

ERCC Committee meeting on 14 September 2021 (14:00 – 16:00 UK time)
Minutes

<u>Committee members:</u>	Mr. Gareth Allen	UBS AG (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	
<u>Other participants:</u>	Mr. Nicholas Hamilton	JP 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. Bryan Pascoe	ICMA (Chief Executive)
	Mr. Alexander Westphal	ICMA (ERCC Secretary)
<u>Apologies:</u>	Mr. Harald Bänsch	UniCredit Bank

Welcome

Gareth Allen opened the meeting welcoming Committee members and other participants.

[Bryan Pascoe](#) introduced himself as new ICMA chief executive, having taken over the role in early September from Martin Scheck who retired but will stay on for a few months in an advising role.

1) Minutes from previous meeting

The Committee approved the minutes of the previous meeting of the ERCC Committee held on 29 June without further comments.

2) Repo market conditions

Gareth Allen introduced an exchange of views on recent repo market conditions and key developments, noting that the market has been exceptionally quiet over the summer months with a further tightening of spreads. From a buy-side perspective, Emma Cooper confirmed this assessment, noting the relatively muted reaction to the latest ECB monetary policy decisions. Other members concurred and noted some pricing pressures building up in the run-up to the year-end.

Members also briefly discussed the status of the various securities lending programmes run by national central banks, noting that these are generally functioning well, although members also noted problems with the Greek programme which is still not fully operational.

3) FinTech

a) **Common Domain Model**

Gabriel Callsen invited members to access, use and provide feedback on the Common Domain Model (CDM) for repo and bonds, which is available via the Rosetta Portal [here](#) (Note: members are required to register first and [contact us](#) to request access). A recording of the showcase event is available on ICMA's [CDM webpage](#) along with other resources on the project.

As a reminder, the project delivered an extension of ISDA's CDM covering execution, clearing and settlement of a fixed-term repo transaction, as well as a bond transaction, in machine readable and executable form. Expected benefits of implementing the CDM include increased operational efficiency through automation, interoperability across firms and platforms, long-term cost savings, as well as laying the foundation for innovative applications that rely on standardised data models such as distributed ledgers.

In terms of next steps, Mr Callsen highlighted a recent ICMA survey which was sent to the ERCC community on 19 August to request feedback on the CDM and appropriate next steps for the association. He reminded members who haven't completed the survey yet to submit their response by the survey deadline on 15 September, stressing again that the feedback will be critical for ICMA to decide on the appropriate way forward for the CDM project.

b) **Digital assets and repo**

Members had an initial exchange of views on the potential for crypto assets to be used as collateral in repo, contractual implications related to the GMRA and how this topic should be covered in the ERCC going forward. Lisa Cleary introduced the discussion, noting a request received from Standard Chartered who recently [announced](#) a joint venture to launch a digital asset brokerage and exchange which they aim to extend to repo and securities lending. In this context they enquired about the potential use of the GMRA for such transactions. Members agreed that

it was too early to undertake any concrete work on this issue but were interested to see a more detailed description of the SC initiative and request as a basis for further consideration.

4) **Repo and sustainability**

Following its consultation on the role of repo in sustainable finance, ICMA prepared a summary report of the feedback received in response to the consultation. The final draft report had been circulated to members ahead of the meeting for any fatal flaw comments. Zhan Chen provided a brief overview of the report. Members did not raise any further substantial comments on the report itself which was therefore endorsed for publication. *[Post-meeting note: The report was [published](#) on 20 September.]*

Members discussed the ERCC approach on the topic more generally and next steps, including the proposal for a new Task Force on Financial Products (including repo) which ICMA's GBP Excom has put forward to facilitate coordination with other ICMA committees (including the ERCC). Before reaching a conclusion in relation the repo aspects, the ERCC Secretariat will discuss further with ICMA's Sustainable Finance team and work out a proposal for further discussion at the next Committee meeting.

Zhan Chen briefly noted some relevant recent the market developments in relation to repo and ESG, in particular two repo transactions executed by Deutsche Bank: a sustainability-linked repo where the repo interest rate was linked to their counterparty's (Akbank) performance with respect to pre-set ESG KPIs; and a repo with M&G where the cash proceeds received in the repo were used to fund DB's green asset pool.

5) **CSDR mandatory buy-ins**

Andy Hill updated the group on recent developments related to CSDR mandatory buy-ins (MBIs), including ICMA's latest meetings with various authorities involved in the process (EU institutions and national regulators) to discuss the ongoing CSDR review and to explore ways to decouple cash penalties and MBIs in order to avoid the implementation of the latter in February 2022.

From a legal documentation perspective, Lisa Cleary explained that, pending official confirmation that MBIs will not apply in February 2022, the industry unfortunately has to continue the ongoing contractual remediation work to help ensure basic compliance with article 25. The drafting work on industry standard language is ongoing and should be finalised by the end of October.

6) **Settlement efficiency**

James Upton updated members on the latest discussions on settlement efficiency in the context of the ERCC's ongoing initiative on this topic. He noted that the ERCC hosted its third settlement efficiency workshop on 10 September to discuss auto-borrowing solutions offered by (I)CSDs.

Previous workshops had focused on auto-partialling (25 May) and shaping (2 July). All three workshops were very well attended and ICMA is currently preparing the relevant follow up communication, including a short white paper setting out the key issues, agreed recommendations and next steps.

Adding to Mr. Upton's remarks, Nicholas Hamilton highlighted the particular importance of data and KPIs in this context, in order to understand the status quo but also to track progress going forward. He noted that there is a window of opportunity over the next couple of months to achieve concrete progress ahead of the CSDR SDR implementation in February.

7) Legal update

Lisa Cleary updated the Committee on the latest developments covered by the ERCC Legal Working Group ahead of the next meeting on 22 September. Key topics on the agenda for the meeting include:

- CSDR contractual work
- GMRA clause library project which will be formally launched in the next weeks [*Post-meeting note: The project was formally [launched](#) on 13 October.*]
- The process for the 2022 legal opinion exercise which will start shortly – any member requests related to GMRA opinion coverage should be submitted within the next 4 weeks.
- Legal opinions are being considered for Armenia (bespoke opinion sponsored by two private stakeholders) and Ghana (subject to certain legal developments) and potentially Uganda.

8) Regulation

a) CRR

Andy Hill briefed members on the latest developments in relation to LCR, further to recent ERCC Committee discussions on the treatment of (i) triparty repo and (ii) open repos. On the triparty query, which had been raised with the EBA, Mr. Hill noted that we received a response which has been shared with the Committee. In its response, the EBA confirmed that the treatment as set out in the current rules was intended but invited the ERCC to submit a formal Q&A in case an official response was required. Members agreed that the ERCC should seek an official response and prepare a formal Q&A on the question. There were no further updates on the treatment of open repos. Members agree to continue to monitor closely any related developments.

b) SFTR

Alex Westphal provided a brief update on the latest SFTR developments. The SFTR Task Force continues to be very active with monthly meetings and very good participation by members. In terms of regulatory developments, he noted the publication in late July of some important updates to [ESMA's Level 3 guidance](#) (validation rules and XML schemas) which included a number of helpful corrections. The changes are due to apply from 31 January 2022, although there are concerns that this might be too ambitious, also given the challenges around UnaVista's recently

announced withdrawal of its TR services under SFTR. ICMA and ISLA are preparing a joint request to ESMA to postpone the application.

c) **Other regulatory updates**

No other regulatory issues were raised.

9) **AOB**

- **ERCC General Meeting:** The ERCC's next General Meeting which will be held on 13 October ([register here](#)). The Secretariat is currently finalising the agenda. Key topics will be repo and sustainable finance as well as settlement efficiency.
- **European Repo Market Survey:** Richard Comotto noted that he is currently finalising edition 41 of the Repo Survey but is still waiting for a couple of delayed submissions. In parallel, the review of the Repo Survey structure continues, with the aim to create synergies and a direct link to SFTR reporting.
- **IRCC/ERCC governance:** Alex Westphal noted that the review is ongoing. Further to the discussion at the previous Committee meeting, the Secretariat is working on a proposal for a revised framework, which can hopefully be discussed at the next meeting.
- **ERCC Professional Repo Market and Collateral Management Course:** Will be held again in 2021 in a virtual format over four morning sessions (27-28 Sep & 4-5 Oct). Attendance is free for ICMA members and Committee members are encouraged to share the [invitation](#) with interested colleagues.
- **Upcoming ERCC Committee meetings:** The next Committee meeting will be scheduled in early November. For the time being, meetings will continue to be entirely virtual, but this will hopefully change from next year.