

Minutes of the European Repo Committee meeting held on September 9, 2013 in Frankfurt

Present:	Mr. Godfried De Vidts Mr. Stephen Malekian Mr. Grigorios Markouizos Mr. Peter Schmidt Mr. Romain Dumas Mr. Tony Baldwin Mr. Ronan Rowley Mr. Olly Benkert Mr. Jean-Michel Meyer Mr. Andrea Masciovecchio Mr. Stefano Bellani Mr. Rajen Patel Mr. Ulf Bacher Mr. Michel Semaan Mr. Sylvain Bojic Mr. Guido Stroemer Mr. Eduard Cia	ICAP (Chairman) Barclays Capital Citigroup Commerzbank (for Mr. Biewald) Credit Suisse Daiwa Capital Markets Deutsche Bank Goldman Sachs HSBC Intesa SanPaolo JP Morgan Morgan Stanley (for Mr. McAleer) Newedge Group Nomura Société Générale UBS UniCredit Bank AG
On the phone:	Mr. Simon Kipping	Bank of America Merrill Lynch
Also Present:	Mr. Harald Bänsch Mr. Nicholas Hamilton Mr. Richard Comotto Mr. David Hiscock Mr. John Serocold Ms. Lisa Cleary Ms. Charlotte Bellamy Ms. Katie Kochmann Mr. Kevin McNulty Mr. Andrew Dyson	Unicredit Bank AG JP Morgan (Co-chair, ERC Ops) ICMA Centre ICMA ICMA (Dial-in) ICMA (Dial-in) ICMA (Secretary) ICMA (Dial-in) ISLA (Dial-in) ISLA (Dial-in)
Apologies:	Mr. Eugene McGrory Mr. Andreas Biewald Mr. Edward McAleer	BNP Paribas Commerzbank Morgan Stanley

1. Minutes of the previous meeting

The draft minutes of the previous ERC Committee meeting held on June 18, 2013 are approved.

2. ERC Committee meeting with the European Central Bank

The Committee discusses the items on the agenda for a meeting that the Committee will have with the European Central Bank following the Committee's meeting.

3. Financial Transaction Tax (FTT)

Mr Bänisch updates the Committee on a meeting he attended with the German Ministry of Finance. Mr Bänisch reports that there seems to be political will behind the FTT, although it is not yet clear what the exact requirements of the FTT will be. The Ministry of Finance in Germany seemed to be open to constructive suggestions from market participants on how FTT should be calculated and/or applied in practice. The Committee discusses the various ways in which a FTT may be applied and calculated. Committee members conclude that the FTT proposal is so damaging to the repo market that the established position of principled opposition should be maintained.

4. European repo market survey and the ICMA European Repo Council Guide to Best Practice in the European Repo Market

Mr Comotto discusses the results of the 25th semi-annual European repo market survey, which was conducted in June 2013 and is based on responses from 65 market participants from 61 groups. The survey reveals information relating to the volume of outstanding trades in the European repo market (which is estimated to have increased by 8.6 per cent. since December 2012) and includes analysis of, inter alia, trading method, geography, currency, collateral type and maturity. The survey will be finalised and published on the ICMA website in due course.

Mr Comotto also discusses the ICMA European Repo Council Guide to Best Practice in the European Repo Market (the **Guide**), which is in substantially final form. Mr Comotto notes that the Guide will be a living document, with the most up-to-date version at any given time being available on the ICMA website. Mr Hiscock describes the procedure for the finalisation of the Guide, and notes that the previous repo trading practice guidelines and documentation available on the ICMA website will be decommissioned at the time the Guide is published.

5. Legal Update

Ms Cleary reports on recent legal work, including (i) updating the Committee in respect of the Dutch Intervention Act and the theoretical effect on close-out netting and (ii) discussions around the Clearstream Repurchase Conditions. Ms Cleary also reports that ICMA is discussing

whether a structured process to remove the GMRA 1995 from the ICMA GMRA legal opinions should be considered, following the publication of the 2011 Global Master Repurchase Agreement Protocol (Revised).

6. Secured Benchmark Indices

Mr Dumas updates the Committee on the work of a sub-group focussing on proposals for the introduction of a new suite of secured benchmark indices. The initial proposals of the working group are that any new secured benchmark index would need to be anchored to actual market transactions, anchored in existing liquid markets and comprised of centrally cleared, overnight GC transactions (with a broad definition of GC). The working group has also discussed whether voice transacted trades should be included in the compilation of the new suite of secured benchmark indices, alongside electronic trades; and whether the scope of the indices could be extended to include term trades as well as overnight. Various other practical aspects of compiling the indices would also need to be discussed as the project progresses. The new suite of secured indices would be designed to fulfil EU benchmark requirements. The main concern of the sub-group is that any new secured benchmark indices should be governed by an industry body such as the EBF, which is sufficiently representative and has the experience and credibility to perform such role. The sub-group will also seek to ensure the proposals are viewed positively by the appropriate authorities. The sub-group may also look at the possibility of leveraging existing private initiatives in this area, as long as such initiatives could be integrated with the governance described above.

7. ERC Ops Group update

Mr Hamilton reports that the ERC Ops Group has continued its work in five key areas, namely: (i) margin standards, where Mr Tony Platt and Mr Adam Bate have been focusing on finalising conventions for inclusion in the Guide and continuing discussions with respect to rules on margining where there are negative interest rates; (ii) affirmation and matching development, for which Ms Camille McKelvey chairs a subgroup that has been focusing on, inter alia, definitions for affirmation, confirmation and matching for the Guide and the possibility of including an operations addendum to the European repo market survey to build a deeper and broader view of market practice in Europe; (iii) data repository, where a subgroup has been formed under Mr Jonathan Lee with the aim of developing understanding of current regulatory and advisory views in this area in order to shape an opinion on manageable data provision; (iv) Target2 Securities, where Mr Rob Mason is leading a working group and where most firms appear to be maturing their views on their entry points into the T2S hub, with agents conducting bilateral interviews to understand firm profiling; and (v) regulatory review, with the ERC Ops group focussing in particular on mandatory buy-in, FTT and haircuts. Mr Hamilton noted that two additional areas will begin to evolve rapidly in Q4 2013, namely (i) a workstream focusing on the practicalities of triparty interoperability following the signing of a memorandum of understanding between the ICMA ERC, Clearstream Banking S.A., Clearstream Banking AG, Euroclear Bank SA/NV and Eurex Clearing AG in July 2013; and (ii) a possible extension to an end of day window for Treasury operations.

8. FSB Shadow Banking and data repository (DR)

Mr Hamilton describes the work of a subgroup of the ICMA ERC considering the most appropriate methods of enhancing transparency in the European repo market (whether through a DR or otherwise). The ERC is supportive of enhancing transparency, and has taken stock of a number of different documents pertinent to the topic, including papers published by the European Systemic Risk Board, Federal Reserve Bank of New York and European Central Bank. The ERC believes there needs to be in-depth discussion of a wide range of issues about a potential DR and recognises that, while there are significant costs to providing data, there is the potential, in time, for market efficiency benefits related to trade-matching and reconciliation and more efficient regulatory reporting requirements. The Committee noted that the ERC will need to consider the recent proposals by the Financial Stability Board in this area, in order to further its thinking on this topic.

9. Asset Encumbrance

Mr De Vidts updates the Committee on a meeting of the European Banking Authority (EBA) and a delegation of the Committee on August 27, 2013. Mr De Vidts notes that the discussion at that meeting touched on the Committee's concerns regarding the growing regulatory reporting burden and duplication, to which the Asset Encumbrance project would add. The Committee delegation also made a number of technical points.

The Committee discusses the desire to be proactive in supporting transparency in the repo market, and the practical challenges in providing data in the manner envisaged by current proposals. The desirability of having phased implementation requiring gradually increasing levels of data provision is noted. A working group, led by Mr Meyer, will be formed to consider this topic and further the ERC's thinking in this area.

10. Regulatory Update

Mr Hiscock briefly comments on the BCBS Revised Basel III Leverage Ratio Framework and Disclosure Requirements published on June 26, 2013 and the FSB Reports on Strengthening Oversight and Regulation of Shadow Banking published on August 29, 2013.

The meeting is closed at 13:30 CET.