

## ERCC Committee meeting on 10 May 2021 (15:00 – 17:00 UK time)

### Summary

<u>Committee members:</u>	Mr. Gareth Allen	UBS Limited (ERCC chair)
	Mr. Charlie Badran	AXA IM
	Mr. Dan Bremer	BAML
	Mr. Thomas Hansen	Banco Santander
	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. James Upton	 LCH (ERCC Ops co-chair)
	Mr. Arne Theia	UniCredit Bank
	Mr. Andy Diplock	Barclays
	Mr. Martin Scheck	ICMA (Chief executive)
	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)
 <u>Apologies:</u>	 Ms. Emma Cooper	 Blackrock (ERCC vice-chair)
	Mr. Nick Dent	Barclays

### 1) Minutes from previous meeting

The minutes of the previous virtual meeting of the ERCC Committee held on 22 March were circulated ahead of the meeting. Members were invited to review them and to send any comments to the Secretariat by 14 May. *[As no comments were received, the minutes are deemed approved and have been published on the [ICMA website.](#)]*

## 2) Repo market conditions

Members exchanged views on repo market conditions and the latest market developments, including the impact of idiosyncratic events, most recently around Archegos, possible spill-over effects on the repo market and potential regulatory issues arising from these developments.

## 3) Review of the IRCC/ERCC structure

Alex Westphal presented an ICMA proposal to review the governance structure of the ERCC. The aim of the review is to put in place a structure for ICMA's repo work that is more reflective of the global ICMA membership, but which also allows us to maintain the key elements of the current structure, including the elected ERCC Committee and its related working groups. Martin Scheck, ICMA's chief executive, complemented the presentation, putting it into a broader ICMA perspective. He highlighted the global relevance of ICMA's repo work as well as the importance of the ERCC brand, both of which are well reflected in the proposed new structure. Members discussed the review and welcomed the flexibility of the proposed approach. While generally supportive of the proposal, Godfried De Vidts pointed out that in order to achieve the objective the review of the rules is only a first step. This will need to be accompanied by an effort to proactively engage the global membership. In terms of next steps, ICMA will share a short note with the Committee which sets out the proposed approach. In the meantime, ICMA will continue internal discussions to work out the details of the proposed new structure, which will be shared with the Committee for further discussion.

On a separate note, Mr. Scheck took the opportunity to inform the Committee that ICMA has set up a new office in Brussels, besides existing offices in Zurich, London, Paris and Hong Kong.

## 4) European repo market survey

ICMA is in the process of reviewing its long-standing [European Repo survey](#), in order to assess synergies with SFTR reporting and the potential for a more streamlined and automated process. Andy Hill briefly introduced the main objectives of the proposed review. Richard Comotto who is advising on the transition explained in more detail the different options that are being considered and the discussions that ICMA has had so far, including with trade repositories and vendors on their potential role in the aggregation and collection of the relevant data. A mapping has been prepared between the data points currently captured in the Repo survey and the SFTR reporting fields. This will be shared with members following the meeting and members are invited to share their views and ideas on how the survey can be improved going forward. In the meantime, ICMA will continue discussions with the SFTR trade repositories and other reporting service providers to explore in how far these can help centralise the process, thereby making it easier for members to contribute to the survey.

## 5) Repo and sustainability

Further to the latest discussions in the Committee, the ERCC's consultation paper [Green and sustainable finance: What is the role of the repo market?](#) was published on 22 April. The related [online survey](#) to collect feedback from market participants and other stakeholders is open until

28 May (now extended to 4 June). Zhan Chen briefly recapped the process and next steps for ICMA and encouraged members to provide feedback on the ERCC consultation paper through the online survey.

## 6) Settlement efficiency

At the previous meeting, the Committee endorsed a set of recommendations on settlement efficiency. Further to the finalisation of the recommendations, the ERCC Operations Group has been discussing next steps to promote and implement them. James Upton updated members on the latest discussions on the topic. It has been agreed to tackle each of the high-level recommendations in turn through dedicated workshops. The first such workshop will be held on 25 May and will focus on partial settlement and auto-partialling. The aim will be to review the status of adoption, to identify remaining obstacles and to agree next steps. As a basis for the workshops, the ERCC has launched an online survey to better understand current usage of auto-partialling, shaping and auto-borrowing. Members are invited to respond to the survey ahead of the workshop on 25 May.

Members briefly discussed the ECB's ongoing market infrastructure initiatives, in particular the work on collateral management harmonisation which has led to the Single Collateral Management Rulebook for Europe (SCoRE) and, closely related, the development of the Eurosystem Collateral Management System (ECMS). It was suggested that ICMA could organise a focus session for members to focus on both topics in more detail and help raising awareness.

## 7) UK Money Markets Code

On 21 April, the Bank of England published an updated version of the [UK Money Markets Code](#), along with related [FAQs](#). The updated Code incorporates some of the feedback previously submitted by the ERCC. Andy Hill briefly introduced the latest changes, which have taken on board a significant portion of the detailed comments that ICMA had submitted as part of the review, although a number of points remain unaddressed. It was suggested that the ERCC Best Practice Working Group should review the changes and pending comments in more detail before we follow-up with the Bank of England, as needed.

## 8) Common Domain Model

Gabriel Callsen provided an update on the latest progress in relation to ICMA's work with Regnosys to extend the Common Domain Model (CDM) to repos and cash bonds, presenting a short slide deck. The first phase of the modelling work started in March and is on track to be finalised as planned by mid-June. The work is coordinated through ICMA's CDM Steering Committee. A virtual event to showcase the implementation of the CDM for repo and bonds and its benefits will be held on 21 July 2021. Further information will be communicated in due course. Firms that are not yet actively involved in the CDM project and would like to contribute, are still very welcome to join.

## 9) Legal update

Lisa Cleary provided an update on the latest relevant legal developments, highlighting two recent developments:

- On 25 April, the [2021 GMRA legal opinions](#) were published.
- On 7 May, ICMA submitted a [letter](#) to the European Commission to support ISLA's response to the EU consultation on the review of the Financial Collateral Directive (FCD).

## 10) Regulation

### a) Minimum haircuts

Gareth Allen mentioned two recent developments related to haircuts and margining:

- On 5 May, ISDA held a roundtable with the Bank of England/ PRA to discuss industry feedback regarding minimum haircut floors, including the concerns related to negative haircuts in securities lending which had been raised by a number of stakeholders, including ICMA.
- On 30 April the Joint Working Group on Margin (JSGM) consisting of CPMI, IOSCO and BCBS launched a [survey on margins](#) targeted at intermediaries, looking back over the Covid experience. The survey was launched with a very tight deadline of 17 May. Several banks are expected to request an extension of the deadline.

### b) CRR

Members reconsidered a number of concerns related to CRR which were raised at previous meetings, namely:

- **LCR and tri-party repo:** ICMA previously reached out directly to the BCBS to raise the concern identified in relation to the relevant BCBS FAQ 27 (implemented as [LCR40.79](#)). On suggestion by the BCBS, ICMA followed up with individual BCBS members, namely FINMA (Switzerland) and the EBA. FINMA indicated that they do not see this as a material issue or unintended consequence, but wanted to follow up with their supervised entities individually. It was agreed that ICMA should focus on follow-up with the EBA and request a meeting to discuss the concern in more detail.
- **Large Exposure rules:** Members confirmed that the rules which will become effective on 21 June continue to be problematic. The ICSDs are looking to provide relevant tools to facilitate compliance in a tri-party context and adjust eligibility profiles more flexibly to facilitate compliance, but it is expected that the rules will be very difficult to apply in practice.
- **NSFR encumbrance rules:** Gareth Allen raised an issue related to NSFR: While NSFR is generally understood to be neutral for matched book repo as long as fully netted, it was noted that the NSFR encumbrance rules mean that there could still be an impact if the netted positions are of different maturity.

c) **CSDR**

Lisa Cleary updated members on the latest developments related to CSDR mandatory buy-ins, noting that the discussions currently focus on two main issues: (i) the continued uncertainty about the implementation timeline of the settlement discipline measures, given the ongoing CSDR review which will not be concluded by February 2022, the time the current rules are due to apply, and (ii) related challenges for firms to ensure compliance with article 25 of the relevant RTS on settlement efficiency in the interim, which requires firms to have the relevant contractual framework in place to enforce mandatory buy-ins. Cross-association discussions are under way to discuss the different options available to help ensure compliance with these requirements, including a cross-product solution.

d) **SFTR**

Alex Westphal provided a brief update on the latest SFTR developments, noting that the ERCC's SFTR Task Force continues to be very active, working through a long list of reporting issues and related best practices. Discussions also continue with regulators, both ESMA and the FCA, focusing in particular on the ongoing review of the important level 3 guidance, in particular the important SFTR validation rules and XML schemas.

Lisa Cleary informed members that ICMA jointly with other industry associations is currently working on a UK version of the SFTR article 15 information statement which is about to be finalised. The statement will be shared with members as soon as available. *[Post-meeting update: The final statement was [published](#) on 17 May.]*

e) **FRTB**

Gareth Allen highlighted some potential implications for repo from FRTB rules related to internal risk transfer desk, although noting that these only apply to repo desks that are run as banking books from a regulatory capital perspective. He invited members to share further feedback on the issue following the meeting.

f) **Other regulatory updates**

No other regulatory developments were raised. Godfried De Vidts noted that the Commission considers setting up another expert group on post-trade to follow up on the long-standing issues in this field which were most recently discussed within the European Post-Trade Forum (EPTF).

11) **AOB**

- **ERCC applications:** Members discussed and approved the application of **Bloomberg L.P.** to join the Council as a full member.
- **ERCC Professional Repo Course:** Richard Comotto Date informed members that the traditional Professional Repo and Collateral Management Course will be held again in 2021,

after a break last year, albeit still in a virtual format. The course will be delivered over four morning sessions on 23-24 September and 4-5 October. A number of speaker slots still need to be filled.

- **Next meeting:** The next meeting of the ERCC Committee will be held on 29 June, 10:00 – 12:00 (UK time).