International
Capital
Market
Association

ICMA

Final

Minutes of the European Repo Committee meeting held on November 7, 2011 in Copenhagen

Present:	Mr. Godfried De Vidts	ICAP (Chairman)
	Mr. Eduard Cia	Unicredit Bank AG (Vice Chairman)
	Mr. Simon Tims	UBS AG
	Mr. Andreas Biewald	Commerzbank
	Mr. Romain Dumas	Credit Suisse
On the phone:	Mr. Tony Baldwin	Daiwa Capital Markets
	Mr. Olly Benkert	Goldman Sachs
	Mr. Sylvain Bojic	Société Générale
	Mr. Jean-Michel Meyer	HSBC
	Mr. Stefano Bellani	JP Morgan
	Mr. Andrea Masciovecchio	Intesa Sanpaolo
	Mr. David Nicholls	Deutsche Bank
	Mr. Herminio Crespo Urena	Caja de Madrid
	Mr. Edward McAleer	Morgan Stanley (Vice Chairman)
	Mr. Tony Platt	Morgan Stanley (Chair, ERC Ops)
	Mr. Karel Engelen	ISDA (present for point 1 only)
	Mr. Simon Turner	BNP Paribas
Also Present:	Ms. Lalitha Colaco-Henry	ICMA (Secretary)
	Mr. David Hiscock	ICMA
	Ms. Lisa Cleary	ICMA
	Mr. Richard Comotto	ICMA Centre
	Ms. Nina Byrne	Danske Bank
	Mr. David Laredo	Danske Bank
Apologies:	Mr. Michel Semaan	Nomura
	Mr. Mats Muri	BarCap
	Mr. Johan Evenepoel	Dexia Bank Belgium
	Mr. Grigorios Markouizos	Citigroup
	Mr. Eugene McGrory	BNP Paribas

Welcome by the Chairman and Mr. Jens Peter Neergaard

Mr. Jens Peter Neergaard of Danske Bank warmly welcomed the ERC Committee to Copenhagen and to Danske Bank. He noted that as a result of the financial crisis repo was becoming increasingly important. It was crucial to have in place good governance structures in the market. For this reason, Danske Bank was very supportive of the work of ICMA's ERC. There was a need for a voice of reason

in the face of the increasing threat of over-regulation within the EU. ICMA's ERC is doing an admirable job in providing this voice of reason.
The Chairman thanked Danske Bank for hosting the meeting and extended a warm welcome to those attending and dialling into the meeting.

1. Adoption of a FpML standard for repos

Mr. Karel Engelen said that the FpML is an open XML Standard which is open source and thus freely available. Work on FpML started approximately 10 years ago with the original focus being on electronically traded OTC derivatives. The current focus is on clearing and electronic trading, regulatory reporting, product identifiers and taxonomy, and on-going product and functionality extension.

The FpML standards committee is responsible for taking the work forward. This committee is made up of dealers, buy-side, asset managers, custodians, clearing houses and infrastructure providers. New versions are produced every six months, with two versions being produced per year. The versions of FpML currently being developed are v5.3 and v4.10 – these two versions are being maintained in parallel. The main focus is on OTC derivatives which includes a description of the various asset classes and a messaging framework and processing. However, there are extensions to the FpML Standard for other asset classes which serves to broaden FpML's coverage. The LMA and the LSTA (the Loan Syndications and Trading Association) are collaborating with ISDA FpML to develop FpML for commercial and syndicated loans.

Four years ago, a repo working group was set up which made considerable progress in developing a repo extension. However, the review process identified the need for direct feedback from the repo industry as to whether they would use the standard. This work was not followed-up and the project stalled. There is now renewed interest in trying to reconstitute the repo working group to develop the repo extension into a full FpML standard. Accordingly, the ERC is being asked about the extent to which it would be interested in a partnership. The technical work would be supported by ISDA FpML while the ERC would provide business expertise.

The Chairman noted that the ERC Operations Group was meeting on Wednesday, November 9th and that messaging was more of a back office process. Additionally, for example, market participants already has in place streamlined processes, such as SWIFT messaging, and it would not make sense to duplicate these though there may be some value in considering the extent to which the FpML Standard for repo could sit along-side what exists already. It was agreed that further discussion of this issue would be taken forward with the ERC Operations Group.

2. Minutes of the previous meeting

The draft minutes of the last ERC Committee meeting held on 23rd August, 2011 in London, were sent to the ERC Committee on 12th September 2011. The August minutes were unanimously

approved without comment and accordingly will be published on the ICMA website.

3. Report on ICSDs

The Chairman reported that Mr. Richard Comotto's study on the role of central bank money (CeBM) and commercial bank money (CoBM) in European clearing and settlement[1] had been published in mid-September and that Mr. Comotto was scheduled to give a presentation at the next meeting of the ECB's contact group on euro securities infrastructures (COGESI) in Frankfurt on November 18th. The agenda for that meeting also includes a discussion on tri-party interoperability. So far the CeBM/CoBM study has been warmly welcomed and no negative feedback has been received. Central banks have until now, accepted the need to have both CeBM and CoBM in order to have a well-functioning payments system.

The Chairman noted that on October 25th he had chaired a meeting of the ICSDs and the five fixed income CCPs to discuss interoperability. The meeting went well and all the participants agree that there should be efficient liquidity flow between the two ICSDs and each of the fixed income CCPs. They also agree that the aim of developing a fully interoperable settlement environment would contribute to such an efficient liquidity flow. However, there is a considerable amount of technical work that will be needed to achieve this. The participants have asked the Chairman to continue to chair meetings to further this initiative. The next meeting is scheduled for the end of November in London.

One of the issues to come out of the meeting of the CCPs and ICSDs was the desire by the CCPs to retain non-interoperable trading which would sit alongside interoperable trading which would cease at 14:00 CET. The non-interoperable trading would continue until 16:00 CET (now). One Committee member noted that the development of GC baskets is a separate and distinct project from the initiative to extend interoperability (i.e. extend the bridge) beyond 14:00 which would allow everyone to trade interoperably for longer thus extending liquidity. The main priority should be to enhance these settlement deadlines as opposed to the development of non-interoperable baskets that would serve to segregate liquidity and market participants. It was noted that extension of the bridge was expected in due course but the difficulty in achieving this was the fact that the bridge does not currently settle in real-time. For technical reasons, the ICSDs cannot at present extend interoperable settlement beyond 14:00 as settlement is currently done in batches. The substitution of collateral across the bridge can take approximately 2½ hours. Currently, the ICSDs have no committed plans to extend the 14:00 interoperable settlement cut-off time, but if tri-party interoperability proves to be successful then the ICSDs would have a commercial imperative to justify extension of the bridge. The Chairman also noted that, subject to the CCPs agreeing to proceed, both ICSDs consider it possible to build interoperable tri-party settlement by the end of 2013. Both have agreed to speak about this at the European Repo Council AGM in January.

On credit claims, Mr. Hiscock noted that Clearstream and DTCC had announced in September that they had entered into a joint venture regarding loans and collateral management services. They will be supporting both bilateral loan and syndicated loan markets starting the first half of next year. Euroclear are committed to taking forward the model for credit claims already agreed with the ERC. However, they are looking for commercial justification that loans will be available for use as

[1] Alternatively, see: http://www.icmagroup.org/ICMAGroup/files/17/17e8b101-1486-4293-a853-f5766745f667.pdf

collateral. Ms. Cleary added that it had been a struggle to establish market buy-in on this project. Earlier in the year, the ERC Committee had decided to adopt a "wait and see" approach to the project, but there has subsequently been renewed interest. ICMA will organise a workshop to present the legal and operational features of the proposed loan repo system to key stakeholders and assess market interest. It will be important to discuss the challenges and limitations of the system as well as emphasise the benefits of using loans as repo collateral so that participants at the workshop can make an informed assessment of whether such a system would work. The LMA and loan portfolio managers would be invited to participate in the workshop, as well as other interested parties. Mr. Tony Platt indicated that the workshop would also be of interest to members of the ERC Operations Group. In response to queries regarding the need for clarification regarding the extent to which loans can be re-used under national laws, Ms. Cleary reminded the Committee that ICMA had prepared and circulated a paper on the legal feasibility of establishing a loan repo system using loans governed by French, German and English law some time ago. Ms. Cleary will re-circulate a copy of the legal framework paper to the Committee.

4. Composition of European triparty baskets

The working group has made little substantive progress identifying the ISINs that could be included in a European basket. It was felt that the composition of the liquidity buffer (LCR) could differ from country to country if national regulators approve different criteria within the CRD IV framework. If this were to happen, work by the ERC to redesign the composition of baskets used by CCPs in Europe would be hindered significantly and liquidity distribution would be impacted negatively. The Chairman undertook to contact Mr. Mario Nava at the Commission to seek his views.

5. FSB working group on the regulation of cash reinvestment from securities lending and repo haircut levels

The Chairman said that he and a number of other Committee members had met with Mr. David Rule on September 22nd to discuss the FSB's examination of cash reinvestment from securities lending and the possibility of setting minimum haircut levels for securities financing to try to limit the potential for cyclical variation. Mr. Hiscock noted that the FSB had released a paper on October 27th on Shadow banking – strengthening oversight and regulation. The paper argues that repo and securities lending were at the heart of the development of shadow banking activities prior to the crisis. The use of repos and securities lending by financial institutions facilitated the maturity/liquidity transformation and build-up of leverage within shadow banking entities as well as in the system more broadly. Furthermore, the paper considers that developments in repo and other secured lending markets played a crucial role in the crisis of autumn 2008, with procyclical increases in margin/haircuts contributing to the collapse in liquidity and in asset values. The FSB has identified three main areas that may need to be considered in addressing the risks in the secured funding market:

- **Regulating securities lending-related cash collateral reinvestment programmes:** regulatory measures could be introduced to place limits on the maturity of investments into which cash collateral is invested or on the types of instruments that are used for these investments. Limits on the use of customers' collateral to finance banks and securities dealers (re-hypothecation) could also be reviewed.

- **Macro-prudential measures related to repos and securities lending:** The introduction of macroprudential requirements such as minimum margin or haircuts to mitigate procyclicality should be considered further in addressing systemic risks, drawing on the CGFS report *The role of margin requirements and haircuts in procyclicality* (March 2010).

- **Improving market infrastructure for secured funding markets:** Strengthening market infrastructure for secured funding markets such as repo clearing, settlement and trade reporting arrangements should be considered.

The Committee members who had attended the September meeting with Mr. Rule noted that the regulators had been very interested to learn how the industry treats haircuts and had been surprised that haircuts are not applied on interbank transactions. It was explained that the decision to impose a haircut is a credit decision.

The Chairman also mentioned that he had been contacted regarding the FSA's treatment of Line 7 securities, such issues having become more urgent since the downgrades of various sovereigns, and Italy in particular. The Committee noted that if a UK firm were to repo Italian bonds, it would be subject to the UK bank levy. One must therefore conclude that UK banks are no longer holding Italian bonds. Mr. Hiscock also noted that as per the BCBS announcement on the 28th September, the BCBS would be accelerating its review and recalibration of the LCR in order to reduce market uncertainty, which should likely be taken to indicate that key decisions have already been taken despite the fact that the observation period deadline is not till mid-2013. The Committee felt it was important to make clear to regulators that there will be severe consequences to the wider economy if banks are dis-incentivised from holding government debt.

6. Eurepo®

The Chairman noted that there had been closer cooperation with the EBF. Minutes of meetings are now shared between the ERC and the EBF.

It was noted that discussions of the Eurepo® Steering Committee had focused on development of a new overnight repo index. It was also noted that some banks are failing to contribute on a regular basis to the Eurepo® fixing or are providing quotes that indicate that they still don't understand the new definitions. The Committee debated the need for repo indices and how best to develop a new overnight index. There was some discussion about whether the index should be based on data from CCPs rather than quotes provided by panel banks. There was also debate about whether the index should include all collateral (as is the case with EONIA) which would allow market participants to see the total size of the overnight repo market or whether it would be more helpful if the index were based on a selected pool of high quality collateral. The Eurepo® Steering Committee will meet again before year-end.

7. ECMI report – Collateral Policy, Counterparty Risk and Sovereign CDS

Mr. Hiscock said that the report "*The impact of collateral policies on sovereign CDS spreads*" had been written by Professor Giovanni Calice and was in final draft form. While it had not yet been published by the European Capital Markets Institute (ECMI) the substance of the paper had been

discussed at AFME's Annual European Government Bond Conference on October 21st. The paper demonstrates, from an academic perspective, a relationship between asymmetric collateralisation and CVA hedging. Most sovereigns that engage in derivatives transactions use one-way collateral agreements in which they do not post collateral to their counterparties, but their counterparties post collateral to them. The paper uses a theoretical model to show that uncollateralised sovereign CDSs are subject to a collateral cost adjustment of the counterparty and that CVA enters as a driving factor altering the discounting of net swap payments. Alongside the paper there is planned to be a short joint AFME, ISDA and ICMA paper which introduces some data from large firms regarding amounts of CVA hedging. It is hoped that these papers will be published shortly.

8. Update on Monte Titoli system upgrades

Mr. Comotto noted that, in response to the ERC and Operations Group letter of August 31st regarding recent system outages, a small group of members had met with Mr. Alessandro Zignani of Monte Titoli on October 14th. The system outage of May 1st had been due to the migration from the mainframe to a new computer platform and problems with the main database. The second outage in August had been caused by a systems overload due to very high volumes (Monte Titoli saw turnover more than doubling). These high volumes exposed a lack of scalability in the system and the overnight batch-processing systems were overwhelmed. Monte Titoli has been in discussions with its service provider about improving the system. A short-term solution is to slim down the database programme codes to allow faster processing and to start daytime batch-processing one hour earlier. However, Monte Titoli recognises that the long-term solution is to reconstruct the database, on which work has already started.

The White Paper on short selling and settlement failures, published last year, had identified a number of issues regarding interconnectivity in Italy. Monte Titoli have subsequently established a post-trade technical user group, which has come up with a number of initiatives. In particular, this group has been exploring the possibility of introducing hold-and-release and bilateral cancellation facilities, which would avoid the need for telephone pre-matching. The group has also considered the insertion of a final beneficiary field in the instruction input screen which would also help avoid pre-matching. The target for these developments is the end of 2012 but details of these reforms still have to be worked out and discussions with customers are on-going. The position of the customer (i.e. custodians) will be crucial and they may lack any incentive to adopt changes which would remove the need for telephone pre-matching.

Mr. Comotto also noted that, as of September 1st, the Banca d'Italia had sought to improve settlement efficiency by changing the calculation of penalties for late or non-delivery from a small fixed sum to a percentage charge on all short positions over EUR 5 million. The ERC does not support this initiative. Instead, every time there is a fail for technical reasons, a full check of what happened should occur. The imposition of fines for fails is not a remedy to the problem. The Commission is aware of the issues in Italy.

9. ERC Operations Group update

Mr. Tony Platt noted that there was not too much to add as the next ERC Operations Group was scheduled for November 9th. There has been further work on the Repo Margin Best Practices paper,

due to be published in January. The key change advocated by the Best Practices paper is a move to a same-day margin settlement assumption. The market should cease the practice of assumed settlement. Mr. Hiscock will re-circulate the latest draft of the Best Practices paper to the Committee.

10. Regulatory Update

Mr. Hiscock said that since the last meeting, the Commission had hosted a conference on October 24th that discussed the road ahead for the European post-trading landscape. This conference followed on from the October 13th publication of the report of the Expert Group on Market Infrastructures (EGMI). The conference included discussions which focused on way to improve the safety of the European post-trading landscape, particularly considering the risks posed by CCPs. There was also some discussion of market efficiency centred around the development of T2S. The elimination of the Giovannini barriers and the way they will be affected by the forthcoming regulatory changes and T2S was also considered.

The EMIR proposals are currently being discussed by representatives of the European Parliament, Council and Commission in trilogue. The CSD regulation is also widely anticipated. An unofficial Commission draft of the CSD regulation is in circulation and it contains a number of interesting proposals relating to (i) standardising settlement at T+2; (ii) discipline (buy-ins); (iii) CSD interoperability and access; and (iv) cash settlement (in central or commercial bank money). The Securities Law Directive is also expected shortly. In this regard, the European Parliament has published a number of background and working papers. The Secretariat is also continuing to watch developments regarding close-out netting.

Ms. Colaco-Henry said that there had been a press release announcing that the European Parliament, Council and Commission in trilogue had come to an agreement in mid-October on new rules for short selling and Credit Default Swaps (CDS). The draft Regulation now has to be adopted in its agreed, amended form by the European Parliament and Council. Once adopted, the Regulation is expected to enter into force in November 2012, by which time, the Commission delegated acts and implementing and regulatory technical standards of ESMA will have to be adopted. The draft Regulation contains provisions in three areas – transparency, restrictions on naked short selling and regulatory powers.

The transparency regime for shares is largely based on the two-tier model that had been recommended by CESR with notification to regulators at a lower threshold (0.2% of issued share capital) and publication to the market at a higher threshold (0.5%). For significant net short positions in EU sovereign bonds and related significant CDS positions only notification to regulators will be required. Notably, the accompanying FAQs notes that disclosure of short sales of sovereign debt should only extend to regulators as public disclosure could have a detrimental effect on sovereign debt markets where liquidity is already impaired.

The restrictions on naked short selling for shares means that in order to enter into a short sale, an investor must have borrowed the instruments, entered into an agreement to borrow them or have an arrangement with a third party who has confirmed that the shares have been located and measures taken for the investor to have a reasonable expectation that settlement can be effected when it is due. The restriction on naked short selling of sovereign bonds is slightly less onerous - the

bonds either need to be located or there has to be a reasonable expectation that settlement can be effected when due. A competent authority may suspend the restriction where the liquidity of the sovereign debt falls below a pre-determined threshold.

The press release also mentioned buy-in rules but the agreed text had not yet been released. Ms. Colaco-Henry said she would circulate the agreed text to the committee once it was available more generally.

Ms. Colaco-Henry gave an update on the MiFID and MiFIR proposals published by the Commission in October. This update is set out in Annex 1.

Mr. Hiscock noted that the G20 had met in Cannes at the beginning of November. The idea of a global financial transaction tax had been discussed but had not garnered a significant amount of support. The UK has said that it will not support a proposed EU rule on an FTT without global agreement. It is understood that other countries including Sweden, Denmark, and Ireland all agree. If a financial transaction tax were to be implemented, it would apply per transaction and therefore it would have a disproportionate effect on short term transactions and overnight markets. Based on ICSD data it is estimated that €700 billion could be raised from securities (bonds and equities) alone. In another estimation the EBF has also determined from ICMA repo survey data that approximately €280 billion per year could be raised on repo transactions alone. The scale of these numbers indicates how much incentive the proposal would create to redesign activities in ways outside the scope of the proposed FTT charge.

11. Legal update

Miss Cleary noted that the annexes to the GMRA 2011 are now in draft form as are the guidance notes to the GMRA 2011. Following member feedback changes have also been made to the ICMA GMRA 2011 Protocol and it will be re-published in amended form at the same time as the annexes and guidance notes. To date, no members have adhered to the Protocol, but once it has been re-published, it is expected that ERC Committee members' firms will adhere.

12. AoB and Upcoming meeting dates

Mr. Richard Comotto said that he had been asked, by the ERC, to make a small amendment to the semi-annual repo survey. This change would add a further category of collateral to the survey in order to obtain data regarding multi-government agencies. After a brief discussion, the committee decided that the category of "supranational bonds" is a sufficiently wide definition.

Mr. Comotto also discussed his next academic study which has been commissioned in response to the FSB's work on shadow banking. Regulators have looked for an academic anchor for their investigations into repo markets. There have been a number of academic studies that point to the instability of repo and the pro-cyclicality of haircuts. However, these studies use US data based on US repo markets. But, the repo product in the US is not the same as repo in Europe as the US model is based on quasi-pledging rather than full title transfer. Haircut, which is standard practice in the US, also serves to differentiate US from European markets. Mr. Comotto's work will be to

deconstruct these academic papers and outline a case specific to European repo markets. He undertook to circulate a draft to the Committee for comment.

The Chairman noted that he had received a comment from a member that LCH does not give full price credit to collateral posted for margin and instead, LCH only uses a flat price, which is needlessly expensive for market participants. Mr. Edward McAleer indicated that he would look into this on behalf of the committee.

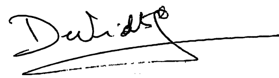
The Chairman said that the next committee meeting would host a short presentation from Bloomberg regarding their Bloomberg Evaluated Pricing (BVAL) of government, supra, agency and corporate instruments.

Further dates:

The ERC Council annual general meeting is being held on 18th January in Luxembourg, hosted by Clearstream. Ms. Colaco-Henry noted that elections to the Committee will be held at this time. Further details will be circulated shortly regarding the elections but Committee members were asked to note that the deadline for submitting nominations is Monday, 19th December. There is no flexibility on this deadline.

The next ERC Committee meeting will tentatively be held in February. The secretary will be in touch with further details in due course.

The Chairman: The Secretary:



Godfried De Vidts Lalitha Colaco-Henry

Copenhagen, 7 November 2011

ANNEX 1

Turning to the MiFID review, Ms. Colaco-Henry said that MiFID's current scope extends to "financial instruments" though most of the provisions are cut back to apply only to "transferable securities" the definition of which excludes "money-market instruments"[2]. Under the proposals published by the Commission in October, while the definition of "financial instruments" is little changed, the definition of "transferable securities" has changed. The definition no longer excludes "money market instruments". Instead, the definition only excludes "instruments of payment" which are not defined. However, as the money market instrument exclusion has been removed, repo could now fall within the third limb of the "transferable securities" definition – i.e. "any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures…"

Turning to trading venues, repo may now potentially trade on an OTF (Organised Trading Facility) which is defined as "any system or facility which is not a regulated market or MTF, operated by an investment firm or a market operator, in which multiple third-party buying and selling interests in financial instruments are able to interact in the system in a way that results in a contract". The explanatory memorandum accompanying the draft MiFID proposal notes that the intention is for the operator of an OTF to have a degree of discretion over how a transaction will be executed i.e. the operator of the OTF can perform a service to clients which is qualitatively if not functionally different from the services provided by regulated markets and MTFs to their members and participants. However, more particularly, operators of OTFs will be prohibited from trading against their own proprietary capital. Alternatively, organised trading may happen by systematic internalisation. Systematic Internalisers (SIs) may execute client transactions against their own proprietary capital but may not bring together third party buying and selling interests in functionally the same way as a regulated market (RM), MTF or OTF. It is also important to note that an SI will not be classified as a trading venue. However, it is not clear from the proposals what "proprietary" trading is supposed capture. In particular, the extent to which treasury functions would be captured in the definition is unknown at this time.

MiFIR now sets out the transparency provisions for non-equity instruments – i.e. bonds, structured finance instruments and derivatives only. On pre-trade transparency, RMs, MTFs and OTFs will have to make public prices and depth of trading interest at those prices for orders or quotes advertised through their systems for, amongst other things, bonds admitted to trading on a RM or for which a prospectus has been published. The Requirement also applies to actionable indications of interest i.e. a message from one participant to another in a trading system about available trading interest that contains all necessary information to agree a trade. SIs, on the other hand, will have to provide firm quotes in bonds and structured finance products admitted to trading on a RM or for which a prospectus has been published when prompted for a quote by a client or when the SI agrees to provide a quote.

On post-trade transparency, RMs, MTFs and OTFs will have to make public the price, volume and time of the transaction. Details are to be made public as close to real-time as is technically possible. Deferred publication will be possible. Authorisation for deferred publication will be given by

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[2] Money market instruments are defined as those classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

competent authorities, especially in relation to transactions that are large in scale compared with the normal market size for that bond or class of bond. SIs on the other hand will have to make public the volume and price at of transactions in bonds admitted to trading on a RM or for which a prospectus has been published. The deferred publication regime applicable to RMs, MTFs and OTFs will also apply to SIs.

Transaction reporting will apply to "financial instruments" but excluded are:

- Financial instruments which are not admitted to trading or traded on an MTF or OTF;
- Financial instruments whose value does not depend on the value of a financial instrument admitted to trading or traded on an MTF or OTF;
- Financial instruments which do not or are not likely to have an effect on a financial instrument admitted to trading or traded on an MTF or OTF

It remains to be seen whether ESMA would consider repo to fall within the second category – i.e. to what extent does the value of a repo transaction depend on the value of the underlying bond. Additionally, the way the provision is drafted implies that the underlying is a single financial instrument as opposed to a basket of financial instruments.

Regarding pre- and post-trade transparency, and, to the extent not already covered transaction reporting, it is unclear to what extent these provisions will apply in the broader repo context. A repo involves the sale and subsequent re-purchase of a bond or a basket of bonds. It remains to be seen to what extent repo market participants would have to comply with the transparency and transaction reporting obligations in respect of the underlying transactions.

Finally, Ms. Colaco-Henry noted that MiFID has been amended to prohibit investment firms from concluding title transfer collateral arrangements with retail clients for the purpose of securing or covering clients' present or future, actual or contingent or prospective obligations. She had understood from past discussions with the Committee that this new provision should have no bearing on repo. However, the ensuing discussion indicated that this may prove to be problematic for Italy, which may have a sizeable retail repo market.