ICMA Future Leaders
Career Progression, Education, Networking.

ICMA

Get Involved!

How to engage with ICMA and get the most out of your firm's membership

An ICMA Future Leaders guide for young professionals in the international capital market

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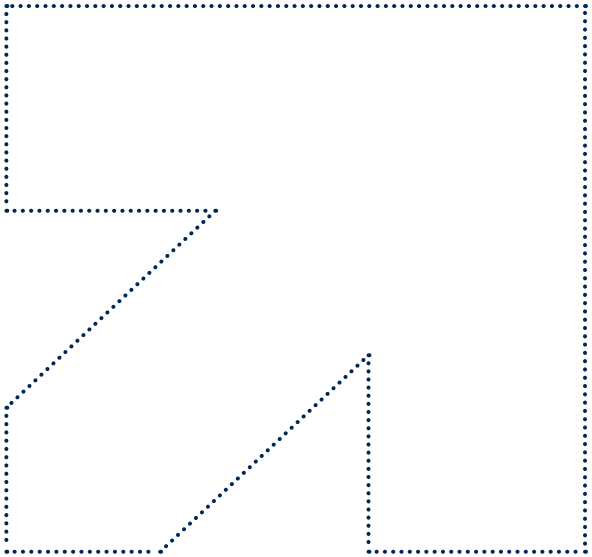


Why read this guide?

For more than a century bond markets have been a stable and reliable source of long-term financing for governments, financial institutions and corporates around the world. They serve as a mechanism for the transformation of savings into financing for the real economy, thus constituting an alternative source of funding to bank financing. The bond markets are fundamental for economic development.

The **International Capital Market Association** is the principal trade association concerned with the cross-border bond markets. Over 50 years it has been a key driver in the development of capital market in Europe and globally. ICMA's market conventions and standards have been the pillars of the international debt market, providing the framework of rules governing market practice which facilitate the orderly functioning of the market.

ICMA itself only comprises a small secretariat but relies on its member firms to promote and oversee the development of the market. Active participation by member firms is the life-blood of the association, ensuring ICMA's work is relevant and effective.

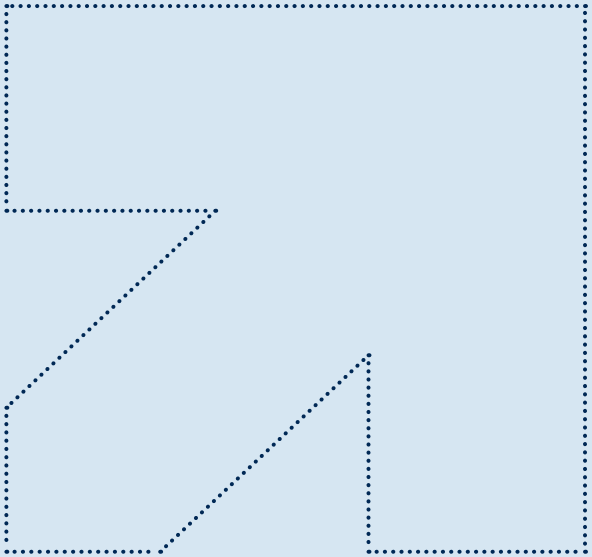
New participants in member firms may not be aware of ICMA's work and the association's role in the market. They may not be aware of all the services, support and information that ICMA membership can provide.

This "Get Involved!" brochure has been prepared by the members of the ICMA Future Leaders Committee, who are all professionals in the early stages of their careers, to provide an insight into the work of the association, the services on offer and how ICMA can help you in your career development.

In addition, as an example of the educational value that ICMA can offer, this guide includes a section on the **European regulatory landscape** and a **glossary** of the jargon often used in the international capital market. As you develop your skills and competencies in the capital market, we would also encourage you to engage more closely in ICMA's work in maintaining an efficient and effective capital market.

ICMA Future Leaders provide the Association with guidance and input on how ICMA can better communicate with the rising generation of finance professionals, as well as providing fresh ideas on how the association can work more effectively for its members.

> **"Active participation by member firms is the life-blood of the association"**



A short history of the cross-border bond markets

ICMA is the trade association at the heart of the international cross-border bond markets. Unfortunately the cross-border bond market, traditionally referred to as the "Eurobond" market, is not clearly understood - even by many market participants. Yet understanding the market is key to understanding ICMA's central role.

A brief history is relevant

The international bond market landscape at the end of the Second World War was made up entirely of national domestic bond markets. The predominant activity was domestic borrowers raising money in their own domestic market. Any international capital raising comprised borrowers seeking to raise funds in another country's domestic market (i.e. a "foreign bond").

After the war, European countries needed to rebuild and modernise their infrastructure. They were particularly drawn to the enormous US domestic bond market for their substantial funding needs; issuing foreign bonds or "Yankee" bonds.

This activity meant that US dollars became available in Europe. As these dollar balances increased, the US banks were incentivised to set up European branches and there developed an active "Euro-dollar" interbank market.

By the early 1960s the US Balance of Payments had moved from surplus to deficit and the US authorities saw Yankee bond issuance as contributing to the deficit. In 1963 the US imposed a tax on their domestic investors buying foreign bonds. Facing the closure of the US domestic market, merchant bankers in London came up with the idea of sourcing much needed dollar financing via tapping the, by now substantial, offshore dollar market in Europe.

But how to do it?

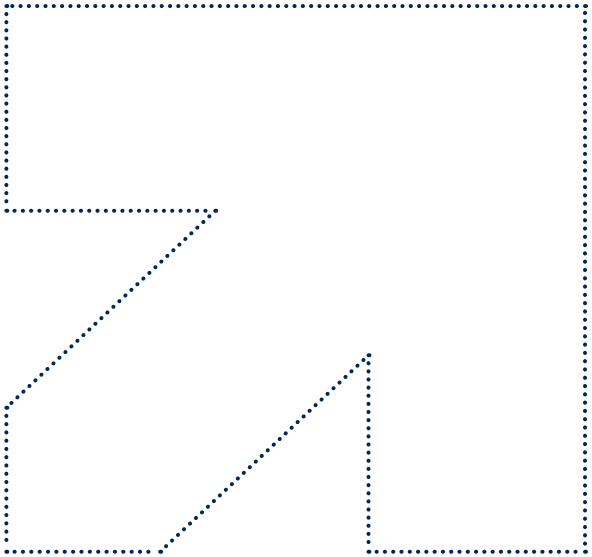
Such bonds would be outside the jurisdiction of any domestic market so needed to be structured in a way that appealed to a wide array of international investors. Tax was considered the biggest impediment to cross-border investing, so unlike most domestic markets, these new "Eurobonds" were structured to be free of withholding tax at source. They were also issued as "bearer bonds", providing investor anonymity, an important consideration for much of the "flight money" at the time.

These Eurobonds proved a great success, particularly with high net worth investors, and the market developed quickly. By the late 1960s problems developed in the settlement and delivery of these cross-border bond issues prompting a group of bond dealers to come together and form an association in order to establish a market infrastructure embodying agreed rules for best market practice. This association would develop into ICMA.

Eurobonds' bearer status became a key consideration for Middle East investors re-investing their 'petrodollars' after the substantial oil price hikes in the mid 1970s. The Eurobond market was soon transformed into a substantial institutional investor market and a key source of financing for governments.

The market has grown consistently over its first half century and the amount of bonds now outstanding is approximately $24 trillion equivalent, making it the world's largest market for international capital.

Indeed, so successful has the market been that many of the traditional activities of domestic markets, such as corporate bond issuance, have been subsumed into this cross-border bond market. Why issue a domestic bond when for no more effort you can use the cross-border bond market and attract investors globally?



But this cross-border market raises significant challenges. It is not governed by the rules of any one market. There is no universal cross-border securities law, only various domestic or regional laws. This is why ICMA's role is so crucially important.

ICMA and its predecessor associations have developed rules and recommendations for their member firms reflecting agreed best market practice and promoting fair treatment of both issuers and investors. In more recent decades they have played a key role in preserving the efficiency of this global market from being impaired by the deluge of regulation that has arisen as a consequence of financial crises.

Timeline

1960s

The first "Eurobond" is issued for the Italian motorway construction company, Autostrade, in 1963.

Eurodollar bond issuance grows rapidly due to the US "Voluntary Restraint" programme.

By 1969 trading and settlement problems have accumulated, prompting the formation of an Association of the key trading houses, the "Association of International Bond Dealers" (AIBD) to resolve the issues.

As a response to cross border settlement issues Euroclear is formed in Brussels by the major international banks. In response the Luxembourg banks establish "Cedel" now "Clearstream".

1970s

AIBD oversees the formation of a series of rules and recommendations governing trading and settlement in the international securities market.

It establishes a regional structure for member firms to reflect the geographic composition of the Association's global membership.

In order to develop talent and understanding in the new market the AIBD creates an educational programme for members, creating the AIBD Certificate and the Operations Certificate Programme.

1980s

In 1984 a group of major AIBD member banks establish a new association to focus on the increasingly important primary markets, the International Primary Market Association (IPMA).

With the deregulation of securities markets in the UK, so called "Big Bang", the AIBD opts for self-regulatory status and is approved as an "International Securities Self-Regulating Organisation" (ISSRO) and recognised as a "Designated Investment Exchange" (DIE).

AIBD Ltd., the Association's wholly owned subsidiary, opens in London to provide data services to the market, and in 1989 AIBD launches TRAX, a transaction matching, confirmation and, subsequently, regulatory reporting system.

1990s

The AIBD Centre is established at the University of Reading in December 1990 as a "business school for the financial markets".

The AIBD takes leadership in the rapidly developing "Repo" market. A common standard, the Global Master Repurchase Agreement (GMRA) is launched in 1992.

1992, AIBD changes its name to the "International Securities Market Association" (ISMA).

The Investment Services Directive (ISD) of the European Union is adopted by member states, heralding a rash of new directives governing the securities markets in Europe and making way for monetary union by the end of the decade.

The Noughties

The International Repo Council is formed under the Association's auspices in 2000.

The EU Financial Services Action Plan (FSAP) is launched involving 42 directives to be adopted covering all aspects of the financial markets.

One consequence of the increasing regulatory burden is the decision in 2005 to merge ISMA and the International Primary Market Association (IPMA). As a result, the Association changes its name to "International Capital Market Association" (ICMA).

The new Association overhauls its membership structure and extends membership to investors and borrowers and opens associate membership to professional advisers.

The Regulatory Policy team is built up to provide services and expertise for members and to represent the market's interests to regulators.

A further substantial investment is made in the ICMA (formerly AIBD) Centre, Reading University, effectively doubling the size of the facilities.

The ICMA Centre becomes part of the Henley Business School after the latter's acquisition by Reading University.

In a strategic move away from providing proprietary systems to the market ICMA sells its market services arm, Xtrakter, to Euroclear.

To reflect the growing importance of the buy-side in the marketplace ICMA established the Asset Managers and Investors Council (AMIC) in 2008.

In 2007-10 the global financial crisis rocks the international capital market to its core. ICMA's active engagement with regulatory bodies is of paramount importance.

2010 onwards

ICMA expands membership through the Middle East and Asia and opens a representative office for Asia Pacific based in Hong Kong. This office addresses the needs of its members in the region and promote regulatory and market practice initiatives related to ICMA's areas of international expertise.

It also establishes new member groupings to extend participation by the issuer community, the Public Sector Issuer Forum, the Financial Institutions Issuer Forum and the Corporate Issuer Forum.

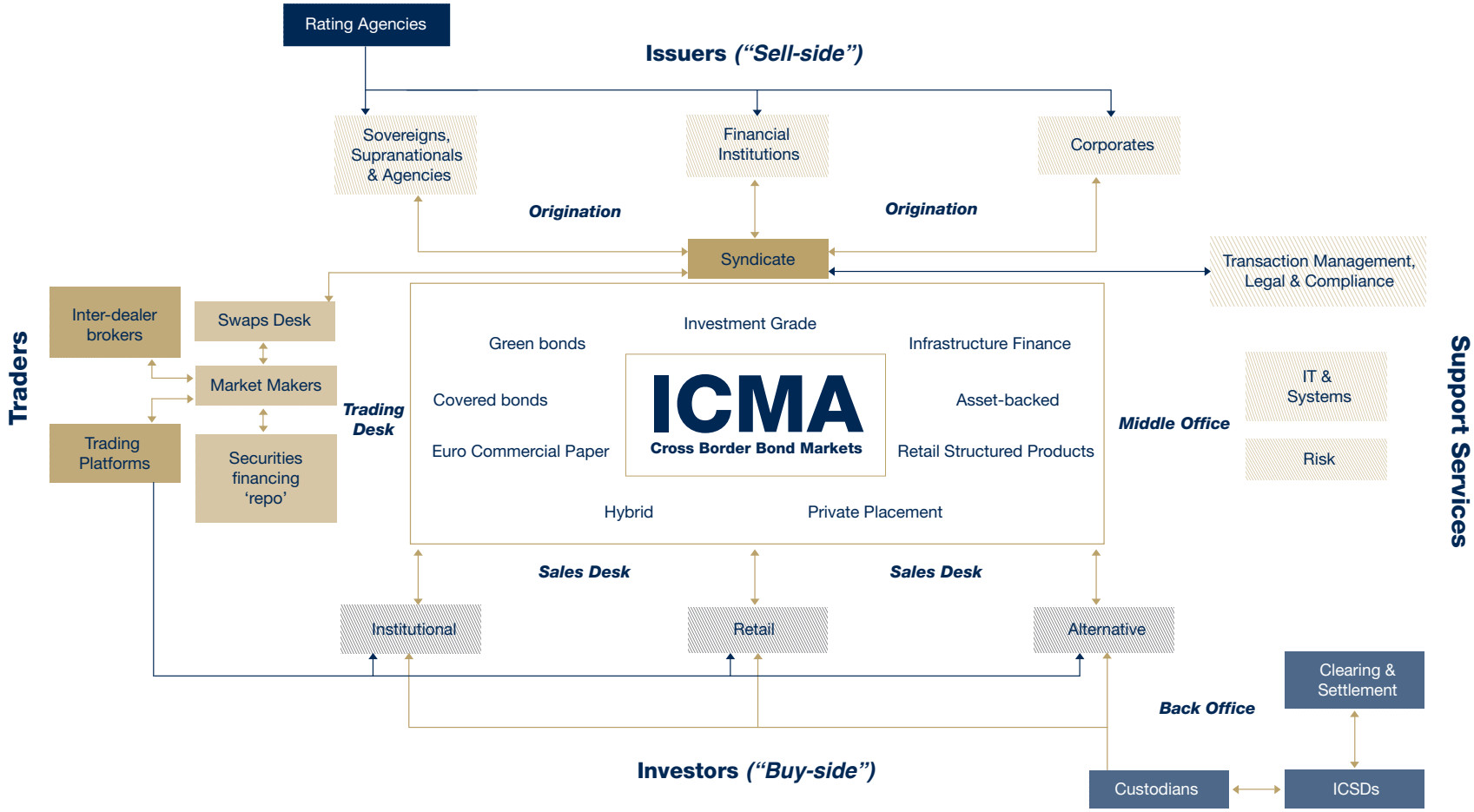
The cross-border bond market today

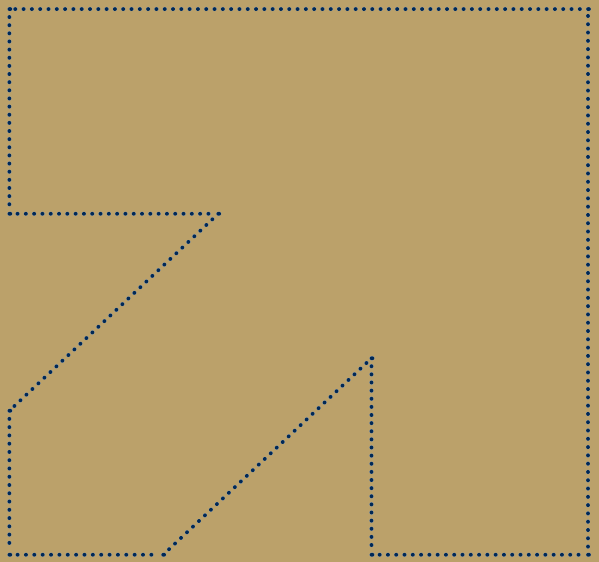
The international capital market is defined as the market in which *long-term* capital is raised by industry and commerce, governments and agencies. The money comes from investors, be they insurance companies, pension funds, asset managers, banks or private individuals. The key intermediaries in the market are the investment banks and securities houses.

The presence and sophistication of their capital market distinguishes developed economies from developing economies.

Today's markets can be seen as a complex and sophisticated set of interactions between many different protagonists. All have a differing, and yet, important role to play in enabling the marketplace to operate in an efficient and professional manner for the key participants. Detailing how the markets work on a day-to-day basis is beyond the scope of this brochure, however the diagram illustrates the main participants and their interactions.

The international capital market: key segments and interactions





What does ICMA do?

ICMA works with its members to promote an efficient and well-functioning international capital market, which is essential for economic growth.

Market participants themselves ensure the efficient working of the market by applying their practical experience to set good market standards and develop suitable documentation. This complements and may obviate the need for further statutory or mandatory regulation.

ICMA's key activities:

- Acting as a **representative body for the whole cross border financial market** in dealings with the decision-making bodies of the EU, national governments, central banks, Treasuries, tax, regulatory and competition authorities.
- Working closely with industry regulatory bodies, attending meetings and responding to consultation papers reflecting the views of expert practitioners.
- Bringing all sections of the industry together and encouraging dialogue with the authorities and regulatory bodies to ensure that financial regulation supports the resilience, efficiency and cost effectiveness of international debt capital market.
- Developing **codes of conduct for members** i.e. internationally accepted standards of market practice in the form of rules, recommendations and guidance.
- Developing **market standard documentation** for the cross-border markets to reduce cost and promote efficiency.
- Monitoring **developments and trends** in the cross-border market and disseminating information.
- Organising **market conferences, seminars, roundtables and meetings** to encourage information flow and networking within the industry and with its regulators.
- Promoting high professional standards for market participants through **market-focused education, workshops and training.**
- Co-operating globally and regionally with **other securities organisations and trade associations.**

ICMA's Members

ICMA has almost **530 member firms** located in over 60 countries active in all segments of the international debt markets.

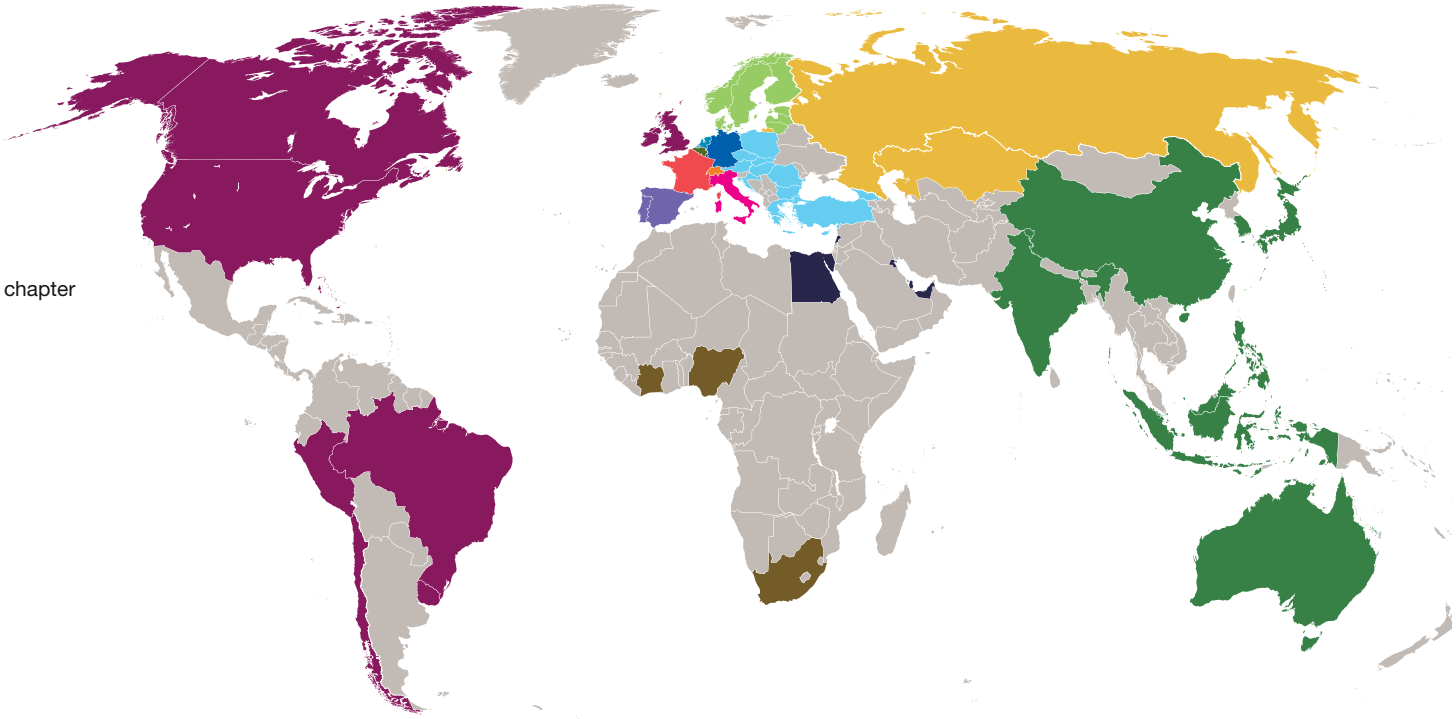
It aims to represent the views of all the users of the market, from the issuers raising capital, to the banks which act as intermediaries, to the institutions who are investors and the law firms, exchanges and clearing houses which support market activity.

ICMA's membership consists of both full and associate members. Full members broadly comprise banks, securities houses, exchanges, asset managers, issuers and clearing and settlement organisations.

Associate members are entities providing key support to the capital market such as central banks, law firms, rating agencies, and government debt management offices. Each member firm has an ICMA **'principal delegate'**, the key point of contact for any ICMA matters within the firm.

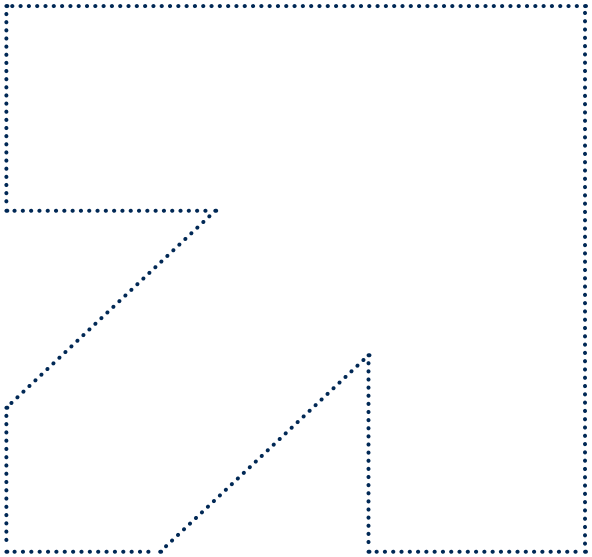
In order to communicate most efficiently with and between member firms ICMA has a regional structure, currently comprising **fifteen geographic regions**. Each region has its own regional committee which provides ICMA with input on how best to serve the respective region. Many regions have a very active ICMA community, running their own calendar of events.

This map highlights the countries where ICMA's current member firms are domiciled, colour-coded by ICMA regions.



ICMA Regions

- Africa
- Asia Pacific
- Austria, Eastern and South Eastern Europe
  - Greece, Turkey, Cyprus and Balkan States chapter
- Belgium
- France and Monaco
- Germany
- Iberia
- Italy
- Luxembourg
- Middle East and North Africa
- Netherlands
- Nordic
- Russia and other CIS countries
- Switzerland and Liechtenstein
- United Kingdom, Ireland and the Americas
  - Ireland chapter
  - Latin America chapter



How does ICMA carry out its work?

The **ICMA Board** consists of 21 senior representatives from the membership, elected by the members at the AGM, and it determines the association's strategy and oversees ICMA's activities.

The **Executive Committee (EXCOM)** is responsible for the day-to-day management and administration of ICMA. It reports to the board through the Chief Executive, who chairs it and appoints its members.

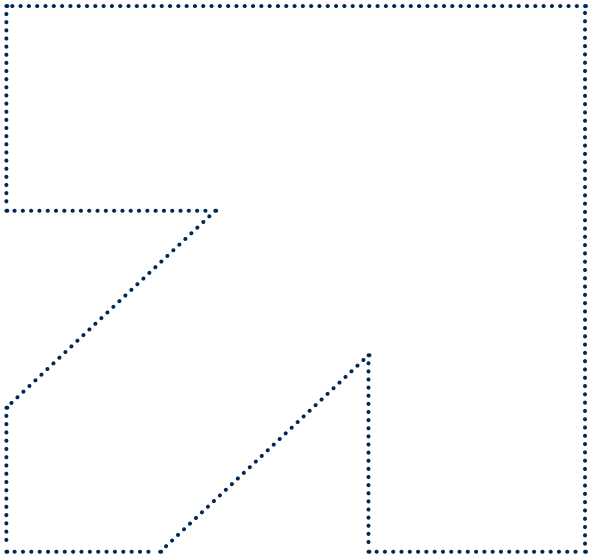
The Board and Executive Committee have established a number of committees to assist it in the management of the association. These include the Membership Committee, the Nomination Committee, the Committee of Regional Representatives, and the Education Committee.

ICMA's market-focused work is carried out by its Committees, Councils and Forums of members.

A **senior ICMA staff member** is responsible for each grouping, organising its meetings, taking the minutes and once a consensus is reached implementing its decisions. The Committee, Council or Forum itself will comprise the key market practitioners from member firms in the relevant section of the market. It is the market practitioners themselves who make the decisions by consensus, with ICMA simply providing a secretariat function. In addition to the above groupings there are a number of working groups that support the work of the committees. In total over 1000 individuals are involved in providing their expertise in this way.

ICMA's work is extraordinarily wide-ranging but the various groupings enable a clear focus on specific areas and are a means of bringing together appropriate expertise to debate and resolve the relevant issues.

The Market Practices Committee (MPC) is responsible for ensuring that ICMA's standard documentation properly reflects the requirements of the international capital market as a whole. It is composed of the chairs of ICMA's PMPC, SMPC, LDC and ECP committees.



The Regulatory Policy Committee (RPC) oversees all ICMA's market practice and regulatory policy work. The RPC consists of the government affairs, regulatory and compliance heads in member firms, and the chairs of ICMA's market practice committees. The Committee maintains a regular dialogue with senior regulators, some of whom are invited to attend the Committees meetings.

The Primary Market Practices Committee (PMPC) A healthy new issue market is vital to meet international borrowers' increasing financing needs. The PMPC consists of the syndication managers of member firms active in lead-managing syndicated bond issues in Europe. ICMA's work in the primary markets, in which new securities are issued to raise capital, is based on a strong legacy from the International Primary Market Association (IPMA).

The PMPC is concerned with promoting transparency, and creating a level playing field for banks and borrowers when syndicating new offerings. At the heart of the process is the ICMA Primary Market Handbook, which is widely acknowledged as agreed best industry practice.

A recent focus for the committee has been the introduction of the new EU Market Abuse Regulation (MAR) and its effect on the pre-sounding and the stabilisation of new bond offerings. The committee is also grappling with the new product governance requirements to be introduced under MiFID II.

The Legal and Documentation Committee (LDC) consists of the heads and senior members of the legal and/or transaction management teams of primary market member firms. They ensure the Handbook is fit for purpose and updated where necessary. They also focus on the appropriate documentation of new issues and meeting the requirements of the Prospectus Regulation.

A major milestone was reached for the LDC with the launch of the updated ICMA Primary Market Handbook after a root and branch overhaul.

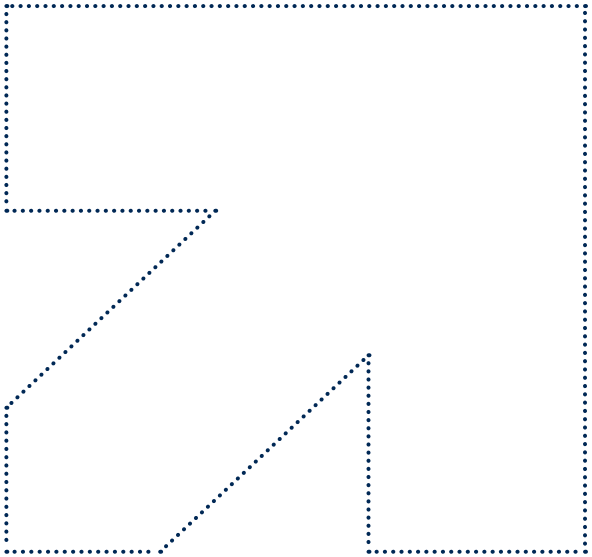
The Euro Commercial Paper Committee (ECP) comprises the heads and senior members of the ECP teams of member banks active in the ECP market. It is concerned with the functioning of the short-term ECP market, including maintenance of documentation standards, disclosure, and the restructuring and revival of the asset-backed CP market.

ICMA for Borrowers

The Public Sector Issuer Forum (PSIF) brings together the major government/ sovereign borrowers together with supranational issuers, such as the EIB or KfW, and other quasi governmental agencies. Many of these public sector issuers borrow in large size and on a frequent basis so the forum enables them to consider matters especially relevant to their sector.

The Corporate Issuers Forum (CIF) brings together senior funding officers and Treasurers of European companies and again provides an opportunity to look at the challenges for issuing in the corporate markets.

The Financial Institution Issuer Forum (FIIF) brings together issuers in the financial sector. Financial institutions are particularly dependent on raising capital, whether for their capital adequacy or solvency requirements. This situation has become more urgent since the global crisis. Recent concerns for the forum have been the stringent capital requirements under Basel III and, the so-called, Basel IV and the "bail-in" regime.



The Secondary Market Practices Committee (SMPC) A vibrant secondary market is key to the provision of liquidity. Bond market liquidity has deteriorated in recent years and presents a major challenge to ICMA's members. The SMPC comprises trading managers of member firms typically acting as market makers and key institutional investors. There has been increasing concern and attention focused on corporate bond market quality and liquidity, and the ability for credit markets to function effectively and efficiently.

This is at the very core of ICMA's secondary market work, engaging with market practitioners and stakeholders, including broker-dealers, investors and asset managers, corporate issuers, and infrastructure providers, as well as policy makers and regulators, to help better understand the issues and the challenges, and to work together to find constructive solutions to ensure safer, functioning, liquid secondary markets.

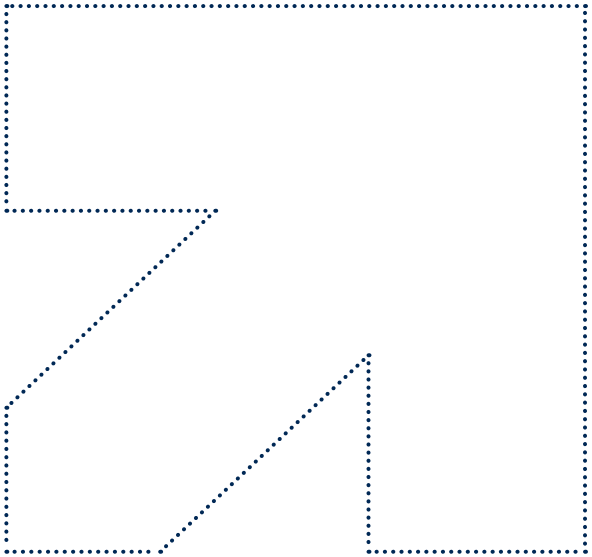
Recent work streams have focused on MiFIR /MiFID II in the area of transaction reporting and best execution requirements, and on the Capital Requirements Regulation and its Fundamental Review of the Trading Book (FRTB).

The European Repo and Collateral Council and Committee (ERCC) Since the early 1990's, ICMA has played a significant role in promoting the interests and activities of the international repo market, and of the product itself. 'Repo' is short for a 'sale and repurchase agreement'.

The repo market is the main means by which collateral is sourced, priced and circulated. The repo product has a very significant role to play in the international securities market by providing liquidity, marketability and in offering opportunities for the mitigation of credit risk.

The ERCC represents the cross-border repo market in Europe and plays a significant role in nurturing the development of the repo market and supporting its wider use. Since the financial crisis of 2007, the importance of collateral has grown significantly and the ERCC has increasingly focused its efforts on working with the authorities to create an efficient collateral market.

Since the early 1990s ICMA has devoted considerable resources to developing a standard master agreement for repo transactions. The first version of the **GMRA** was published in 1992 and followed by substantially revised versions in 1995, 2000 and 2011. ICMA obtains and annually updates opinions from numerous jurisdictions worldwide on the GMRA 1995, 2000 and 2011 versions.



ICMA for the buy-side

International financing is entirely dependent on a robust investor base. In the last decade ICMA has welcomed buy-side members and seeks to represent their interests in the cross-border markets. ICMA is one of the few trade associations with a European focus that has both buy-side and sell-side representation.

The Asset Management and Investors Council (AMIC) represents the views of, and adds value to, the buy-side members of ICMA by discussing investment issues of common interest, reaching a consensus and recommending any action that ICMA should take.

AMIC has a number of specialist buy-side working groups covering topics such as securitisation and 'bail-in'. Other working groups are built on the basis of a joint buy-side/ sell-side membership, covering areas such as the European private placement market and electronic trading.

AMIC Covered Bond Investor Council (CBIC)
Covered bonds are an important part of the financing of the mortgage and public sector markets in Europe. Furthermore the asset class represents an important source of term funding for banks. The AMIC Covered Bond Investor Council is an investor driven organisation, independent of both issuers and the market, which ICMA supports with secretariat and administrative services.

ICMA and green finance

"Use of proceeds" has been a growing concern for participants in the cross-border bond markets.
A considerable interest has been taken in financings that have a beneficial environmental and/or social impact.

Green Bonds enable capital-raising and investment for new and existing projects with environmental benefits. Recent activity indicates that the market for Green Bonds is developing rapidly. **The Green Bond Principles (GBP)** are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. **The GBP Council** brings together a representative group of issuers, investors and intermediaries in the Green Bond market, with ICMA serving as the secretariat.

Market Infrastructure

ICMA is closely involved in various initiatives related to the financial market infrastructure in the clearing and settlement of transactions in Europe; the so-called 'post-trade' space. The lack of harmonisation in this post-trade environment has been a big issue, as it increases costs and risks particularly for cross-border markets. For example, one particular ICMA work stream is involvement in the Eurosystem's TARGET2-Securities (T2S) project. T2S will significantly reshape the European post-trading industry by providing a single pan-European platform for securities settlement in central bank money.

In summary it can be seen that much of ICMA's work is focused on the constant flow of regulation and regulatory amendments and updates. But who are the particular regulatory bodies and the key issues that ICMA is addressing? See the section on **'Who regulates European securities markets?'** for more information.

What can I get out of ICMA?

The ICMA Future Leaders is based on three pillars: career progression, education and networking. In addition to the wealth of information and ICMA's work in market practice and regulatory policy, ICMA offers a wide range of educational courses, industry events and extensive networking opportunities.

Education

ICMA Executive Education (ICMA EE) is a unique partnership between the association and the ICMA Centre, Henley Business School, University of Reading working together to develop top quality training, typically delivered by market practitioners.

The combination of almost four decades of market experience and academic expertise gives ICMA Executive Education a unique advantage in the provision of pertinent, up-to-the-minute training for the financial markets. The programmes are benchmark qualifications for both the front office and the operations areas and equip participants with practical skills they can use in their day-to-day jobs. The courses attract an international client base and so also provide an opportunity for participants to network with counterparts from a wide range of financial institutions.

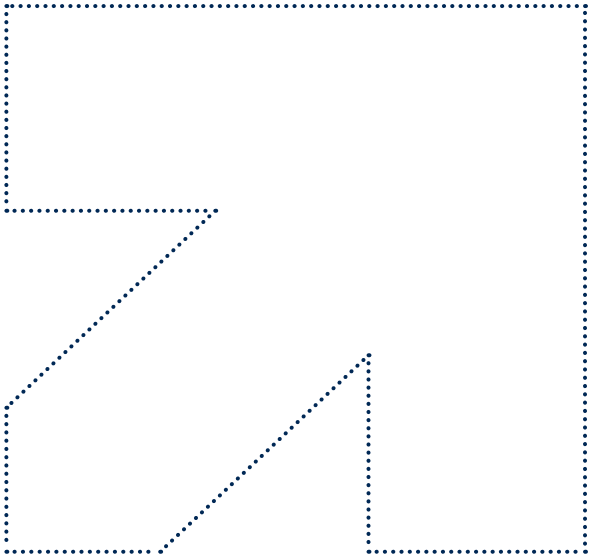
At the heart of ICMA EE is a suite of courses, covering the fixed income markets, the primary market and securities operations. These courses are provided at a foundation level and at an advanced level and all require candidates to pass an exam.

Beyond these core programmes there are many short product or sector related courses which do not require an exam.

ICMA EE public courses are delivered via classroom-based teaching with several qualifications also available to **study online**.

ICMA Educational Workshops

In addition, ICMA also offer a series of non-certified, non-examined **workshops** which take place throughout the year. Topics include European Regulation, Bond Syndication and Compliance, Repo, Collateral Management, the GMRA and the ICMA Primary Market Handbook.



Events

ICMA offers an extensive programme of **conferences, roundtables, presentations, networking events, workshops and conference calls** throughout the year for its members internationally. These cover all the market sectors in which the association is active; and most events are free to members.

The ICMA AGM and Conference is one of *the* major global financial conferences. The event attracts more than a thousand participants and is held annually in a selected European city over three days in May. The event allows the entire membership to gather, debate the issues of the day and hear the views of government ministers, central bankers, regulators and a diverse array of eminent market experts and academics. Many of the most celebrated politicians and financiers of their day have addressed the conference over the years – from Margaret Thatcher to Jean-Claude Trichet.

Throughout the year ICMA arranges other specialist conferences, either on a regional basis, product area basis or regulatory topic basis. In addition, the AMIC, ERCC and Green Bond Principles arrange specialist conferences for practitioners in their markets.

ICMA also hosts roundtables and expert presentations on matters of interest to the membership throughout the year. These may take place at lunchtime or early evening and members can attend in person or participate via conference call.

There is a continuous programme of workshops as mentioned above under “Education”.

There may also be conference calls for members usually addressing technical matters of concern to the market e.g. a lunchtime presentation from a senior US Counsel on FATCA compliance.

Networking

Networking is, in many ways, a pre-condition of well-functioning markets. ICMA has always emphasised collaboration and interdependence among its disparate membership through its **regional structure** which fosters the “ICMA community” among members of the various ICMA regions, its numerous events and through other initiatives such as the ICMA Women’s Network and ICMA Future Leaders.

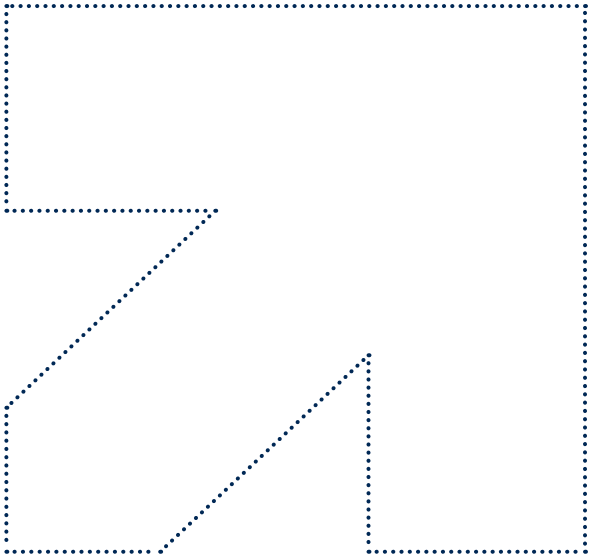
The ICMA Women’s Network (IWN) provides an impartial and open forum to discuss issues relevant to professional women in the international capital market and gives members the opportunity to build their network and focus on their career progression.

IWN is designed for women at the intermediate stages of their career: the ‘pipeline’ into senior management. It is open to all employees of ICMA member firms (regardless of gender) around the world, now involving nearly 1000 individuals. IWN holds networking events throughout the year in the main financial centres of Europe, usually focused around themes related to career development in capital market.

ICMA Future Leaders was set up by ICMA to reach out to the ‘next generation’ of market professionals and help them to tap into ICMA’s services and to contribute a fresh approach to ICMA’s work in maintaining and developing the cross-border bond markets.

ICMA Future Leaders focuses on three core areas: Career Progression; Education; and Networking.

Open to all staff at ICMA member firms, the initiative aims to develop a sense of community between junior colleagues across geographic borders and functional area, such as that which already exists at a more senior level amongst ICMA members. It works alongside member firms’ own graduate programmes and internal youth networks.



A key initiative of ICMA Future Leaders is the **ICMA Mentoring Programme** to help members with their career growth and development by matching those looking for a career mentor with suitable mentors, either peer to peer or with more senior managers using an e-mentoring platform.

ICMA Members' Register provides the most comprehensive directory of contacts in the financial market, thanks to a membership base of almost 530 member firms, representing the largest investment banks to regional banks, exchanges, central banks, law firms and other professional bodies.

Whether you work for an ICMA member firm or are seeking to get in touch with one of our members, the Members' Register is the benchmark directory in the capital market.

The on-line Members' Register has search facilities to help put you in touch with the leading players within ICMA's member firms throughout the world and with member firms providing their own updates on-line, the latest edition is never more than a mouse click away.

So how do I get involved?

Many of your colleagues are already involved in the association and will know how things work. So as a first step we strongly to encourage you to speak to them to get their experience and personal insights on how ICMA can be of benefit.

Another great place to start is with the **ICMA website**. It has an easy to navigate menu format to take you to your area of particular interest. You may find certain areas are password protected, (e.g. the online ICMA Primary Market Handbook and the ICMA Members Register) in this case, contact your firm's **principal delegate** to find out your firm's log-in details.

If your ICMA delegate is not immediately available your log-in can be found by contacting ICMA's **Membership department** in Zurich.

The majority of section headings on the website are self-explanatory. The **"Resources"** area is the place to go to access ICMA documentation, reports, FAQs, product information and members' updates.

You can subscribe to ICMA's various **mailing lists** to receive information directly.

If you wish to be involved in ICMA Future Leaders and their initiatives, contact **futureleaders@icmagroup.org**

The ICMA Quarterly Report is produced by the Market Practice and Regulatory Policy team at ICMA. It outlines the latest developments in the main areas in which the Association is currently engaged namely: primary markets, secondary markets, repo and collateral markets, asset management and capital market products.

In addition to the Quarterly Report, ICMA regularly publishes a newsletter, the ICMA Update for Members, which briefly summarises recent activities covering developments in the various ICMA regions, market practice and regulatory updates as well as upcoming educational courses and events.

The ICMA Legal and Regulatory Helpdesk exists to put you in direct touch with an ICMA expert who can help you with questions relating both to market practice and our documentation but also with enquiries relating to regulatory developments affecting fixed-income markets. This is a free service available to all staff of member firms.

Social Media

ICMA runs a number of active LinkedIn groups as well as a Twitter page.

Join our group on **Linkedin**

Follow ICMA **@icmagroup**

Follow ICMA's Women's Network **@ICMAWomensNet**

ICMA App

ICMA has launched an app to provide greater accessibility to the latest news and consultation responses from ICMA.

You can download the app by typing ICMA Group on the Apple App, Google Play Store or on **www.icma-app.com** (for internet based access on devices that do not support the app). The ICMA app contains key sections on events, education, the Annual General Meeting etc. There is a notification function to keep you informed.

Summary

Getting involved with ICMA gives you access to:

- The **quarterly assessment of regulatory policy and market practice** free to members
- **Global conference calls** on regulatory policy and market practice four times per year
- **Regular members' update email**
- **ICMA Standard Documentation**
- **Legal opinions on the GMRA,** issued annually in over 60 jurisdictions are free to members
- **ICMA Legal & Regulatory Helpdesk**
- **The ICMA Members' Register**
- Market leading training and development opportunities with substantial member discounts **(ICMA Executive Education and ICMA workshops).**
- **ICMA events** – majority of events are free to members and other events are provided at discounted rates
- The opportunity to work with like-minded young professionals in other member firms sharing experiences and contributing to the dynamism of the markets
- The opportunity in the future to join **ICMA Committees and Working Groups** and help shape the direction of the international capital market

If you would like to learn more about getting involved, please contact us on info@icmagroup.org

Additional information

Who regulates Europe's securities markets?

Securities

EU regulation starts with the **EU Commission**. They propose a framework legislative text or package. This package is then considered and amended *in parallel* by the **European Parliament** and the **EU Council (of Ministers);** the "co-decision" procedure. The Commission then returns to the negotiating table and the outcome of this 'trilogue' is an agreed text which is adopted by the Parliament and Council. This first stage is known as Level One under the agreed legislative ('Lamfalussy') procedure.

The primary legislation of the European Union is set out in the Treaties. The aims set out in the Treaties are achieved by the secondary legislation: Regulations and the Directives. Regulations are directly applicable and binding on Member States throughout the EU, whereas Directives are binding on member states in relation to the objectives to be achieved but give states discretion how the legal measure should be incorporated into domestic law.

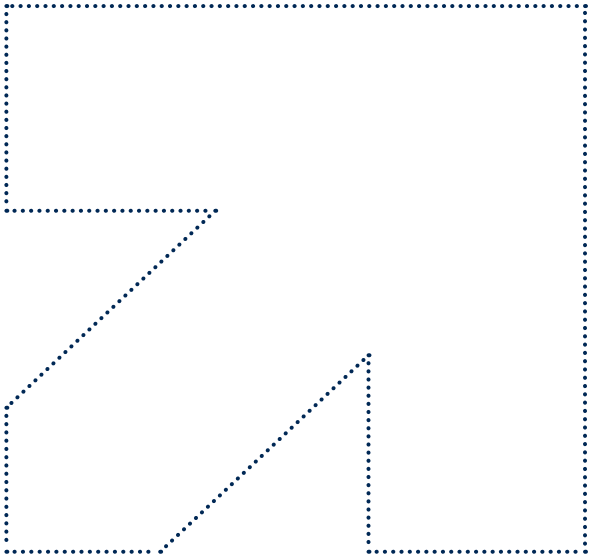
Traditionally most of the regulatory measures for the Financial Services Action Plan (FSAP) were in the form of directives. But post the crisis, to ensure fully harmonised standards and more uniform implementation, core rules have been broken out from the relevant Directives into new Regulations. e.g. the core rules of the Market Abuse Directive (MAD) are now enshrined in the updated Market Abuse Regulation (MAR).

In Europe, the global financial crisis revealed that while financial institutions operated across borders using the single EU market, supervision remained mostly at the national level; was uneven and often uncoordinated. A new supervisory framework was needed and put in place. At the heart of this framework are the European Supervisory Agencies (ESAs). The agencies most directly affecting ICMA's work are principally the **European Securities Market Authority (ESMA)** but also the European Banking Authority (EBA).

The broad framework act now needs to have the detail added. At the next stage, Level 2, the Commission requests detailed technical advice from ESMA which serves as a basis for subsequent drafts by the Commission. ESMA may then issue *Guidelines and Recommendations* on the meaning of the Level 1 & Level 2 measures and a common enforcement policy in order to establish consistent and effective supervisory practices. Each 'competent authority', i.e. national regulator, has to confirm whether it will comply with such guideline or recommendation or explain the reasons for its non-application.

ESMA then monitors the implementation and enforcement of the relevant capital market provisions in the member states.

ICMA is in touch with all the EU legislative bodies and supervisors, mentioned above, and meets with some of them regularly and/or invites them to ICMA meetings. ICMA's regulatory work is particularly focused on ESMA; responding to consultation papers and giving market feedback on regulatory proposals. Of great importance also are the **national competent authorities** charged with the supervision of the domestic markets. The UK's **Financial Conduct Authority (FCA)** is the largest national regulator and ICMA works with the FCA closely on all matters impinging on the cross-border markets.



Banking

The lead European supervisory agency on the banking side is the **European Banking Authority (EBA)** and their role is very similar to that of ESMA with regard to their role in the legislative procedure for banking matters. However, focusing on banking regulation, there are two other important supervisory bodies.

Firstly, the **Basel Committee for Banking Supervsion (BCBS)** was established by the central bank governors of the Group of Ten countries in 1974 with a mandate to strengthen the regulation, supervision and practices of banks worldwide to enhance financial stability. The Basel Accord in 1988 was an initiative by the Committee to set a minimum capital requirement for banks. Designed in the first instance for large, international G-10 banks, Basel I was subsequently adopted by banking supervisors in more than 100 countries. Taking into account market developments and advances in technology Basel II was finalised in 2004 . However implementation of Basel II coincided with the financial crisis and in particular the banking crisis, which illustrated the inadequacy of the regime. Therefore, in short order, Basel III was introduced entailing profound changes in the way banks ration and employ capital.

In Europe these various capital adequacy measures were adopted by the EU authorities as Directives and more recently a Capital Requirements Regulation (CRR I) and this is particularly where the EBA is involved. In addition, to address the question of resolving banks when they get into difficulty, the Bank Resolution and Recovery Directive (BRRD) involving the “Bail-in” regime was introduced. These measures all have profound consequences for ICMA members.

Secondly the **European Central Bank (ECB)** is the central bank for the Euro and administers monetary policy in the Eurozone. In 2012 the EU Commission proposed new ECB powers for banking supervision as part of a proposed Banking Union. In the *Single Supervisory Mechanism (SSM)*, ultimate responsibility for specific supervisory tasks related to the financial stability of all Euro area banks lies with the ECB.

National supervisors continue to play an important role in day-to-day supervision and in preparing and implementing ECB decisions.

ICMA maintains excellent relations with the ECB and the principal European central banks.

Europe and beyond

Beyond Europe, particularly in Asia-Pacific, the Middle East and increasingly Africa, ICMA also maintains good relationships with national regulators and with central banks (many of whom are members). It shares its expertise and experience with developing bond and repo markets, often by working closely with other trade associations. Its **international affiliations** are extensive and includes the **International Organization of Securities Commissions (IOSCO)** on a global level; the **National Association of Financial Market Institutional Investors (NAFMII) of China; Japan Securities Dealers Association (JSDA)**; the **Thai Bond Market Association (ThaiBMA**); **Securities & Commodities Authority (SCA)**, United Arab Emirates; the **National Finance Association** (Russia), among others.

Glossary

Some readers new to the international capital market may be unfamiliar with some of the market terminology used in this brochure. This glossary may help:

Asset-backed: A security whose payments are collateralised by a pool of underlying financial assets e.g. mortgages

Back office: A securities firm's accounting, clearing and settlement operations

Bail-in: For banks in difficulty, bondholders forfeit part or all of their investment to "bail-in" the bank before taxpayers are called upon

Bearer bond: A bond owned by whoever is holding it, rather than having a registered owner

Buy-side: Institutional investors who buy bonds on behalf of others

Capital Adequacy: Measure of the financial soundness of a bank; usually calculated as a ratio of its capital to its assets

Collateral: Something pledged as security for repayment of a bond or loan, to be forfeited in the event of a default

Compliance: The function in a financial institution which ensures it complies with all applicable laws, rules and regulations

Covered bond: A bond secured by a pool of mortgage loans or public sector debt

DCM: Debt Capital Markets: The bond new issues department of a bank or securities house

ECP: Euro Commercial Paper, a short-term unsecured promissory note. A money market instrument allowing major corporations to obtain funds to meet short-term debt obligations

Eurozone: Or the euro area, is a monetary union of 19 of the 28 European Union member states which have adopted the Euro as their common currency

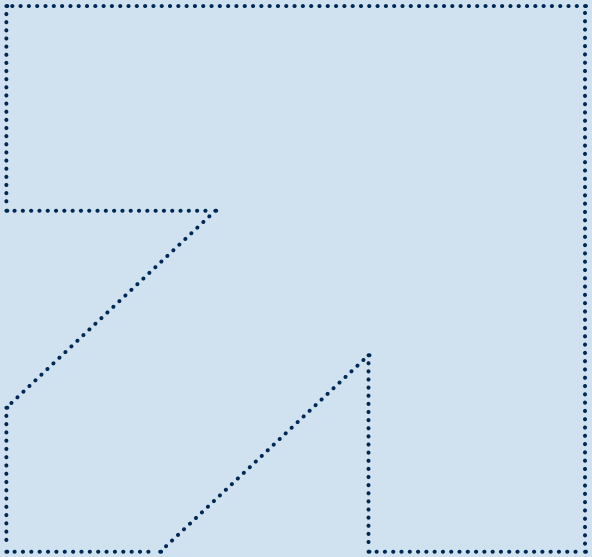
FIG: Financial Institutions Group, the origination group in DCM servicing financial borrowers

GMRA: The Global Master Repurchase Agreement, a standard agreement for repo transactions

Hybrid: A security having features of both debt and equity instruments

ICSDs: International Central Securities Depository, a financial services company that specialises in the settlement of securities transactions, e.g. Euroclear and Clearstream

Investment grade: Bonds that are rated at or above 'Baa' by Moody's or 'BBB' by Standard & Poors



Lead manager: A senior or main underwriter of a new securities issue

Market-maker: A trader making simultaneous bid and offer prices in securities to facilitate trading and market liquidity

Origination: Solicitation of potential borrowers for new debt offerings

Primary market: The market for new securities issues by original issuers

Private placement: The sale of securities directly to a selected small group of investors rather than as part of a public issue

Repo: A sale and repurchase agreement; a form of short-term borrowing in the bond market

SSA: Sovereign, Supranational and Agency; the origination group in DCM servicing such borrowers

Sell-side: Firms that sell investment services to investors

Stabilisation: The process of supporting the price of a new issue by means of over-allotment

Supranational: International development organisations owned by groups of sovereign states e.g. the World Bank

Swap desk: The trading desk specialising in interest rate and /or currency swaps allowing market participants to exchange cash flows on assets or liabilities

Transaction management: The desk in DCM focusing on the documentation of a new offering

ICMA Future Leaders
Career Progression, Education, Networking.

ICMA

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