



Key ICMA regulatory policy messages



by **Julia Rodkiewicz**
and **Charlotte Bellamy**

ICMA is engaged with a wide range of policy makers and regulators in cooperation with our members. Our key messages and information for the regulatory initiatives on which we are most actively engaged with policy makers and regulators are summarised below. Information on other regulatory initiatives on which ICMA is focusing can be found elsewhere in this Quarterly Report.



Contacts: Julia Rodkiewicz and Charlotte Bellamy

julia.rodkiewicz@icmagroup.org, charlotte.bellamy@icmagroup.org

EU Central Securities Depositories Regulation

- **Regulatory initiative:** [Review](#) of the EU Central Securities Depositories Regulation (CSDR).
- **Key issues:** Settlement discipline (SD), including revised mandatory buy-in (MBI) proposal.
- **Key messages:** ICMA cautions against imposing an MBI regime, particularly for bond markets. Penalties should first be allowed time to run and possibly be recalibrated. In parallel, other measures to improve settlement efficiency should be exhausted in the first instance (either market-based or regulatory, eg auto partialling, auto borrowing and lending facilities). If MBIs are implemented, this should be through market regulation, not post-trade regulation. The Level 1 CSDR text should exempt Securities Financing Transactions (SFTs) from the buy-in process.
- **Legislative stage:** The European Commission's (EC) CSDR review [proposal](#) of 16 March 2022 is now being debated by the European Parliament (EP) and the Council of EU Member States (the Council) with a view to agreeing on a final text, possibly in 2023.
- **Recent ICMA engagement and materials:** Meetings with the EC, EP and Council representatives. ICMA published its [feedback](#) on the EC proposal on 26 May 2022.

Contacts: Andy Hill andy.hill@icmagroup.org, Lisa Cleary lisa.cleary@icmagroup.org and Alexander Westphal alexander.westphal@icmagroup.org.

Working Group/Lead Committee: CSDR-SD Working Group/Secondary Market Practices Committee (SMPC).

More information: The Secondary Markets section of this Quarterly Report and ICMA's dedicated [webpage](#).



EU MiFIR and UK Wholesale Markets Review

- **Regulatory initiatives:**
 - [Review](#) of the EU Markets in Financial Instruments Regulation (MiFIR).
 - UK Wholesale Markets [Review](#) (WMR).
- **Key issues:** Pre- and post-trade transparency and consolidated tape for bond markets.
- **Key messages:** ICMA members would like to see the introduction of an effective, appropriately calibrated and dynamic post-trade transparency regime for all bonds, including corporate and sovereign bonds. In particular, large and extra-large illiquid trades should benefit from delayed publication of both price and size to prevent undue risk to counterparties involved. Once deferrals have expired, all bond trades should be published in a centralised consolidated place. Regarding pre-trade transparency, the current obligations are ineffective and potentially counterproductive and should be removed.
- **Legislative stage:**
 - EU: The EC's MiFIR review [proposal](#) of 25 November 2021 is now being debated by the EP and the Council with a view to agreeing a final text in 2022 or 2023.
 - UK: On 1 March 2022, HM Treasury (HMT) published its [response](#) to the July 2021 WMR [consultation](#). Further HMT and Financial Conduct Authority (FCA) proposals are expected in 2022.
- **Recent ICMA engagement and materials:** Meetings with representatives of the EU and UK institutions. ICMA published a position [paper](#) on post-trade transparency on 8 December 2022. ICMA published [feedback](#) to the EC's proposal on 22 March 2022. ICMA published its [response](#) to HMT's WMR on 24 September 2021.

Contact: Elizabeth Callaghan elizabeth.callaghan@icmagroup.org.

Working Group/Lead Committee: MiFID II/R Working Group (MWG) Transparency Taskforce/Secondary Market Practices Committee (SMPC).

More information: The Secondary Markets section of this Quarterly Report.

EU Alternative Investment Fund Managers Directive and EU European Long-Term Investment Fund (ELTIF) Regulation

- **Regulatory initiatives:** [Reviews](#) of:
 - EU Alternative Investment Fund Managers Directive (AIFMD).
 - EU European Long-Term Investment Fund (ELTIF) Regulation.
- **Key issues:**
 - AIFMD: Liquidity management tools, delegation, loan originating funds and reporting.
 - ELTIF: Funds of funds, illiquid assets ratios, securitisation exposure, "green" ELTIF category.
- **Key messages:**
 - AIFMD: ICMA's Asset Management and Investors Council ([AMIC](#)) in general welcomes the EC's targeted review of the AIFMD and supports the Council's and EP's proposals for recognising the critical risk management



responsibilities that should remain with Alternative Investment Fund (AIF) managers. However, there are several outstanding concerns regarding shareholder loans, leverage cap limits for loan originating AIFs and proposals for duplicating existing UCITS reporting requirements.

- ELTIF: ICMA's AMIC generally welcomes the positions adopted by both the Council and EP, especially with respect to the proposals to raise the market capitalisation threshold further and the additional derogation allowing for open-ended ELTIFs. AMIC is monitoring the draft proposals to include sustainability-related disclosures, cautioning against duplicative or inconsistent requirements as compared to the EU Sustainable Finance Disclosure Regulation (EU SFDR) and EU Taxonomy Regulation (the EU Taxonomy).

- **Legislative stage:** EC's [AIFMD](#) and [ELTIF](#) review proposals of 25 November 2021 are now being debated by the EP (AIFMD draft [report](#) and ELTIF draft [report](#) and draft [amendments](#)) and the Council ([AIFMD](#) and [ELTIF](#) positions), with a view to reaching an agreement, possibly over the course of the first half of 2023 for AIFMD and probably earlier for ELTIF.
- **Recent ICMA engagement and materials:** Meetings with representatives of the EC, EP and Council. ICMA AMIC's responses to the EC's proposals on [AIFMD](#) and [ELTIF](#) were published in January 2021.

Contacts: Irene Rey irene.rey@icmagroup.org and Kyra Brown kyra.brown@icmagroup.org.

Working Group/Lead Committee: AMIC Risk Management Working Group/AMIC Executive Committee.

More information: The Asset Management section of this Quarterly Report.

EU Green Bond Standard

- **Regulatory initiative:** EU Regulation on European green bonds (EU GBS) [proposal](#).
- **Key issues:** The nature of the standard (voluntary vs. mandatory), extension of scope to other sustainable bonds, additional and entity-level transparency requirements, liability risks and legal costs, taxonomy alignment and usability, grandfathering, and external reviewers.
- **Key messages:** ICMA expresses strong support for a voluntary standard and full grandfathering of Technical Screening Criteria alignment to maintain the stability of the EU GBS designation. There are concerns regarding (i) increased legal liability and costs creating significant disincentives for issuers, (ii) Taxonomy usability issues, (iii) unintended barriers to financing of Taxonomy aligned CapEx plans; (iv) mandatory requirements for all green use of proceeds bonds and environmental sustainability-linked bonds which duplicate entity-level requirements under other EU sustainable finance regulation and create implementation challenges.
- **Legislative stage:** The EC's EU GBS proposal [text](#) of 6 July 2021 is now being debated by the EP ([report](#)) and the Council ([position](#)) with a view to reaching an agreement on a final text possibly over the course of the second half of 2022.
- **Recent ICMA engagement:** Meetings with representatives of the abovementioned EU institutions. ICMA published a [note](#) analysing the EP's report and Council's position on 22 June 2022. See also ICMA's publication on [Ensuring the usability of the EU Taxonomy of 14 February 2022](#), which is relevant to the link between the EU GBS and the EU Taxonomy.

Contacts: Nicholas Pfaff nicholas.pfaff@icmagroup.org and Ozgur Altun ozgur.altun@icmagroup.org.

More information: The Sustainable Finance section of this Quarterly Report.



EU and UK Prospectus Regulations

- **Regulatory initiatives:**
 - EU Prospectus Regulation [review](#) (part of the EC's [Listing Act consultation](#), which also covers other matters including the EU Market Abuse Regulation, the EU Transparency Directive and the EU Listing Directive).
 - UK Prospectus Regime [review](#).
- **Key issue:** Appropriately calibrated EU and UK prospectus regimes allowing smooth and efficient cross-border bond issuance in Europe.
- **Key messages:** Wholesale bond markets in Europe currently function reasonably efficiently under the current EU and UK Prospectus Regulations, and this must be preserved. In relation to retail bond markets and SME bond markets, regulation is only one factor among various other commercial and market drivers. Constructing an appropriate regulatory regime would require a holistic consideration of various regulatory tools and incentives.
- **Legislative stage:**
 - EU: The EC [consultation](#) of 19 November 2021 is expected to be followed by a legislative proposal before the end of 2022.
 - UK: HMT published the [outcome](#) of its [consultation](#) in March 2022 and [announced](#) that the UK Government will replace the regime currently contained in the UK Prospectus Regulation and will legislate to do so when parliamentary time allows.
- **Recent ICMA engagement:** Meetings with the EC, certain EU national competent authorities (NCAs), EU Ministries of Finance, HMT and FCA have taken place or are anticipated for the coming months.

Contact: Charlotte Bellamy charlotte.bellamy@icmagroup.org.

Working Group/Lead Committee: Prospectus Regulation Working Group / Legal & Documentation Committee.

More information: On the EU Prospectus Regulation, see ICMA's [response](#) and [key points from ICMA's response](#) to the EC's Listing Act consultation. On the UK Prospectus Regulation, see ICMA's [article](#) on the UK Prospectus Regulation review outcome.

EU Capital Requirements Regulation 3

- **Regulatory initiative:** Review of the EU Capital Requirements Regulation (CRR), the so-called CRR3 proposal, which is a part of a broader [review](#) of EU prudential rules for banks.
- **Key issue:** Capital treatment of Securities Financing Transactions (SFTs).
- **Key message:** ICMA advocates for the recognition of the short-term nature of SFT transactions in Risk Weighted Assets calculation under the standardised approach with respect to banks' counterparty credit risk exposures to non-banks.
- **Legislative stage:** The EC's CRR3 [proposal](#) of 27 October 2021 is now being debated by the EP (draft [report](#)) and the Council with a view to agreeing on a final text, possibly in 2023.
- **Recent ICMA engagement:** Outreach to key representatives in both Council and EP.

Contacts: Andy Hill andy.hill@icmagroup.org and Alexander Westphal alexander.westphal@icmagroup.org.

Working Group/Lead Committee: European Repo and Collateral Committee (ERCC).



EU and UK Money Market Funds Regulations

- **Regulatory initiative:**
 - EU: [Review](#) of the EU Money Market Funds (MMF) Regulation.
 - UK: [Review](#) of the UK Money Market Funds (MMF) Regulation.
- **Key issues:**
 - EU: MMF market structure and resilience.
 - UK: ICMA is considering its position.
- **Key messages:**
 - EU: ICMA highlights the unintended consequences of changes to certain MMF structures. In addition, ICMA suggests a shift of focus towards strengthening the efficiency and resilience of the underlying market, noting ICMA's [The European Commercial Paper and Certificates of Deposit Market White Paper](#) of 2021.
 - UK: ICMA is considering its response to the discussion paper mentioned below.
- **Legislative stage:**
 - EU: Following the EC's [consultation](#) of 12 April 2022 on the functioning of the MMF Regulation, its report is expected in summer 2022.
 - UK: The Financial Conduct Authority, jointly with the Bank of England, released a [Discussion Paper on Resilience of MMFs](#) on 23 May 2022 (with the 23 July 2022 deadline to respond), in advance of a potential formal consultation in the future.
- **Recent materials:** On 13 May 2022, ICMA [responded](#) to the EC's consultation.

Contact: Katie Kelly katie.kelly@icmagroup.org.

Working Group/Lead Committee: Commercial Paper and Certificates of Deposit Committee (CPC).

More information: The Asset Management section of this Quarterly Report.