

Minutes of the European Repo Committee meeting held on October 23, 2013 in London

Present:	Mr. Godfried De Vidts Mr. Stephen Malekian Mr. Eugene McGrory Mr. Andreas Biewald Mr. Romain Dumas Mr. Tony Baldwin Mr. Ronan Rowley Mr. Jean-Michel Meyer Mr. Edward McAleer Mr. Ulf Bacher Mr. Sylvain Bojic Mr. Guido Stroemer Mr. Eduard Cia	ICAP (Chairman) Barclays Capital BNP Paribas Commerzbank Credit Suisse Daiwa Capital Markets Deutsche Bank HSBC Morgan Stanley Newedge Group Société Générale UBS UniCredit Bank AG
On the phone:	Mr. Andrea Masciovecchio	Intesa SanPaolo
Also Present:	Mr Shaun Baskett Konrad Sippel Yuliyang Georgiev Peter Wölger Mr. Kevin McNulty Mr. David Hiscock Ms. Lisa Cleary Ms. Charlotte Bellamy	STOXX STOXX STOXX STOXX ISLA ICMA ICMA (Dial-in) ICMA (Secretary)
Apologies:	Mr. Simon Kipping Mr. Grigorios Markouizos Mr. Olly Benkert Mr. Stefano Bellani Mr. Michel Semaan	Bank of America Merrill Lynch Citigroup Goldman Sachs J.P. Morgan Nomura

} Agenda item 1 only

1. Presentation by STOXX

Mr Shaun Baskett, Mr Konrad Sippel, Mr Yuliyen Georgiev and Mr Peter Wölger of STOXX, which provides the GC pooling index, present the STOXX GC pooling index product, explaining the independence, transparency and objectivity of the product and its development to date. STOXX explained that the STOXX GC pooling index family covers the full money market yield curve up to twelve months. The 16 short-term indices are exclusively transaction based. The 21 longer-term indices take into account trade prices as well as binding quotes (which is a quote on which the relevant market participant would have an obligation to trade). Binding quotes are included in the calculation of the longer-term indices because there is not a sufficient number of trades with longer maturities for a reliable index calculation. Certain criteria and limits on the inclusion of quotes in the calculation are applied in order to ensure protection against manipulation. The Committee raised various queries in relation to the inclusion of quotes in the indices calculations, expressing the concerns with an index based on quotes which may never result in trades. In particular, the Committee queried whether there should be a floor on the volume of a quote that will be taken into account in the calculation, noting that a market participant could affect the curve with a quote for a small volume which would not be representative of the market. The STOXX representatives note that it is difficult to build an objective curve with any method if a market is illiquid. However, STOXX believes that their method is a suitable solution and also agrees to review the methodology in order to prevent such scenarios.

The Chairman thanks STOXX for their presentation.

2. Minutes of the previous meeting

The draft minutes of the previous ERC Committee meeting held on September 9, 2013 are approved.

3. Identification of ERC's priorities regarding current regulatory initiatives

The Chairman refers to a draft ICMA paper entitled "Avoiding Counterproductive Regulation in Capital Markets: A Reality Check", which is being prepared with input from the Committee and explains that it will map regulatory proposals that overlap and/or conflict with each other. The Chairman explains that this paper will be published shortly and is intended to stimulate debate on the topics it covers. The Chairman notes that the paper covers the following topics relevant to repo: (a) Basel Committee on Banking Supervision (BCBS) consultation on gross leverage; (b) BCBS liquidity ratio requirements; (c) EU European Market Infrastructure Regulation (EMIR): CCP margins and collateral fluidity; (d) EU European Market Infrastructure Regulation (EMIR) and BCBS and International Organisation of Securities Commissions (IOSCO) recommendations: Bilateral collateralisation; (e) Financial Stability Board (FSB) and European Commission development of policy on shadow banking; (f) Financial Stability Board (FSB) consultation on mandatory minimum haircuts for repos; (g) EU Central Securities Depositories Regulation (CSDR) Proposal; (h) EU proposed Banking Resolution and Recovery Directive

(BRRD); (i) Reports on asset encumbrance by the European Banking Authority (EBA) and the BIS Committee on the Global Financial System; (j) EU Member States' Proposal for a Financial Transaction Tax (FTT); and (k) EU Markets in Financial Instruments Directive review (MiFID II). The Committee discusses the order of priority for the Committee's focus on these topics and considers the proposals on FTT and gross leverage to be the most concerning, with CSDR, BRRD, asset encumbrance and MiFID II also considered to be priorities.

4. FSB Shadow Banking workstream (including data repository)

The Chairman reports that there will be a meeting on 24 October to discuss and progress the joint ICMA/ISLA responses to the FSB and European Commission proposals relating to Shadow Banking. In addition, the data repository study prepared by the ERC Operations Group has been sent to various regulators, with some positive feedback. The study recommends reporting on a periodic basis, rather than every day, to allow IT systems and budgets to adjust to the new requirements.

Mr McNulty encourages the Committee to consider the draft ICMA/ISLA response to the consultations. A key area of concern is that certain aspects of the proposals apply to the financing of non-regulated entities, and it will be important for market participants to be able to identify whether they are dealing with a "regulated" bank or a non-bank. Mr McNulty also explains that ICMA and ISLA have provided the FSB with a few suggestions regarding its draft template for the forthcoming QIS2 and are liaising with the FSB in relation to a specific question relating to QIS2. The Committee discusses this and agrees to give further consideration to this question and provide their thoughts to ICMA after the meeting.

5. Repo indices

In relation to the work of the Committee's sub-group focusing on proposals for the introduction of a new suite of secured benchmark indices, Mr Dumas reports that the sub-group is planning and preparing for a meeting on 20 November 2013 with Euribor-EBF, various CCPs and ATs and the ECB as an observer to progress discussions on this topic.

6. Asset Encumbrance

Mr De Vidts reports that ICMA is monitoring developments in this area and notes that a recent paper published by the International Monetary Fund (IMF) touched on this topic. The IMF paper specifically mentions that limits on asset encumbrance may be required in the future. It is noted that the IMF paper is an important signal, and such stance may be followed by the ESRB and UK FPC. There is a move to ensure that banks have enough bail-in-able debt outstanding at any one time. It is noted that secured debt is not bail-in-able, so the proposals will, if implemented, place banks under pressure not to rely too heavily on repo. If asset encumbrance limits were proposed there would be effective encouragement of unsecured lending, which will be out of line with the general trend towards increasing secured funding. One of the key points to consider in this debate is that ownership of assets used in repo is exchanged because there is full title transfer in a repo transaction. For this reason, it is

important to look at asset encumbrance on a net basis, rather than a gross basis. Mr Meyer agrees to consider and determine any next steps that the Committee should take in this area and report to the Committee at its next meeting.

7. BCBS Leverage Ratio Consultation

Mr Hiscock reports that the ERC submitted a response to this consultation. In terms of next steps, it is important to try and respond to a request from the SLRC for illustration of the impact of the proposals with quantitative data. The Committee discusses the challenges associated with quantifying the decrease in repo that would arise if the leverage ratio proposals were implemented. It is decided that the Committee will look into providing data to quantify the impact of the proposals following the meeting and that a recent, helpful investment bank research report will be sent to the ERC.

8. Legal Update

Ms Cleary reports on recent legal work. ICMA has received the first adherence letter to the GMRA 2011 Protocol, and Ms Cleary encourages the Committee to also adhere to the GMRA 2011 Protocol, which improves parties' default position. Ms Cleary also reports that the annual legal opinion update is underway, with the addition of Lichtenstein as a new jurisdiction. In addition, FATCA language for the GMRA will soon be circulated and Ms Cleary encourages the Committee to raise any queries they have with their tax colleagues. Ms Cleary also notes that an updated opinion in respect of Cyprus, with some additional clarifications, was published on 15 October 2013. Finally, Ms Cleary notes that the mandatory reporting of repo (and other) trades with a Russian trade repository will be required from 5 November 2013.

9. ERC Ops Group update

Mr Hiscock reports on behalf of Mr Hamilton, by providing a brief recap of the presentation and talk which Mr Hamilton had given at the 16 October ERC General Meeting, at J.P. Morgan in London. The ERC Ops group has a significant agenda, which now includes some important efforts to contribute to work towards a report on efficient functioning of the repo market that is being coordinated by COGESI.

10. Regulatory Update

The Committee has already discussed all relevant regulatory topics and so a separate regulatory update is not necessary.

The meeting is closed at 16:20 GMT.