

## EUROPEAN REPO COUNCIL

April 23, 2008

### Minutes of the General meeting of the European Repo Council held on March 13, 2008, in Paris

Location: Westin Hotel  
Paris, France  
Time: 10.30-13.00

#### **The following members of the European Repo Committee were present:**

Mr. Stefano Bellani, JP Morgan Securities Ltd, London  
Mr. Olly Benkert, Goldman Sachs International, London  
Mr. Eduard Cia, Bayerische Hypo-und Vereinsbank AG, UniCredit Markets & Investment Banking  
Mr. Herminio Crespo Urena, Caja de Madrid, Madrid  
Mr. Godfried De Vidts (Chairman), ICAP Securities plc, London  
Mr. Edward Donald, ABN AMRO Bank N.V., London branch  
Mr. Johan Evenepoel, Dexia Bank Belgium NV/SA, Brussels  
Mr. Eric Lepore, Deutsche Bank AG, London  
Mr. Greg Markouizos, Citigroup Global Markets Ltd, London  
Mr. Edward McAleer, Morgan Stanley & Co. International Ltd, London  
Ms. Dina Noelle, Rabobank, London branch  
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. Mark Dearlove, Barclays Capital Securities, London  
Mr. Cameron Dunn, Merrill Lynch International (MLI), London  
Mr. Andrea Maschiovecchio, IntesaSanpaolo S.p.A., Milan

#### **Also present:**

Mr. Mark Austen, SIFMA, London  
Mr. Marc Bayle, European Central Bank, Frankfurt  
Mr. Dirk Bullman, European Central Bank, Frankfurt  
Mr. Richard Comotto, ICMA Centre, University of Reading  
Mr. Michel Keulemans, SWIFT, Brussels  
Mr. Ruari Ewing, ICMA, London  
Mr. René Karsenti, ICMA, Zurich  
Mr. Christian Hellmund, ICMA, Zurich  
Mr. Gregor Pozniak, Acting Secretary  
Mr. Fabrizio Planta, European Commission, Brussels  
Mr. David Rule, ISLA, London  
Ms. Kristin Selnes, ICMA, London  
Mr. Gael Tissier, ICMA, London

**The following member firms were represented at the meeting:**

*ABN AMRO Bank NV, Amsterdam*  
*Banco Bilbao Vizcaya Argentaria, SA, Madrid*  
*Banco Santander Central Hispano, S.A., Madrid*  
*Bank of Scotland Plc, London*  
*Barclays Capital Securities Ltd, London*  
*Bayerische Hypo-und Vereinsbank AG, UniCredit Markets & Investment Banking, Munich*  
*BNP Paribas, Paris*  
*Caja de Ahorros y Pensiones de Barcelona (La Caixa), Barcelona*  
*Caja de Madrid, Madrid*  
*CALYON, Paris*  
*Citigroup Global Markets Limited, London*  
*Confederación Española de Cajas de Ahorros (CECA), Madrid*  
*Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), London Branch*  
*Credit Suisse Securities (Europe) Limited, London*  
*Daiwa Securities SMBC Europe Limited, London*  
*Danske Bank A/S, Copenhagen*  
*Deutsche Bank AG, Frankfurt*  
*Dexia Bank Belgium NV/SA, Brussels*  
*Fortis Bank, Brussels*  
*GESMOSA-GBI VSA, Madrid*  
*Goldman Sachs International, London*  
*HSBC Bank Plc, London*  
*HSBC France, Paris*  
*ICAP Securities Limited, London*  
*ING Bank N.V., Amsterdam*  
*ING Belgium SA/NV, Brussels*  
*IntesaSanpaolo S.p.A., Torino/Milan*  
*JP Morgan Securities Ltd, London*  
*Landesbank Baden-Württemberg, Stuttgart*  
*Lehman Brothers International (Europe), London*  
*Merrill Lynch International, London*  
*Mitsubishi UFJ Securities International plc, London*  
*Morgan Stanley & Co International Ltd, London*  
*Royal Bank of Canada Europe Limited, London*  
*Société Générale S.A., Paris*  
*The Royal Bank of Scotland Plc, London*  
*UBS AG, Zurich*

**The following member firms were not represented at the meeting:**

*Aurel Leven Securities, Paris*  
*Banca Nazionale del Lavoro S.p.A., Rome*  
*Bank Austria Creditanstalt AG, Vienna*  
*Bayerische Landesbank, Munich*  
*Bank Julius Bär & Co. AG, Zurich*  
*Bear Stearns International Limited, London*  
*Canadian Imperial Bank of Commerce (CIBC), London branch*  
*Commerzbank AG, Frankfurt*

*Dresdner Bank AG, Frankfurt (Dresdner Kleinwort)*  
*DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt*  
*IXIS Corporate & Investment Bank, Paris*  
*KBC Bank NV, Brussels*  
*Kredietbank S.A. Luxembourgeoise, Luxembourg*  
*Lloyds TSB Bank plc, London*  
*MF Global UK Ltd, London*  
*Mizuho International PLC, London*  
*MPS Finance Banca Mobiliare S.p.A., Siena*  
*National Bank of Greece SA, Athens*  
*NIB Capital Bank N.V., The Hague*  
*Nomura International Plc, London*  
*Raiffeisen Zentralbank Oesterreich AG, Vienna*  
*UniCredit Banca Mobiliare S.p.A., Milan*  
*WestLB AG, Dusseldorf*

**1. Opening of the meeting by the chairman of the European Repo Committee (ERC committee)**

The Chairman, Godfried De Vidts, first welcomes the Council members, observers and guests and thanks Euroclear 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. Between meetings, the ERC Committee and its Secretariat are available to assist market participants on issues arising in the market. He reminds participants of the e-mail address [erc@icmagroup.org](mailto:erc@icmagroup.org).

He announces that in extension of the agenda of the ERC Council meeting as distributed, the meeting will receive a short presentation by Mr. David Rule, Chief Executive of ISLA, on ISLA's Agent Lender Disclosure Project.

In his overview of topics not covered under any other agenda items, he refers to the global market turbulence and to the fact that the repo market has remained widely without legal problems thanks to the robust legal framework of the GMRA. In autumn, the ERC had the opportunity to discuss market-related issues with representatives of the ECB in Frankfurt.

He informs the meeting that additional recommendations and guidelines for the repo markets have been put up on the internet and thus have been made publicly available to the repo market community.<sup>1</sup> With effect from January 1, 2008, government guaranteed bonds and bills from Malta and Cyprus have been included in the list of accepted general collateral (GC)<sup>2</sup>.

Following discussions within the ERC Committee and with LCH.Clearnet, the Committee had written a letter to LCH.Clearnet specifying that in cases where an issuer receives divergent ratings from two or three major rating agencies, the lowest of the three would determine the classification of this issuer's securities in the GC baskets.

The Bank of England is currently revising the Gilts Repo Code of Guidance and the publication is expected in March or April. The Chairman has invited John Rippon of the Bank of England to give a presentation at the next ERC Council General Meeting in September.

The Chairman informs the meeting that the number of ERC member firms stands unchanged at 62 after the resignation of Banca Monte dei Paschi di Siena S.p.A., and the welcome of Caja de Ahorros y Pensiones de Barcelona (La Caixa). He further says that the Vice Chairman of the ERC Committee, Ulf Bacher, is leaving

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<sup>1</sup> See <http://www.icmagroup.org/about1/international1/repo0.html>

<sup>2</sup> See

[http://www.icmagroup.org/about1/international1/repo0.Par\\_0009.ParDownloadFile.tmp/GC%20Conventions%20as%20amended%20on%20September%202019%202007.pdf](http://www.icmagroup.org/about1/international1/repo0.Par_0009.ParDownloadFile.tmp/GC%20Conventions%20as%20amended%20on%20September%202019%202007.pdf)

his firm and therefore stepping down as a member of the ERC Committee and as this Committee's Vice Chairman. Mr. De Vidts expresses his thanks to Mr. Bacher for his contribution to the work of the Committee during the past years and asks ERC member delegates to abstain from voting for Mr. Bacher in the elections to the ERC Committee who is still on the candidate list as his resignation has been received after the deadline for the candidate list.

Finally, the Chairman thanks the outgoing ERC Secretary, Mr. Gregor Pozniak, who is leaving ICMA to take up the position of Secretary General of a European association in the insurance sector in Brussels. Ms. Nathalie Aubry of ICMA's Regulatory Policy Team in London has already taken over the role as Secretary of the ERC Council and Committee but has had to send her apologies for this meeting. Mr. Pozniak thanks the Chairman and the members of the ERC Committee for the good cooperation during the past two years and wishes the market further growth and its participants further success.

The opening presentation of the Chairman is attached as Annex 1 to these minutes.

2. **Approval of the minutes of the ERC General Meeting held on September 19, 2007 in Luxembourg and dated October 12, 2007**

The minutes of the ERC General Meeting held on September 19, 2007 and dated October 12, 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>

3. **Update on legal issues**

a. Progress report on legal opinion updates

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

In his presentation, which is attached as Annex 2, Mr. Hellmund updates the meeting

- on the combined legal opinion seeking/updating exercise for opinions on the GMRA and on the securities lending agreements (slide 2);
- on the format of the combined opinions (slide 3);
- on the funding of the combined opinions (slide 4);
- on the extended counterparty coverage (slide 5);
- on the current updating exercise, due to be finished by the end of March 2008 (slide 6); and
- on the current and prospective future geographical coverage of GMRA opinions (slides 7 through 10).

He reminds ERC Council delegates and observers of the meeting that the text of the GMRA and all accompanying documentation are publicly available free of charge on ICMA's website ([http://www.icmagroup.org/market\\_practice/legal1/global.html](http://www.icmagroup.org/market_practice/legal1/global.html)) and that GMRA opinions are available to ICMA members, also free of charge, in the members' area of the website ([http://www.icmagroup.org/market\\_practice/legal1/GMRA\\_Legal\\_opinions.html](http://www.icmagroup.org/market_practice/legal1/GMRA_Legal_opinions.html)).

b. GMRA moving forward – a SIFMA view

The Chairman then asks Mr. Mark Austen, Managing Director of SIFMA, to give his presentation on SIFMA's view on the way forward for the GMRA. The presentation is attached as Annex 3.

Mr. Austen confirms that progress is being made in the project of combining the opinion seeking and updating process for the GMRA and the securities lending agreements and refers to a meeting on February 29, 2008 which also discussed further expansion of legal opinions to include further jurisdictions and further counterparties. He adds that confirmation should be sought in every jurisdiction that the generic terms for counterparties are appropriately applicable to the respective legal entities in that jurisdiction.

Mr. Austen informs about SIFMA's work to encourage the adoption of the GMRA globally and refers to the repo training courses jointly organised with ICMA in Hong Kong (2006), Shanghai (2006), and Mumbai (2007). A similar Repo Forum and Training event is planned in South Korea in 2009.

c. ISLA Agent Lender Disclosure Project - Update

The Chairman then invites Mr. David Rule, Chief Executive of ISLA, to add comments on the combined opinion seeking and updating exercise and to give his presentation on Agent Lender Disclosure.

Mr. Rule concurs with Messrs. Hellmund and Austen on the importance of the combination project. He adds that ISLA is currently working on an update of the GMSLA (Global Master Securities Lending Agreement). The aim of the exercise is to bring the GMSLA more in line with the GMRA and a draft will be published for consultation later in spring 2008.

In his presentation – attached as Annex 4 –, Mr. Rule explains the project that originates from the EU work on capital requirements for banks (CRD/Basel II) and explains that the essence of the project is the adaptation of an existing model operated in the US to the European situation. In addition to the scope of the US model, repo and reverse repo will be included in the European model.

Mr. De Vidts recalls that several members of the ERC Committee had emphasised the importance of such an ALD model for their business and calls on ICMA to continue to the funding of the work of ISLA. Mr. Eric Lepore of Deutsche Bank, London, has been nominated as the link between the ERC Committee and the

ISLA project and Ms. Nathalie Aubry of ICMA is represented on the ISLA EU ALD Working Group.

#### **4. Election to the European Repo Committee**

The chairman introduces the following 21 candidates standing for election at the meeting to fill the 19 vacancies on the ERC committee.

Tony Baldwin	Daiwa Securities SMBC Europe Ltd., London
Stefano Bellani	J. P. Morgan Securities Ltd., London
Olly Benkert	Goldman Sachs International, London
David Butterworth	Merrill Lynch International, London
Eduard Cia	Bayerische Hypo-und Vereinsbank AG, UniCredit Markets & Investment Banking
Herminio Crespo Urena	Caja de Madrid, Madrid
Godfried De Vidts	ICAP Securities Ltd., London
Edward Donald	ABN AMRO Bank N.V., London branch
Johan Evenepoel	Dexia Bank Belgium NV/SA, Brussels
Thomas Hansen	Credit Suisse Securities (Europe) Limited, London
Tim Keenan	Barclays Capital Securities Limited, London
Eric Lepore	Deutsche Bank AG, London branch
Grigorios Markouizos	Citigroup Global Markets Limited, London
Andrea Masciovecchio	IntesaSanpaolo S.p.A., Milan
Ed McAleer	Morgan Stanley & Co International Ltd.
Dina Noëlle	Coop. Centr. Raiff.-Boerenleenbank (Rabobank), London branch
Simon Parkins	BNP Paribas, London branch
Michel Semaan	Nomura International plc, London
Luis Soutullo	Confederacion Española de Cajas de Ahorro, Madrid
Simon Tims	UBS AG, Zurich
Stefaan Van de Mosselaer	Fortis Bank, Brussels

Subsequently, Mr. Pozniak explains the election procedure pursuant to ICMA rule 1014, and refers the Council to the detailed instructions on the ballot form, which had been sent to each Council member on February 19, 2008. He states that 36 member firms are represented at the meeting and that therefore the required quorum is present.

Thereafter, the ERC Council member representatives attending the meeting cast their votes by using the ballot form, which is again distributed at the meeting.

#### **5. ECB TARGET2-Securities project**

In his introduction of the next speaker, the Chairman mentions that the ERC Operations group is actively involved in this project consultation process. The ERC will respond in writing to the public consultation regarding T2S that is seen as a major beneficial project to the integration of the European capital markets, and as such will greatly benefit the repo market.

Mr. Bayle, Deputy Head of the Market Infrastructure Division of the ECB gives an overview of the TARGET2-Securities project. His presentation is attached as Annex 5. Throughout his presentation, he refers extensively to the respective webpages of the ECB which can be found at [www.ecb.int/paym/market/secmar/integr/html/index.en.html](http://www.ecb.int/paym/market/secmar/integr/html/index.en.html) and recommends that Council members visit the pages to obtain information about the project.

The user requirements document and a document outlining the methodology for an analysis of the economic impact of T2S<sup>3</sup> are currently up for consultation until April 2.

## 6. CCBM2

The Chairman introduces Mr Dirk Bullman. He refers, in the context of this presentation, to a letter he wrote to the ECB highlighting the need to look at all possible techniques available to the markets in light of the development of CCBM2.

Mr. Dirk Bullmann of the ECB gives a project update on CCBM2. His presentation is attached as Annex 6. He reminds the meeting that the current consultation phase ends on May 5. He also refers expressly to a joint letter by the ERC Committee, Clearstream and Euroclear requesting the inclusion of tri-party in CCBM2.<sup>4</sup>

## 7. Financial turmoil and policy response

The presentation by Mr. Fabrizio Planta, Policy Officer at Unit G2 (Financial Markets Infrastructure) is attached as Annex 7.

The chairman concludes that the Commission's work in response to the financial turmoil conveys a strong message in favour of coordination between all sides involved, both in the public sector (governments, central banks, regulators) and in the private sector (between associations). This coordination is particularly necessary also across the Atlantic.

He adds a few comments on the important work done in Mr. Planta's unit under Head of Unit Mario Nava and in particular on the work on clearing and settlement infrastructure. He reminds the meeting that the work of the CESAME group on the abolition of the barriers to smooth cross-border clearing and settlement in Europe – where he is participating as a personal member – will end on June 9, but that the Commission has decided to continue to support the work of the group under

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<sup>3</sup> For both documents see <http://www.ecb.europa.eu/ecb/cons/html/t2s-2.en.html>

<sup>4</sup> The letter is available at [http://www.icmagroup.org/market\\_practice/Advocacy/clearing\\_and\\_settlement/target2-securities.Par.0018.ParDownloadFile.tmp/CCBM2%20Letter%20ERC-ECI-CIStr%20-%20Dec%202007-FINAL.pdf](http://www.icmagroup.org/market_practice/Advocacy/clearing_and_settlement/target2-securities.Par.0018.ParDownloadFile.tmp/CCBM2%20Letter%20ERC-ECI-CIStr%20-%20Dec%202007-FINAL.pdf)



the name of CESAME-2. While the private sector has made considerable progress in the removal of those barriers that it can successfully address. Progress has been much slower in the field of the public sector barriers (legal and taxation). He recalls that the ICMA and the ERC Committee, together with nine other associations, had written a letter to the ECOFIN Council last year calling for EU Member States to renew their resolve to tackle the public sector barriers.<sup>5</sup>

## **8. Results of 14<sup>th</sup> repo survey**

The presentation by Mr. Comotto (ICMA Centre at the University of Reading) is attached as Annex 8.<sup>6</sup>

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.

The press release that accompanied the publication of the repo survey is attached separately.<sup>7</sup>

## **9. Results of the elections to the European Repo Committee**

Based on the ballot held, the Chairman announces the results of the elections to and the new composition of the ERC committee as follows:

Tony Baldwin	Daiwa Securities SMBC Europe Ltd., London
Stefano Bellani	J. P. Morgan Securities Ltd., London
Olly Benkert	Goldman Sachs International, London
David Butterworth	Merrill Lynch International, London
Eduard Cia	Bayerische Hypo-und Vereinsbank AG, UniCredit Markets & Investment Banking
Herminio Crespo Urena	Caja de Madrid, Madrid
Godfried De Vidts	ICAP Securities Ltd., London
Edward Donald	ABN AMRO Bank N.V., London branch
Johan Evenepoel	Dexia Bank Belgium NV/SA, Brussels
Thomas Hansen	Credit Suisse Securities (Europe) Limited, London
Tim Keenan	Barclays Capital Securities Limited, London

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<sup>5</sup> The letter is available at [http://www.icmagroup.org/market\\_practice/Advocacy/clearing\\_and\\_settlement/cesame.Par.0007.ParDownloadFile.tmp/Joint%20associations'%20letter%20to%20ECOFIN%2012%20Jun%2007.pdf](http://www.icmagroup.org/market_practice/Advocacy/clearing_and_settlement/cesame.Par.0007.ParDownloadFile.tmp/Joint%20associations'%20letter%20to%20ECOFIN%2012%20Jun%2007.pdf) .

<sup>6</sup> The survey is available from [http://www.icmagroup.org/market\\_info/surveys/repo/latest.html](http://www.icmagroup.org/market_info/surveys/repo/latest.html) .

<sup>7</sup> The press release is available from <http://www.icmagroup.org/content/media/news1/press.Par.0131.ParDownloadFile.tmp/ICMA0803%20-%20ICMA%20survey%20records%20resilience%20of%20the%20E.pdf> .

Eric Lepore	Deutsche Bank AG, London branch
Grigorios Markouizos	Citigroup Global Markets Limited, London
Andrea Masciovecchio	IntesaSanpaolo S.p.A., Milan
Ed McAleer	Morgan Stanley & Co International Ltd.
Dina Noëlle	Coop. Centr. Raiff.-Boerenleenbank (Rabobank), London branch
Simon Parkins	BNP Paribas, London branch
Simon Tims	UBS AG, Zurich
Stefaan Van de Mosselaer	Fortis Bank, Brussels

The term of office of each of the above ERC Committee members will expire at the Annual General Meeting of the ERC Council to be held in spring 2009.

The Chairman expresses his thanks to all candidates. He also thanks the outgoing members of the Committee, Messrs. Ulf Bacher, Jean-Marie Begonin, Mark Dearlove, and Cameron Dunn, for their tangible contribution to the work of the ERC Committee.

#### **10. Any other business**

The Chairman informs the meeting that Natasha de Teran and Danny Corrigan have published a book titled 'Collateral: Securities Lending, Repo, OTC Derivatives and the Future of Finance' published by Global Custodian' which explains the power of collateral management to raise finance, mitigate risk and drive trading activities. The book may be ordered electronically *via* <http://store.globalcustodian.com/node/19>

#### **11. Next meetings**

The chairman announces the following forthcoming meetings and events:

- May, 14-16 2008, ICMA AGM and Conference, Vienna with a session on Day 2 (16 May):  
"The advantages of secured finance – the viewpoint of the European Repo Council"
- September 09, 2008 European Repo Council General Meeting, London hosted by ICAP Securities Ltd
- November, 13-14 2008 , Professional Repo Seminar, Brussels hosted by Dexia Bank

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 Euroclear for hosting the event. He announces that a guest presentation by SWIFT will follow immediately and asks participants for their continuing attention.

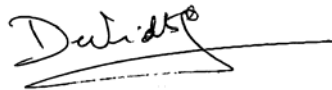
**Additional presentation:**

**Collateral Management Initiatives at SWIFT**

The presentation by Mr. Michel Keulemans is attached as Annex 10.

The Chairman:

The Secretary:

A handwritten signature in black ink, appearing to read "De Vidts", with a long horizontal stroke extending to the right.A handwritten signature in black ink, appearing to read "Pozniak", written in a cursive style.

Godfried De Vidts

Gregor Pozniak

Attachments (see also <http://www.icmagroup.org/about1/international1/minutes.html>)