price worth paying. He also noted that one of the most interesting, and powerful, interventions of the whole Workshop was when a corporate issuer raised the point that the focus was meant to be ‘capital markets union’, which had to include the actual issuers themselves; yet they were being largely excluded from the discussion, which instead seemed to gravitate around banks’ capital and investor protection. Brett suggested that what seemed to be missing was an effective feedback loop, connecting bank regulation with the real economic impacts facing corporates and end investors.

Sonali Theisen asked how well represented corporate issuers were at the Workshop. Andy Hill responded that he was only aware of two corporates that participated. Sonali made the point that it was important that the SMPC try to engage corporate issuers as much as possible in their work on secondary markets, particularly when reaching out to the official community. Ruari Ewing (ICMA) suggested that historically it had proved difficult to persuade corporates to be vocal on market issues. However, he also noted that through its Corporate Issuer Forum (CIF), ICMA already engaged with the relevant constituents, so was well placed to include them in the relevant discussions. Andy Hill added that ICMA had made great efforts, successfully, to incorporate the views of issuers in its recently published study on corporate bond secondary markets, and that a number of participants had provided very helpful and relevant input.

Next steps

Patrik Karlson (ICMA) asked what were the next steps following the Workshop. Andy Hill answered that the Commission had just announced the appointment of an independent research company to conduct a study into the ‘drivers’ of market liquidity to inform their work, and this was expected to be completed by the end of 2016 or early 2017. Furthermore, the Commission was in the process of setting up an ‘Expert Group’ of market participants, also intended to inform and guide its work with relation to the corporate bond markets. Andy added that ICMA had formally applied to join the Expert Group, and would continue to keep the SMPC informed of further developments.

Action point: ICMA to keep the SMPC informed of engagement with, and developments of, the EC's work on corporate bond markets

4) Regulatory updates

Liz Callaghan provided a brief update on key regulatory developments with respect to the European corporate bond markets.

MiFID II/R

With respect to MiFID II/R, Liz informed the Committee that there would now be the much hoped for 'phase-in' for liquidity calibrations for pre- and post-trade transparency waivers. Furthermore, the Commission had convinced ESMA to accept a recommendation that the phase-in for the thresholds would not be automatic, and that ESMA would need to assess the impact before moving to the next stage of the phase-in, and that each stage would also require a new RTS.

Liz next updated on the highlights of the recent FCA MiFID II Roundtable. She noted that RTS 22 ('transaction reporting obligations') had been adopted by the European Commission, while RTS 20 ('criteria for establishing when an activity is to be considered to be ancillary to the main business') and RTS 21 ('methodology for the calculation and the application of position limits for commodity derivatives traded on trading venues and economically equivalent OTC contracts') were still awaiting adoption. On the subject of reporting for 'package transactions' (under RTS 2, 'transparency requirements in respect of bonds, structured finance products, emission allowances and derivatives'), this was still being discussed and unlikely to be finalized before the end of February 2017

With respect to the definition of 'admitted to trading on a trading venue', it was hoped that this would be clarified in the Level 3 ESMA 'Q&A' expected to be published in September. Another point for clarification was with respect to RTS 27 ('data to be published by execution venues on the quality of execution of transactions') which provides a mandatory obligation for sell-side firms to pass on any fees, which could be interpreted as including any brokerage fees arising from the execution of a trade.

Brett Chappell asked whether ICMA was able to provide a succinct chart or one-page document outlining the current status of the various. Liz responded that the European Commission had conveniently produced such a resource, and that she would circulate it among the SMPC after the meeting.

Operational support for MiFID implementation

Sonali Theisen commented that the MiFID working group would become even more relevant and in focus as we move further into the implementation of MiFID II, particularly in areas where the regulation lacked clarity. Louise Drummond added that firms would also need to undertake a significant amount of IT development and systems upgrading to meet the various requirements of MiFID, in particular reporting obligations. This also made it more important in investing in the right technology and selecting the right vendor. Therefore, ICMA's work in outlining the various requirements would be very helpful.

Liz Callaghan asked whether firms were developing 'decision matrices' to assist with their trading decisions. Sonali Theisen replied that designing a qualitative matrix based on MiFID reporting requirements was not difficult, rather it was what to do next, and how best to respond to a client query. For example, there seems to be uncertainty among the sell-side community about the advantages and disadvantages of becoming a 'Systematic Internaliser'. Ultimately, the likelihood was that this would largely be a binary outcome, with a critical mass of dealers either opting in or out of the regime. Liz suggested that this would depend on whether buy-side firms wanted the benefit of delegated reporting. Mathieu Casadevall replied that it would be too onerous for dealers to meet all the reporting requirements for themselves as well as their clients. Ruchi Gawri concurred, stating that the requirements for real-time reporting were indeed too great. Adam Bate (Morgan Stanley) added that where clients delegate their reporting obligations this did not abdicate responsibility. His view was that many firms would not offer this service, but all were in the difficult position whereby if one firm did, then everybody would have to follow. Mathieu Casadevall added that having multiple APAs (Approved Publication Arrangements) made the process even more complex, particularly where SIs ('systematic internalisers') do not own an APA. RTS 27 ('data to be published by execution venues on the quality of execution of transactions') was another burden for SIs. Accordingly, technology and digitization of the workflow would be important. Sonali Theisen commented that in reality firms would most likely rely on a mix of proprietary and vendor front-end systems. Furthermore, these would have to pulled into one front-end system in order to monitor and manage the SI assessments, as well as the associated reporting obligations.

Standardization

Brett Chappell raised the issue of the complexity and sub-optimality of firms using multiple order management systems (OMSs). He suggested that if there was just one standardized, cloud based system, that everybody could access, this would be of great benefit to the market. He further wondered whether this is something that one of the more established data providers was able and willing to develop. Sanj Ingle (SocGen) commented that the ICMA ERCC (European Repo and Collateral Committee) had achieved something similar to this with SFTs (securities financing transactions), developing standardized and harmonized trade matching fields across all the various vendors, primarily to support the reporting obligations under SFTR (Securities Financing Transaction Regulation). Adam Bate added that it had taken two years, and that there was some initial resistance from the vendor community, but now the standards were agreed and in the process of being rolled-out across the market. He further suggested that if the SMPC was interested in standardizing matching fields to support MiFID implementation, then there was the potential to leverage the ERCC Operations Group.

Consolidated tape

Ruchi Gawri commented that having so many APAs did not help with reporting obligations, and also would not provide the potential benefits of a consolidated tape. Liz Callaghan interjected that at a recent meeting of the ICMA Platform Working Group (PWG), she had asked the various assembled vendors how many of them were considering becoming APAs. Apparently, all of them indicated that they would, even if most of them did not necessarily want to be an APA. Liz suggested that this in itself was a barrier to the success of the MiFID. She commented that it would be better if the market had just one or two, which could consolidate their data into one centralized place.

Action point: ICMA to circulate the EC summary of MiFID RTS status among the SMPC

5) ICMA's European corporate bond secondary market study

Andy Hill reminded the Committee that ICMA had published its study into the state and evolution of the European corporate bond secondary market, '*Remaking the corporate bond market*', at the beginning of July. He informed the group that despite being overshadowed by the 'Brexit' referendum results, the report had been fairly well received by market participants, and the European Commission had requested that ICMA present a summary of its findings at the recent EC Workshop on corporate bond market liquidity. Andy also took the opportunity to thank the many SMPC members who had provided invaluable input into the study, whether through the interviews or, in the case of the buy-side firms, responding to the survey. He added that he thought the study would remain relevant for some time, and would provide a foundation for ICMA and the SMPC for future work related to corporate bond market liquidity and functioning. This would include an intended response to the recently published IOSCO study, *'Examination of Liquidity of the Secondary Corporate Bond Markets'.*

IOSCO study

Brett Chappell highlighted a number of concerns related to the IOSCO study, qualifying his observations as being from a buy-side perspective and noting that IOSCO had clearly not consulted with any buy-side firms in preparing its report. Turning first to the study's utilization of trading volumes as an indicator of market liquidity, he pointed out that this does not take into account immediacy, which is a fundamental flaw. If there is no immediacy, then you cannot trade. To be meaningful the analysis would need to quantify what does not trade.

Secondly, Brett pointed out that the study mentions that repo and single name CDS ae important when considering market liquidity, but it provides no data or analysis on either market. Thirdly, it utilizes bid-ask spreads as an indicator, but this is an unreliable metric. One only has to look at how many of their attempted but unexecuted trades on ALLQ to see that screen prices are not a meaningful indicator of liquidity. Fourthly, the study is heavily reliant on TRACE data, making it very much US biased. Furthermore, the US corporate bond market is dominated by just four or five dealers, and so a very different structure to the European markets.

Finally, Brett rounded on one of the key conclusions of the study, which states that there is no reliable evidence of a causal link between regulatory reforms and any decline in liquidity. He pointed out that this was a blanket statement that is not substantiated by any meaningful analysis.

Alex Sedgwick (T. Rowe Price) commented that another problem with the study is that it tries to infer that narrowing bid-ask spreads are an indication of improving liquidity. However, this does not take into account the relative size of the bid-ask spread compared to the underlying credit spreads, which have narrowed significantly over the past few years. For example, a 3bp spread on a bond trading at Libor+100 is significantly wider in relative terms than a 3bp spread on a bond trading at Libor+300. Alex suggested that it would be helpful to use TRACE data to produce a time series for relative bid-ask spreads, and to analyze this trend.

Louise Drummond also commented on the unreliability of using screen prices as data points for assessing liquidity. Referring to the FCA paper published earlier that year, and which also relied heavily on screen prices for sterling corporate bonds, she recounted how one buy-side firm, TwentyFour Asset Management, called in the authors of the report to demonstrate how screen prices were, in most cases, un-executable.

Divergence between market and regulatory views on liquidity

Patrik Karlson commented that the ICMA study had done a very good job not only in articulating and discussing the nuances of the well understood problems, but also in depicting how the market is evolving and how the various participants and adapting their business models. However, he found it frustrating that a number of studies, including those by the AMF, FCA, and, more recently, IOSCO, all seem to deliver the same message that there is no problem. He was further frustrated by the fact the IOSCO report seems to suggest that they are receiving mixed messages from buy-side firms as to whether market liquidity was becoming more challenged. He noted that if buy-side firms are delivering different messages to the regulators, this is not helpful. Louise Drummond felt that most buy-side firms did drive home the challenges facing corporate bond markets, but there still seemed to be some denial among some authorities. However, it also needed to be remembered that fund managers often operated in a different world, and could be inclined to focus on the here-and-now, rather than any historical context.

Ruchi Gawri commented on the regularly posited assertion that there is no conclusive causal link between regulation and market liquidity, conceding that it is difficult to evidence any direct correlation, however there was clearly strong feedback coming out of the interviews for the ICMA study. Sonali Theisen agreed that it was challenging to disentangle the impacts of monetary policy, regulation, and evolving market structure. However, one possible suggestion was to overlay the introduction of various regulatory implementations, such as Leverage Ratio, with a time-series of meaningful liquidity indicators.

Martin Scheck asked Andy Hill whether he sensed any evidence that the authorities were beginning to accept that there might be a problem with market liquidity. Andy responded that while there was a strong tendency to say that there is no problem, there also seems to be a lot of time, effort, and resources being spent on studies, roundtables, and seminars exploring the subject. That in itself seemed to suggest a problem. Louise Drummond added that as more and more market participants repeated the same message, the authorities would eventually have to take note.

Action point: ICMA to share draft responses to the IOSCO study with the SMPC for comments and input

6) TRAD-X mid-swap proposal

Ruari Ewing (ICMA and secretary to the Primary Market Practices Committee, or PMPC) introduced a proposal put forward by Trad-X (a swaps trading platform) to establish a transparent, aggregated mid-swaps reference price. Ruari explained that the proposal aimed to establish a reference rate for mid-swap and 'spread-references' in the primary market that is based on transparent, firm, irrefutable prices provided by electronic venues (MTFs or SEFs), and, ideally, aggregated among the different venues akin to the methodology used for the ICE swap rate benchmark (currently known as the ISDA fix). This would also be in line with the IOSCO principles on benchmarks. Currently, the practice was for lead managers to select a reference swap rate from one of the incumbent venues (such as ICAP or BGC), and there was no consistency in terms of a single reference rates.

Ruari informed the SMPC that he had already ran the proposal past the PMPC for their perspective, and there was no discernable impetus to move to a single aggregated mid-swap reference rate, and a general view that having different swap feeds did not create a problem. However, as due diligence, it was also important for the SMPC to consider the proposal, to the extent that it had any relevance in terms of secondary market pricing.

There was no interest from the SMPC in terms of a need to establish a single swap reference rate. Brett Chappell commented that this was far more of a primary market concern, adding that a bigger problem was the volatility in initial price talks, rather than which particular swap curve this was referenced to.

No further action required

7) Any other business

Sonali Theisen asked the Committee whether there were any comments or amendments to the minutes of the meeting on May 17. There were no comments, and so the minutes were passed as a fair and accurate record of the meeting.

Closing remarks

With no other business being raised by the attendees, Sonali Theisen thanked everybody in the room and on the call for their participation, confirming that the ICMA secretariat would follow-up on the various agreed action points, in coordination with the members. Sonali added that the date for the next meeting would be confirmed and circulated soon, before bringing the meeting to a close.

Prepared by: Andy Hill, August 31 2016