

EUROPEAN REPO COUNCIL

Minutes of the General Meeting of the European Repo Council held on September 19, 2007 in Luxembourg

Location: Hémicycle, Luxembourg
Time: 16.00 to 18.30

The following members of the European Repo Committee were present:

Mr. Eduard Cia, Bayerische Hypo-und Vereinsbank AG, Munich
Mr. Godfried De Vidts (Chairman), ICAP Securities plc, London
Mr. Johan Evenepoel, Dexia Bank Belgium NV/SA, Brussels
Mr. Eric Lepore, Deutsche Bank AG, London
Mr. Edward McAleer, Morgan Stanley & Co. International Ltd, London
Ms. Dina Noelle, Rabobank, London Branch, London
Mr. Simon Parkins, BNP Paribas, London
Mr. Simon Tims, UBS AG, Zurich
Mr. Stefaan Van de Mosselaer, Fortis Bank, Brussels

Apologies:

Mr. Ulf Bacher, Dresdner Bank AG, Frankfurt
Mr. Jean-Marie Begonin, Credit Suisse Securities (Europe) Limited, London
Mr. Stefano Bellani, JP Morgan Securities Ltd, London
Mr. Olly Benkert, Goldman Sachs International, London
Mr. Herminio Crespo, Caja de Madrid, Madrid
Mr. Mark Dearlove, Barclays Capital, London
Mr. Edward Donald, ABN AMRO Bank N.V., London branch<
Mr. Cameron Dunn, Merrill Lynch International (MLI), London
Mr. Greg Markouizos, Citigroup Global Markets Ltd, London
Mr. Andrea Masciovecchio, Banca Intesa S.p.A, Milan

Also present:

Mr. Richard Comotto, ICMA Centre, University of Reading
Mr. Mark Gem, Clearstream, Luxembourg
Mr. Jean-Michel Godeffroy, ECB, Frankfurt
Mr. Olivier Grimonpont, Euroclear Bank, Brussels
Mr. Dominic Hobson, Global Custodian, London
Mr. Roger Moran, Credit Suisse Securities (Europe), London
Mr. Habib Motani, Clifford Chance, London
Mr. Adi Shachaf, Ministry of Finance of the State of Israel, Jerusalem
Mr. Atsushi Takeuchi, Bank of Japan, Frankfurt
Mr. Andrew Wyke, Goldman Sachs International, London (substituting for Mr. Olly Benkert)
Mr. René Karsenti, ICMA, Zurich
Ms. Katy Butler, ICMA, London
Mr. Christian Hellmund, ICMA, Zurich
Mr. Allan Malvar, ICMA, London
Mr. Kevin Milne, ICMA, London
Mr. Gregor Pozniak, ICMA, London (Secretary)

The following member firms were represented at the meeting:

Banco Bilbao Vizcaya Argentaria, SA, (BBVA), Madrid
Banco Santander Central Hispano, S.A., Madrid
Banque et Caisse d'Epargne de l'Etat, Luxembourg
Barclays Capital Securities Ltd, London
Bayerische Hypo-und Vereinsbank AG, (HBV), Munich
Bayerische Landesbank, Munich
Bear, Stearns International Limited, London
BNP Paribas, Paris
CALYON, Paris
Citigroup Global Markets Limited, London
Commerzbank AG, Frankfurt
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), London Branch
Credit Suisse Securities (Europe) Limited, London
Danske Bank A/S, Copenhagen
Deutsche Bank AG, London branch
Dexia Bank Belgium NV/SA, Brussels
Dresdner Bank AG, Frankfurt (Dresdner Kleinwort)
DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt
Fortis Bank, Brussels
GESMOSA-GBI VSA, Madrid
Goldman Sachs International, London
HSBC Bank Plc, London
ICAP Securities Limited, London
ING Bank N.V., Amsterdam
ING Belgium SA/NV, Brussels
IXIS Corporate & Investment Bank, Paris
Kredietbank S.A. Luxembourgeoise, Luxembourg
Landesbank Baden-Wuerttemberg, Stuttgart
Lehman Brothers International (Europe), London
MF Global UK Limited, London
Mizuho International PLC, London
Morgan Stanley & Co International Ltd, London
National Bank of Greece SA, Athens
Nomura International Plc, London
Société Générale S.A., Paris
UBS AG, Zurich
UniCredit Banca Mobiliare S.p.A., Milan
WestLB AG, Dusseldorf

The following member firms were not represented at the meeting:

ABN AMRO Bank NV, Amsterdam
Aurel Leven Securities, Paris
Banca Caboto S.p.A., Milan
Banca d'Intermediazione Mobiliare IMI S.p.A., Milan
Banca Intesa S.p.A., Milan
Banca Monte dei Paschi di Siena S.p.A., Milan
Banca Nazionale del Lavoro S.p.A., Rome
Bank Julius Bär & Co. AG, Zurich
Bank Austria Creditanstalt AG, Vienna
Caja de Madrid, Madrid
Canadian Imperial Bank of Commerce (CIBC), London branch

Confederacion Española de Cajas de Ahorros (CECA), Madrid
Daiwa Securities SMBC Europe Limited, London
HBOS Treasury Services plc, London
HSBC France, Paris
JP Morgan Securities Ltd, London
KBC Bank NV, Brussels
Lloyds TSB Bank plc, London
Merrill Lynch International, London
Mitsubishi Securities International plc, London
MPS Finance Banca Mobiliare S.p.A., Siena
NIB Capital Bank N.V., The Hague
Raiffeisen Zentralbank Oesterreich AG, Vienna
Royal Bank of Canada Europe Limited, London
The Royal Bank of Scotland Plc, London

1. Opening of the meeting by the chairman of the European Repo Council)

The Chairman, Godfried De Vidts, first welcomes the Council members, observers and guests and thanks Clearstream for kindly hosting the meeting. He also welcomes René Karsenti, Executive President of ICMA. The Chairman underlines that the half-yearly General Meetings of the Council are designed to provide the repo and wider community with information about developments in the market.

The Chairman gives an update on topics not separately covered in the agenda. His presentation is attached as **Annex 1**.

He reports on the work of the CESAME group and emphasises that much work has been accomplished by the private sector through the respective trade associations, but that some of the work of the private sector is held up and cannot be fully implemented given the lack of progress in harmonising legal and fiscal issues, the so-called public-sector barriers. On this crucial issue, the European Repo Council together with 11 other trade associations have written a joint letter to the ECOFIN, the Economics and Finance Ministers of the EU Member States urging member states to tackle without delay barriers that still stand in the way of creating a true single European securities market in the area of clearing and settlement.¹ The last meeting of the CESAME group is scheduled for June 9, 2008.

He informs the meeting that Messrs. Mark Austen of SIFMA and David Rule of ISLA are permanent observers at the meetings of the European Repo Committee with a view towards coordinating views and work. The Chairman further referred to the participation of ERC representatives in the work of the UK Securities Lending and Repo Committee², and to the work of the ECB's COGESI group³. He mentions recent correspondence with LCH.Clearnet on the question of exposure weightings in the CRD (Basel II) context and with Euroclear France on their forthcoming move of the cut-off time from 17.00 to 16.00 h.

The Chairman informs the ERC Council and the Council takes note that with effect from January 1, 2008, government guaranteed bonds and bills issued in Cyprus and Malta will be deemed to be acceptable as collateral on GC repo and buy/sell transactions, unless specifically indicated otherwise prior to engaging in transactions. This step will be taken in line with the decision of the European Repo Committee of September 13, 2006, that the Committee would abstain from any political statement such as recommending the inclusion or exclusion of bonds from certain countries or with certain ratings from EURO GC eligibility, as long as they are judged suitable collateral for monetary policy transactions by the ECB. The respective convention will be updated on ICMA's website within the next few weeks.

Finally, the Chairman thanks the ICMA Secretariat for their support of the work of the ERC Council and Committee, refers to the repo web area on the ICMA website <http://www.icmagroup.org/about1/international1.html> and encourages participants

¹ This letter can be found on the ICMA website at http://www.icmagroup.org/market_practice/Advocacy/clearing_and_settlement/cesame.Par.0007.ParDownLoadFile.tmp/Join%20associations'%20letter%20to%20ECOFIN%2012%20Jun%2007.pdf

² See <http://www.bankofengland.co.uk/markets/gilts/slrc.htm> ; the minutes of the meetings of the SLRC can also be found on this webpage.

³ See <http://www.ecb.int/paym/groups/cogesi/html/index.en.html>

to contact the Secretariat or him through erc@icmagroup.org with any repo-related questions.

2. Change of the composition of the European Repo Committee

The Chairman informs of a change of membership in the ERC Committee. After the departure of Mr. David Roberts from RBS to Fortis Bank (already represented on the Committee), Mr. Robert's mandate has passed to Ms. Dina Noëlle of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), London branch.⁴ The Chairman extends a warm welcome to Ms. Noëlle.

He further informs the ERC Council that the ERC Committee, in its meeting of May 9, 2007, has elected its officers for the current term. As the result of these elections, until the Annual General Meeting of the ERC Council in spring 2008, the leading team of the ERC Committee is composed of:

Mr. Godfried De Vidts, ICAP Securities Ltd.	Chairman
Mr. Ulf Bacher, Dresdner Bank AG	Vice Chairman
Mr. Ed McAleer, Morgan Stanley & Co Intl. Ltd.	Deputy Chairman

3. Approval of the minutes of the ERC general meeting held on February 28, 2007 and dated March 22, 2007

The minutes of the ERC general meeting held in Frankfurt on February 28, 2007 and dated March 22, 2007 are unanimously approved. They had been sent out to ERC members and are available from the ICMA website at <http://www.icmagroup.org/about1/international1/minutes.html> .

4. Update on ICMA strategy and activities

Mr. René Karsenti, Executive President of ICMA, gives an overview of ICMA's work as a trade association and mentions the areas of primary markets (practices as well as legal and documentation issues, including the IPMA Handbook), secondary markets (in particular work on the MiFID implementation, including bond market transparency), Euro commercial paper, and market infrastructure (notably clearing and settlement).

Mr. Karsenti thanks Mr. De Vidts for his leadership in ERC Council and Committee and underlines the role of the Committee in safeguarding a coherent and stable environment in the repo markets. He observes the well-documented and robust legal framework of the GMRA, its annexes and guidance notes and related legal opinions continues to serve the market well, even in the recent times of global financial turbulence. He assures delegates that the work will continue with SIFMA, ISLA and LIBA to enhance efficiency and exploit further synergies in the legal work in the area.

⁴ The updated composition of the ERC Committee can be found on <http://www.icmagroup.org/about1/international1/european0.html>

5. **ECB TARGET2-Securities project**

Mr. Godeffroy's presentation is attached as **Annex 2**. He concludes that T2S should not be seen in isolation, but that the project is one of several initiatives to deliver a true pan-European clearing and settlement infrastructure. These include also the removal of the Giovannini barriers, the Commission Code of Conduct, and progress in the cooperation between the Eurosystem, markets, and regulators with regard to the ESCB/CESR standards.

Throughout his presentation, he refers extensively to the newly structured T2S web area which can be found at <http://www.ecb.int/paym/t2s/html/index.en.html> and recommends that Council members visit the pages to obtain information about the project.

The Chairman thanks Mr. Godeffroy for his presentation and comments that the ERC Operations Group will discuss the final draft of the User Requirements, once they will be published around the end of the year. The ERC Committee will then discuss the group's finding at its subsequent meeting before reverting to the ECB with its comments.

6. **Update on GMRA issues**

The Chairman asks Mr. Christian Hellmund of ICMA's Legal Department in Zurich to provide the meeting with an update on GMRA-related matters.

Mr. Hellmund gives a brief introduction to the legal opinions that ICMA obtains for the benefit of its members and associate members. He refers to the scope of the opinions and to particular issues addressed in the opinions.

He points out that the opinions assist ICMA members and associate members in fulfilling the relevant regulatory requirements by the UK FSA and the German BaFin. Members must, of course, satisfy themselves as to the strength of the opinions and the effect of the assumptions and qualifications contained in them. While it is intended that all opinions should be identical in scope, this has not been possible in certain jurisdictions. Members are therefore strongly advised to ensure that the specific opinions on which they seek to rely extend to their particular circumstances.

2007 GMRA legal opinions

Mr. Hellmund informs participants that in a circular mailed on April 5, 2007, ICMA has notified the entire membership of the completion of the 2006/2007 annual exercise for obtaining update and new legal opinions on the GMRA. In addition to obtaining update opinions for 53 jurisdictions, ICMA has obtained new opinions for Slovakia and Slovenia. In 24 of the 55 jurisdictions, the opinions were jointly obtained with the Securities Industry and Financial Markets Association (SIFMA).

Both the 2007 update opinions (including, in each case, a clean and a blacklined version that tracks the amendments made to the 2006 opinion) and new opinions are available to ICMA members on ICMA's website https://www.icmagroup.org/legal1/GMRA_Legal_opinions.html.

New opinions

Opinions for Croatia and Israel are expected to be finalised shortly.

ICMA has commissioned new opinions for Anguilla, India, Qatar, as well as the jurisdictions of the United Arab Emirates (other than Abu Dhabi for which an opinion already exists). The opinions for Anguilla and India are being obtained upon a suggestion from SIFMA and therefore will be done jointly.

ICMA is currently establishing with local counsel whether clean opinions can be obtained for Bulgaria and Oman.

ICMA continues to monitor legal developments in Malaysia, Romania, and Russia with a view to ascertaining at what stage a clean opinion can be obtained for each of these jurisdictions.

Mr. Hellmund's presentation including the geographical overview of GMRA legal opinions is attached as **Annex 3** to these minutes.

Combination of legal opinions seeking/updating exercise

With regard to a possible combination of the legal opinions seeking/updating exercise on the GMRA and the securities lending agreements, the associations involved (ICMA, SIFMA, ISLA, and LIBA) will continue to discuss how best to make progress at a meeting scheduled for this September 21, 2007.

ICMA rule book (July 2007 edition)

Finally, Mr. Hellmund informs that ICMA's rule book – which contains rules and recommendations relevant to transactions in international securities in the secondary market – now contains a revised section 900 which reflects the abolition of the market sector concept and the sub-committee structure. The new July 2007 edition of ICMA's rule book is available for access by ICMA members via https://www.icmagroup.org/market_practice/legal1/ICMA_Rule_Book.html .

7. Cooperation ICMA-IIFM on Islamic Finance – Repo aspects

The presentation by Mr. Habib Montani of Clifford Chance in London is attached as **Annex 4**.

Further information on ICMA's work on Islamic Finance can be found at http://www.icmagroup.org/market_practice/Advocacy/islamic_finance.html .

8. Comparison ECB Tender vs Repo Markets

In his introduction, the Chairman referred to the participation of ERC Committee members in conference calls by the ECB during the first days of the market turbulences in August. In a separate conference call, the ERC Committee had discussed the situation in the market and coordinated the views to be presented

to the ECB. The ERC Committee has also requested a bilateral meeting with the ECB to discuss the developments.⁵

The presentation by Mr. Evenepoel of Dexia Group is attached as [Annex 5](#).

9. ERC Operations Group

Mr. Roger Moran, Chairman of the ERC Operations Group, gives an overview of the history, remit, and terms of reference of the Group that has been established to complement, support, and advise the ERC Committee on operations and back-office questions. He emphasises that it is one of the aims of the Group to avoid unnecessary duplication of work by actively partnering with other industry associations where this makes sense.

Mr. Moran's presentation is attached as [Annex 6](#).

10. The Daytime Bridge Improvement Programme

Mr. Olivier Grimonpont, Euroclear Bank, and Mr. Mark Gem, Clearstream Luxembourg, present the current status of the improvement programme for the daytime settlement bridge between their organisations as well as an outlook to the forthcoming improvements scheduled for the second quarter of 2008. They emphasise that their enhanced cooperation is designed to serve the market participants and make also reference to their cooperation in the area of tri-party. Their presentation is attached as [Annex 7](#).

Summarising, the Chairman encourages the two ICSDs to continue their dialogue with market participants and their mutual cooperation. He also emphasises the importance of continuing to demonstrate to regulators that the private sector can indeed deliver solutions. He adds that it remains therefore of crucial importance that tax and legal barriers are also swiftly removed.

11. TRAX2 – its potential towards STP

Mr. Kevin Milne, Managing Director of ICMA Ltd., gives a short overview of TRAX, a trade matching and regulatory reporting system that has been developed in conjunction with ICMA members and market users. Since June 2006 TRAX can be used for all asset classes. He informs Council members that the complete migration of all TRAX users towards the TRAX2 platform will be effected in the autumn of 2007.

Mr. Milne reminds the audience of the repo matching abilities of TRAX2 Repo and emphasises that TRAX2 Repo has been developed in close contact with the market, allowing ICMA to understand the requirements of the market participants. Since May 2007, repo matching via TRAX2 is also available for the buy-side.

He invites the repo community to continue to communicate closely with ICMA about further developments. It is one of the focuses of the TRAX2 repo

⁵ This meeting has in the meanwhile been scheduled to take place on November 9.

development to provide opportunities for straight-through-processing (STP) with the aim of optimising internal workflows in the participating banks and investment banks. Internet connectivity for TRAX2 is at the same time the key to minimising costs of access.

With regard to the regulatory reporting functionalities of TRAX2, Mr. Milne reports that ICMA Ltd has received provisional approval from the FSA as an Authorised Reporting Mechanism (ARM) under MiFID.⁶

The Chairman concludes thanking Mr. Milne for listening to the request regarding STP which was only included after a specific request had been made following the official launch of TRAX2.

12. New Book "Collateral management – the ultimate guide"

Mr. Dominic Hobson, publisher, announces that the sequel to the 1999 book "Repo – the Ultimate Guide" will be published in the autumn of 2007 with a broader remit extended to collateral management. His presentation with an overview of the contents of the book is attached as **Annex 8**.

13. Results of 13th repo survey

The presentation by Mr. Comotto (ICMA Centre at the University of Reading) is attached as **Annex 9**.

In his introduction, the Chairman reminds delegates that the quality of the survey and its representative character depend crucially on the level of participation by participants in the market. Mr. Comotto calls those ERC members that are not participating yet to join the exercise and asks delegates at the meeting to discuss the question of participation within their respective firms. He adds that participants in the survey have the additional benefit of getting access to the ranking results which are otherwise not available to the public. He also emphasises that the current survey gives a snapshot picture of the market as of June 13.

The next repo survey will be conducted in December 2007 and its results will be published on March 13, 2008.

The complete survey and the related press release can be obtained from http://www.icmagroup.org/market_info/surveys/repo.html .

14. Next meetings

The chairman announces the following forthcoming meetings and events:

March 13, 2008 **European Repo Council General Meeting**, Paris
Hosted by Euroclear Bank

⁶ On October 3, ICMA has received full approval as an ARM. See [http://www.icmagroup.org/content/media/news1/press.Par.0112.ParDownloadFile.tmp/TRAX2-07-03%20-%20TRAX2%20receives%20full%20approval%20from%20FSA%20as%20an%20Approved%20Reporting%20Mechanism%20\(5\).pdf](http://www.icmagroup.org/content/media/news1/press.Par.0112.ParDownloadFile.tmp/TRAX2-07-03%20-%20TRAX2%20receives%20full%20approval%20from%20FSA%20as%20an%20Approved%20Reporting%20Mechanism%20(5).pdf)

Nov 22-23, 2007 **India Repo Forum and Training Course**, Mumbai, India
organised by ASIFMA⁷

Autumn 2008 **Professional Repo Seminar**, Belgium
Hosted by Dexia Bank

On behalf of Mr. René Karsenti, Executive President of ICMA, he invites all delegates to the 39th Annual General Meeting and Conference which will be held in Berlin on May 30 and June 1, 2007.

15. Any other business

There being no other business, the Chairman closes the official part of the meeting and extends his thanks to all attendants, to the speakers, and to Clearstream for hosting the event. He announces that two guest presentations will follow immediately and asks participants for their continuing attention.

Additional presentations:

Japan's recent efforts to promote repo markets

The presentation by Mr. Atsushi Takeuchi, Chief Representative in Frankfurt of the Bank of Japan, is attached as **Annex 10**.

Launch and future development of the repo market in Israel

The presentation by Mr. Adi Sharaf, Head of the Debt management Office at the Ministry of Finance of the State of Israel, is attached as **Annex 11**. Mr. Sharaf announces the start of the Israeli repo market at the end of the first quarter of 2008. He expresses his hope that the GMRA opinion on Israel will be finalised shortly.

The Chairman:



Godfried De Vidts

The Secretary:



Gregor Pozniak

Annexes 1-11 (see also <http://www.icmagroup.org/about1/international1/minutes.html>)

⁷ For further information, visit <http://www.asifma.org/Conferences/2007/MumbaiConference/htmls/welcome.shtml>