

## Minutes of the ERCC Committee call held on 22 March 2021

<u>Committee members:</u>	Mr. Gareth Allen	UBS Limited (ERCC chair)
	Ms. Emma Cooper	Blackrock (ERCC vice-chair)
	Mr. Charlie Badran	AXA IM
	Mr. Dan Bremer	BAML
	Mr. Thomas Hansen	Banco Santander
	Mr. Nick Dent	Barclays
	Mr. Eugene McGrory	BNP Paribas
	Mr. Peter Fejfer Nielsen	Citi
	Mr. Jean-Robert Wilkin	Clearstream
	Mr. Andreas Biewald	Commerzbank
	Mr. Romain Dumas	Credit Suisse
	Ms. Marije Verhelst	Euroclear
	Mr. Ned Taylor	HSBC
	Mr. Lav Lukic	J.P. Morgan
	Mr. Antony Baldwin	LCH Limited
	Ms. Amandine Triadu	Mizuho
	Mr. Paul van de Moosdijk	PGGM
Mr. Sylvain Bojic	Société Générale	
Mr. Harald Bänsch	UniCredit Bank	
<u>Other participants:</u>	Mr. Nicholas Hamilton	J.P. Morgan (ERCC Ops co-chair)
	Mr. James Upton	LCH (ERCC Ops co-chair)
	Mr. Arne Theia	UniCredit Bank
	Mr. Gabriel Callsen	ICMA
	Ms. Zhan Chen	ICMA
	Ms. Lisa Cleary	ICMA
	Mr. Richard Comotto	ICMA
	Mr. Godfried De Vidts	ICMA
	Mr. Andy Hill	ICMA
	Mr. Alexander Westphal	ICMA (ERCC Secretary)

### 1) Minutes from previous meeting

The Committee approved the minutes of the virtual meeting of the ERCC Committee held on 27 January, which was the last meeting of the Committee in its previous composition. [The minutes have been published on the [ICMA website](#).]

### 2) Election of the Chair and Vice-Chair

Committee members re-elected Gareth Allen, UBS, as chair of the Committee and Emma Cooper, Blackrock, as vice-chair. In addition, Mr. Allen and Ms. Cooper were nominated as candidates for the IRCC Committee to be confirmed by the ICMA Board at its next meeting.

### 3) Priorities for the Committee in 2021

The newly elected chairs of the ERCC Committee shared their views on strategic priorities for the Committee for this year. A full list of ERCC priority topics had been circulated to members ahead of the meeting. Members agreed with the list.

### 4) Repo market conditions

Richard Comotto presented a slide deck with the key findings from the 40<sup>th</sup> edition of the European Repo Survey ahead of its publication later that week. *[Post-meeting note: The final Survey was [published](#) on 23 March.]*

Members exchanged views on current repo market conditions and the latest trends in the market. The roundtable discussion was introduced by Thomas Hansen, Santander and Ned Taylor, HSBC who shared their observations, touching on the ongoing spread compression in the repo market, increased demand for HQLA collateral, inflation expectations, TLTRO and the impact of the recent announcement by the Federal Reserve in the US in relation to the supplementary Leverage Ratio (SLR). Members also briefly discussed possible reasons for the recent substantial increase in trading volumes for short-dated HQLA trades which has been observed on certain trading platforms.

### 5) Repo and sustainability

As background to the following discussion on the ERCC discussion paper *Green and Sustainable Finance: What is the role of the repo market*, Nicholas Pfaff, Head of Sustainable Finance at ICMA provided an overview of ICMA's broader work in relation to sustainable finance and answered a number of related questions from members.

Members then turned to the ERCC discussion paper, a revised version of which had been circulated ahead of the meeting. The updated version incorporated written comments from members but also the feedback provided during a Committee call on 9 March which had been set up to discuss the previous draft of the paper. To introduce the discussion with members, Zhan Chen, author of the paper, presented the latest changes. Members discussed and agreed that the paper should be recirculated for a final round of written comments. In parallel, ICMA will consider some further amendments based on today's discussion with the aim to make sure that the paper is fully neutral and does not pre-empt any conclusions as regards the existence and definition of "green repo". At this stage, members agreed that this remains an open question which should be reconsidered in a second step based on the consultation feedback. *[Post-meeting update: The final consultation paper was [published](#) on 22 April with a consultation deadline of 28 May.]*

## 6) Settlement efficiency

On 26 February, the ERCC hosted a settlement efficiency workshop with members and a number of external stakeholders to discuss ways to reduce settlement fails in the market. Based on the outcome of the meeting, ICMA prepared a follow-up note with a list of concrete recommendations or general principles which we plan to use as a guidance for further discussions/advocacy on the topic. Gareth Allen explained the four core recommendations, which include proposals in relation to the shaping of settlement instructions, partial settlement and auto-partialling, as well as auto-borrowing facilities, and expressed his strong support, highlighting the importance for the industry to address the topic pro-actively ahead of the upcoming implementation of CSDR settlement discipline provisions. The ERCC Ops co-chairs, Nicholas Hamilton and James Upton, complemented Mr. Allen's remarks highlighting the need to support the work with quantitative analysis to develop relevant measures and data points, but also pointed to the close collaboration on the topic with the ECB through the AMI-SeCo groups. Committee members reviewed the proposed ERCC recommendations and endorsed them.

Following endorsement by the Committee, ICMA, the ERCC chairs and the relevant ERCC Ops steering group will continue the discussion and agree next steps to encourage industry take up of the recommendations. The proposed approach should be presented at the next meeting of the ERCC Committee.

## 7) Common Domain Model

Gabriel Callsen provided a short update on the ongoing work to extend the Common Domain Model (CDM) to repo and cash bonds. In early March, the project has entered the next stage as the concrete IT development to model the CDM for repos and cash bonds kicked off. The first programming phase is scheduled to last for 18 weeks and aims to model fixed-term 'standard' repos as well as bonds, focusing on trade execution, clearing and settlement. The coding is undertaken by the developers at REGnosys and the work is guided by the newly created ICMA CDM Steering Committee. Firms that are not yet involved and are interested to actively contribute to the initiative are still very welcome to join.

## 8) Legal update

Lisa Cleary updated members on the latest relevant legal developments, highlighting the upcoming publication of the GMRA legal opinions, as well as ongoing discussions related to the EONIA transition. On the latter issue, it would be helpful to receive member feedback on potential additional support ICMA can offer. The topic will be discussed, among other things, at the next meeting of the Legal WG which is scheduled for 1 April. *[Post-meeting update: The GMRA legal opinions were [published](#) on 15 April.]*

## 9) Regulation

### a) Basel minimum haircuts

On 26 January 2021, the BCBS published for consultation [two technical amendments to the standard on minimum haircut floors for securities financing transactions \(SFTs\)](#) (consultation deadline: 31 March). Andy Hill updated members on the latest discussions on the topic. In particular, he explained that ISLA have drafted a short response to the consultation, which the ICMA ERCC is invited to co-sign. Members briefly discussed the draft which was circulated ahead of the meeting. Members are invited to send any final comments on the draft to ICMA by the end of the week, before the response is finalised and submitted to the BCBS by the deadline on 31 March. *[Post-meeting update: The joint response was submitted and [published](#) on 31 March.]*

### b) CRR

Members briefly reconsidered two concerns that had been raised in previous meetings in relation to CRR II:

- **LCR:** Further to the previous meeting, ICMA reached out to the BCBS to discuss the LCR-related concern that had been raised initially by Credit Suisse. Andy Hill explained that the BCBS referred us back to the relevant national authorities who we subsequently contacted (EBA and FINMA in Switzerland). A response from the EBA is pending but FINMA replied indicating that they do not see the issue as material. It was agreed that ICMA should follow up with FINMA to make sure that the matter is fully understood.
- **Large Exposures:** It had been agreed at the previous meeting that members would check internally if the concerns in relation to the mandatory substitution approach (as initially raised by the GBIC) require any ICMA follow-up. Members did not share any further feedback but agreed to take the issue away once again to further discuss internally and share any concerns after the meeting.

### c) CSDR

Andy Hill and Lisa Cleary updated Committee members on the latest discussions in relation to CSDR implementation and mandatory buy-ins. Following the end of the Commission's targeted consultation on the CSDR review in February, a key concern continues to be around the implementation timeline of the settlement discipline measures. As no clarity on this point has been provided by authorities, all the major industry associations came together and agreed to reach out to the European Commission to reiterate the issue as a shared industry concern. ICMA coordinated the resulting [joint industry letter](#) which was signed by 15 associations and submitted to the Commission on 11 March.

A second important issue that is being actively discussed in the CSDR-SD Working Group is compliance with CSDR article 25 and the resulting repapering effort that this entails. In order to better understand the impact of the requirements, the European Commission has asked industry associations to provide concrete quantitative evidence. A joint industry survey is currently being

prepared which seeks input from members on potential repapering requirements resulting from CSDR article 25. The survey should be launched shortly.

**d) SFD/FCD review**

On 12 February 2021, the European Commission launched two consultations on the review of (i) the [Settlement Finality Directive](#) (SFD) and (ii) [Financial Collateral Directive](#) (FCD). The deadline for responses is 7 May 2021. Members are invited to review both consultations and to share any feedback with ICMA, in particular if they think that ICMA should prepare a response to the consultation(s). Given the legal nature of both consultations, the ERCC Legal Working Group will take the lead on the topic and will discuss both consultations at its next meeting on 1 April.

**e) SFTR**

Alex Westphal and Richard Comotto provided a brief update on the latest SFTR discussions. The ERCC's SFTR Task Force continues to be active and meets on a monthly basis, working through a long list of reporting issues that have been identified. A key focus recently has been on the reporting of LEIs for non-EEA issuers as a 1-year forbearance period initially granted by ESMA is coming to an end April. ICMA co-signed a [cross-industry letter](#) on the topic which was submitted to ESMA and the FCA and highlights the industry's concerns related to the significant gap in LEI coverage for issuers in many jurisdictions outside of Europe.

Lisa Cleary mentioned that ICMA jointly with other associations is working on a UK version of the SFTR article 15 information statement which reflects the UK legislative context. The SFTR article 15 information statement was originally [published](#) in May 2016.

**f) Other regulatory updates**

Gareth Allen highlighted two new potential regulatory concerns that may require some further attention from a repo perspective, namely: (i) FRTB rules related to internal risk transfer desk might capture repo and (ii) NSFR encumbrance rules may pose a concern for matched book repo. The issues will be discussed in more detail at the next Committee meeting.

**10) AOB**

- **ERCC applications:** Members approved the application of BRED Banque Populaire, Paris, to join the ERCC as a full member.
- **Next meeting:** The next meeting of the ERCC Committee will be held on 10 May, 15:00-17:00 UK time.