

(Primary) Market Innovation Project – Balancing vision & reality

August 2025



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Introduction

For over 50 years, ICMA and its members have shaped the international capital and securities markets, laying the foundations for their successful operation through rules, principles, and recommendations.

Financial markets have always mirrored economic shifts and structural transformations. Nearly two decades after the global financial crisis, we are at a turning point. A focus that once centred exclusively on managing risk now emphasises sustainable growth, efficiency, resilience and competitiveness in a fast-changing landscape.

To address these changes, ICMA organised a series of roundtables with a wide spectrum of market participants – from issuers and investors to syndicates, infrastructure providers and legal experts. Their consensus: change is no longer optional, but inevitable.

This article reflects those discussions, aiming to clarify current market perceptions, outline collective insights, and foster understanding among capital market stakeholders.

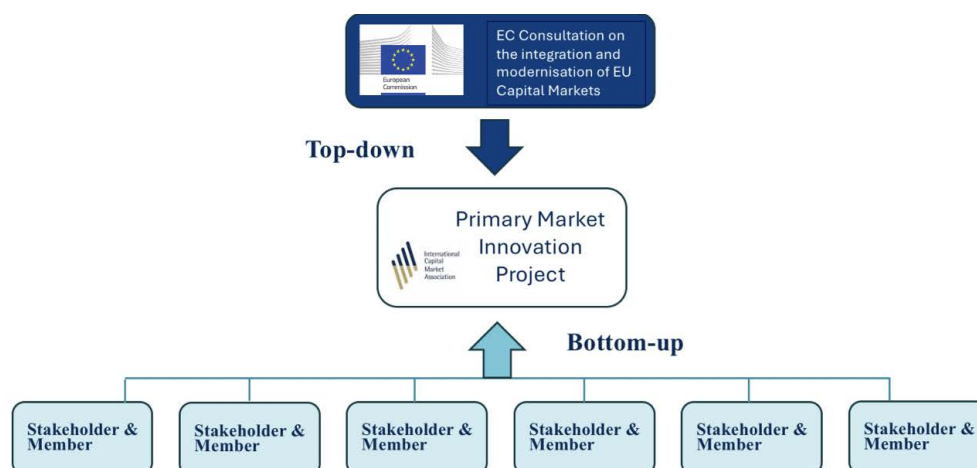
Shared interests by market & regulators

ICMA, supported by member feedback, initiated a more strategic approach to primary market innovation in early 2025. Then on 15 April 2025, the European Commission released a consultation paper on enhancing capital markets integration – amongst other things focusing on technology adoption, operational efficiencies, and reducing legal and regulatory friction (see coverage of ICMA's response in the 3rd Quarter 2025 edition of the Quarterly Report).

This alignment underscores the role of ICMA as a crucial link between top-down regulatory initiatives and bottom-up market needs, fostering a collaborative path toward modernisation.

ICMA moving into the centre of transformation

Impact of the EC CP



Innovation means different things to different people

One of the fundamental clarifications in the search for a common language and starting point was establishing a shared understanding of innovation in capital markets. Although the definition of innovation has evolved and will continue to change, understanding the key concerns, needs, and goals of stakeholders requires systemic thinking and clarification of the discussed focus area. For some, innovation relates to process and workflow improvements, while for others, the focus is on product development & model change. From the labelled product innovation of the recent years driven by sustainable finance to the increased use of digital cash and DLT & blockchain technology for issuing digital/tokenised Bonds - innovation means different things to different people and impacts different stakeholders in different ways at different times.

Innovation across Process & Product

Primary Markets are the “birthplace” of Financial Assets

Primary Market	Process	Electronification	Life-Cycle	Pre-Issuance	Origination & Documentation
				Book Building	Order Management & Pricing
				Post Issuance	Settlement & Life-Cycle Event Management
	Product	Tokenization	Cash	CBDC	Retail CBDC
					Wholesale CBDC
				Crypto	Stablecoin
			Asset		Bitcoin, ETH, SOL etc
				Digital Native	Public/Private and/or Permission-ed/-less
				Digital Twin	

Primary Markets - A central function that should not be innovated in isolation

Examining primary debt capital markets more closely reveals not only their central nature as the ‘birthplace’ of financial assets but also the complexity of capital markets more generally. Multiple stakeholders – issuers, investors, syndicate managers, market infrastructure providers, vendors, sale teams, and legal experts – collaborate to create financial assets that will interact with various parts of the financial market ecosystem throughout their life cycle. Thus, primary capital markets innovation cannot be considered in isolation from the broader market.

A key distinction between Primary and Secondary markets

Over the past decade, various parts of capital markets have undergone innovation. While technological, macroeconomic, and investor demand-driven changes frequently occurred, most were responses to regulatory shifts following the 2008 global financial crisis. From Basel III and Dodd-Frank to Solvency II, regulatory developments have driven new product innovation in primary markets. Similarly, the Paris Agreement in 2015 led to the creation of new sustainable finance regulations the ICMA Green Bond Principles, fuelling the rise of labelled bond market ever since.

However, while secondary markets have rapidly developed electronic trading systems, workflow innovation in primary markets been comparatively rare. And while much can probably be learned from secondary, the fact that regulatory developments as well as investor driven efficiency requirements forced market participants to adopt technological solutions to remain competitive (competitive change environment), dynamics are different in primary markets. Here the collaborative use of market infrastructure & workflow practice during deal execution has shown that automating workflows or adopting model changes (such as DLT/tokenisation) is more complex and requires a ‘system-wide’ change (system change environment).

From shared understanding to roadmap

Through six stakeholder roundtables and two ecosystem discussions in mid-May, ICMA engaged over 150 market participants. Participants showed increasing willingness to understand areas outside their direct remit, acknowledging the systemic nature of capital market operations.

The overwhelming view: ICMA should not only facilitate dialogue but actively lead the development of industry standards, ensuring compatibility between regulatory ambitions and market practice.

Participant emphasised that change in primary markets will be evolutionary, not revolutionary. Current frameworks have proven resilient and effective in delivering on its primary mandate (raising capital), especially during volatile periods such as the COVID-19 crisis. “One should not break what’s not broken!”

However, stakeholders are aware of existing process inefficiencies and barriers to entry for some issuers and investors alike, while perfectly conscious of the model-change dynamics at the horizon proven by the many successful developments and 'sandbox trades' around the use of DLT/Blockchain, digital cash and tokenisation technics.

State of mind

For resilient Capital Markets of today and the future

Effective in delivering on our mandate of raising finance

"Can't afford to break what's not broken"

Aware of....

Process
inefficiencies

Barrier to entry for:
Issuer + Investors

Conscious of the model-change dynamics

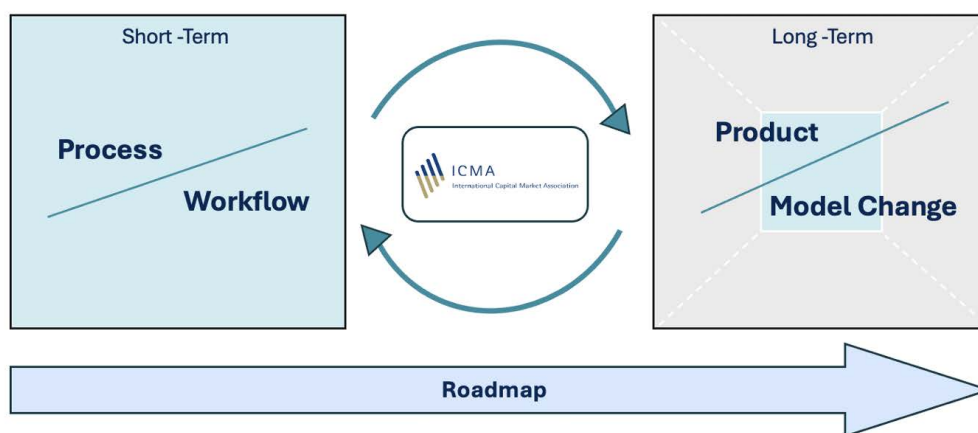
"From analog to digital across cash and assets"

What is needed?

Creating a shared language was straightforward in the right setting. ICMA's roundtables allowed stakeholders to listen, reflect, and find consensus. The clear distinction between improving existing workflows (process innovation) and the introduction of new financial products or infrastructure (product innovation using DLT/blockchain or tokenisation) yielded an agreement that both are necessary, but process improvements are seen as the most immediate and scalable opportunity in the short term.

Challenges & Roadmap

Evolution rather than revolution



Fragmentation remains a challenge – across platforms, vendors, and data sources. Integration between even systems (order management, trading, CSDs etc) is crucial. However, technical hurdles are often less significant than organisational ones: lack of leadership support, misaligned incentives, and resistance to change often block progress more than the underlying technology.

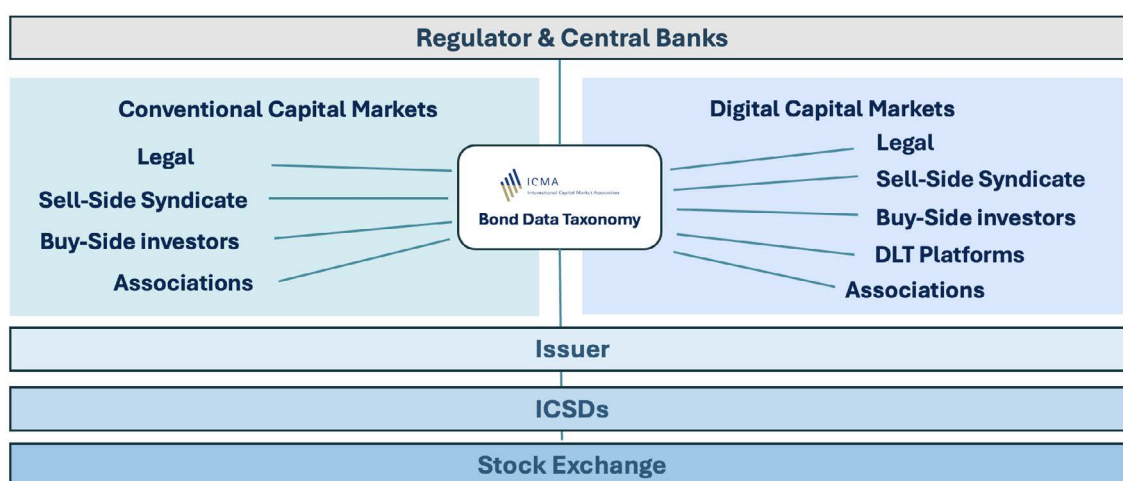
Standard as the Foundation: ICMA's Bond Data Taxonomy (BDT)

The most widely supported need was for data and process standardisation. ICMA's Bond Data Taxonomy (BDT), launched in February 2023, help addresses this gap. It provides a structured, consistent way to define bond characteristics, facilitating interoperability, straight-through processing (STP), and digital issuance.

The 2024 HKMA Digital Green Bond integrated the BDT and demonstrated the potential of aligning sustainability objectives with technological innovation. The BDT showcases how standards enable both operational efficiency and scalable innovation.

Data Standards - The Bond Data Taxonomy (BDT)

Central to all that we do



Conclusion

As an industry association with a rich 50-year history, ICMA has long been the guardian of products and processes in capital markets. As we look to the future, we recognise the need to expand our role to include the stewardship of people through this transition. Our goal is to ensure that market participants can navigate from the current system to the emerging one with confidence and clarity.

At ICMA's 2025 AGM in Frankfurt, it became clear that transformation of capital markets is not a distant possibility – it's an ongoing reality. From the rise of sustainable finance to the potential of blockchain, tokenisation and AI, the industry is evolving at an unprecedented pace. As regulators change focus and the industry starts embracing these changes, we must also address the challenges they present, including:

- 1) Regulatory adaptation: Ensuring that regulatory frameworks keep pace with technological advancements and new market structures
- 2) Market & process efficiency: Providing harmonised data standards like the BDT enabling innovation and technology adoption to enhance efficiency both in primary and secondary markets
- 3) External & internal collaboration: Systemic change across the capital markets infrastructure requires dialogue and execution across business divisions, industry stakeholders and capital markets associations in an unprecedented way
- 4) Risk management: Developing new approaches to assess and mitigate risk in an increasingly complex and modernised financial architecture

5) Talent development: Equipping professionals with the skills needed to thrive in a digitalised and sustainable financial ecosystem

The capital markets of tomorrow will be shaped by the actions we take today. As we stand at this critical juncture, ICMA is committed to fostering dialogue, providing guidance, and driving the establishment of market standards and principles to enable innovation and a smooth transition for all market participants. By embracing change and working collaboratively, we can build agility and the ability to turn vision into reality; creating a more resilient, efficient, and inclusive financial system that serves the needs of the global economy for decades to come.

As we navigate this transition, let us remember that the essence of capital markets – connecting those who need capital with those who have it – remains unchanged. Our task is to ensure that this fundamental function is carried out more effectively and sustainably in the face of technological and societal evolution.

Together, we can shape the future for capital markets, not only making them more innovative but also ensuring they align with the broader goals of economic prosperity and sustainability.

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