

Minutes of the ERCC Committee meeting held on 24 February, 2016 in London

Present:	Mr. Godfried De Vidts	ICAP (Chairman)
	Mr. Daniel Bremer	Bank of America Merrill Lynch
	Mr. Eugene McGrory	BNP Paribas
	Mr. Michael Manna	Barclays
	Mr. Ronan Rowley	Deutsche Bank
	Mr. Johan Evenepoel	Euroclear Bank
	Mr. Francois-Xavier Bouillet	Goldman Sachs
	Mr. Jean-Michel Meyer	HSBC
	Mr. Nicola Danese	J.P. Morgan
	Ms. Amanda Brilliant	Nomura International
	Mr. Sylvain Bojic	Société Générale
	Mr. Gareth Allen	UBS Limited
	Mr. Andreas Biewald	Commerzbank
	Mr. Eduard Cia	UniCredit Bank (Vice Chair)
On the phone:	Mr. Grigorios Markouizos	Citigroup (Vice Chair)
	Mr. Romain Dumas	Credit Suisse
	Mr. Andrea Masciovecchio	Intesa San Paolo
	Mr. Richard Hochreutiner	Swiss Re
	Ms. Lisa Cleary	ICMA
	Dr. Nathalie Aubry-Stacey	ICMA
	Mr. Alexander Westphal	ICMA
Also Present:	Mr. Richard Comotto	ICMA Centre
	Mr. David Hiscock	ICMA
	Mr. Andy Hill	ICMA
	Ms. Lalitha Colaco Henry	ICMA (Secretary)
Apologies:	Mr. Michel Semaan	Crédit Agricole
	Mr. Nicholas Hamilton	J.P. Morgan (ERC Ops Group Chair)

Welcome by the Chairman

Mr. De Vidts welcomed the newly elected committee to its first meeting of 2016 and congratulated the other members on their success in the 2016 election. He thanked Mr. Bojic and Société Générale for kindly hosting the meeting.

1. Administrative matters

(i) **Chairman and Vice Chairmen** - the Committee selected Mr. De Vidts as the Chair and Messrs. Cia and Markouizos as the Vice-Chairs of the Committee.

(ii) **IRCC Committee nominee** - the Chairman said that the International Repo and Collateral Council (IRCC) had been set up for the purpose of establishing a number of regional councils. For various reasons the only regional council to be set up was the European Repo and Collateral Council (ERCC). Nevertheless, section 1000 of the ICMA Rules and Recommendations makes provision for both the IRCC and an IRCC Committee. The ERCC AGM, held on January 27, 2016, had decided:

- i) that the nominees for appointment to the IRCC Committee be selected from amongst those individuals holding elected seats on the ERCC Committee;
- ii) that the ERCC Committee should select, from among its serving members, the nominee to fill a vacancy for appointment to the IRCC Committee; and
- iii) that if a duly appointed member of the IRCC Committee ceases to be a member of the ERCC Committee, they will thereby forfeit their position on the IRCC Committee.

The Committee nominated Mr. Eduard Cia to fill the current vacancy on the IRCC Committee.

(iii) **ERCC applications** - the Committee recommended that the European Bank for Reconstruction and Development and Banco BPI, S.A. should become members of the IRCC and the European Repo and Collateral Council. Mr. De Vidts and Mr. Cia of the IRCC Committee approved the recommendations. The Secretary agreed to inform the firms accordingly.

2. ERCC Committee priorities for 2016

The Chairman referred to the ERCC Outstanding List that had been compiled by the Secretariat. He noted that there was such an array of matters before the Committee that it was sometime difficult to see the wood for the trees. In reviewing the ERCC Outstanding List, the Committee noted that the CSDR had gone in the right direction but there is still further work to be done which the Committee regards as a priority. NSFR is also a top priority and the Committee agreed that Mr. Cia should lead a working group focused on this issue. SFTR is being implemented at the moment and there had been a successful education campaign in this regard with work still on-going. Work on the FSB proposal on data collection is being led by the ERCC Operations Group but input from the Committee will be required. MiFID should not be a significant concern for the Committee as long as a solution can be found for the transaction reporting overlap between MiFID and the SFTR.¹ The Chairman noted that he had been unsuccessful in getting a seat on the European Post Trade Forum (EPTF) and that ICMA had written to the Commission expressing its disappointment with this outcome. There had been 45 applications for the 15 seats though the Chairman had been informed that he will be invited to attend ad hoc meetings. The Capital Markets Union (CMU) project is ongoing. The Committee has already done some work on haircuts for the FSB and this work-stream is still on-going. Work on the BRRD is being led by Ms. Cleary.

The European legislative proposal on CCP recovery and resolution is a secondary priority. The ICMA Collateral Management paper, which seeks to examine what collateral management is, what the

¹ ESMA has proposed that MiFID II transaction reporting be disapplied in the case of SFTs, where these are (or will be) reportable to a trade repository under the SFTR. However, this leaves an issue with those SFTs that are specifically exempted from SFTR trade repository reporting, such as repos where the counterparty is a member of the ESCB.

demands for and cost of collateral are, and how collateral impacts the way banks do business and the real economy may not be a top priority but the Committee nevertheless needs to focus on it. The ECB COGESI is more of a priority for the ERCC Operations Group but it is a useful forum in which the Committee can air its concerns. Also of secondary priority are: ESMA's work on collateral scarcity, ICMA's educational offerings focused on collateral, the November 2015 repo market study, and the study on the impact of regulations on liquidity in the European repo market. The Committee felt that CCP clearing (i.e. the differing appetite of CCPs to settle non-ATS trades) should remain a secondary priority. It was also noted that CCPs are trying to develop an end-user model of clearing but each CCP has its own user group which provides feedback and this is more of a firm issue rather than an industry issue.

Regarding the ERC Guide to Best Practice a working group comprising a few members of the Committee, the ERCC Operations Group, Mr. Comotto and ICMA staff will be working on updating the Guide.

The EMMI's Secured Benchmark Task Force's work will continue to be monitored but is not a priority for the Committee. The OECD BEPS work and the ESRB Workshop on CCPs Interoperability Arrangements were considered to be of low priority, though the Secretariat will continue to monitor developments. For now, the Asian repo survey is just for information. The credit claims topic is also currently a low priority.

The Chairman concluded that the top priorities for the Committee are CSDR, NSFR, SFTR, BRRD, and MiFID. Committee members were requested to flag any issues they felt should be given greater priority. It was agreed that before each Committee meeting the Secretary would circulate a revised ERCC Outstanding List to Committee members and provide an update at the meeting.

3. GMRA developments

(i) **ERCC buy-side annex** - Ms. Cleary said that work was continuing on developing a buy-side and corporate annex to the GMRA, at the Committee's request. It would be an industry standard annex to the GMRA for buy-side or corporate users. The aim is to open the repo market to a wider group of market participants including firms which may have trouble negotiating GMRAs either because of capacity reasons or because of lack of expertise. ICMA is also battling a perception issue about how complicated the GMRA is and also dealing with some of the challenges arising from the in-house templates used by firms and their preferences for additions to documents. Ms. Cleary has been speaking to legal colleagues within Committee firms but would like Committee members to provide her with the names of treasury contacts at their firms in order to better understand access to new users. Ms. Cleary will be reaching out to other interested stakeholders such as the ICMA Asset Management and Investors Council, ICMA Corporate Issuer Forum, and ICMA Financial Institution Issuer Forum, and also the tri-party agents. Some of the tri-party agents have their own solutions, such as Clearstream's CRC and the Euroclear solution (which is based on the GMRA). A workshop will be held in Q1 for interested stakeholders to identify who the users will be for the product, and how it can best be developed.

The Chairman said that Clearstream had expressed its willingness to work on an industry initiative and that a GMRA buy-side annex would help the buy-side to adopt an industry-standard document. The Chairman said that he looked forward to seeing some progress on this issue.

(ii) **Maple Bank** - Ms. Cleary noted that the German regulator had used a pre-existing power to put Maple Bank into a payment and delivery moratorium - it did not use a BRRD related power. As

such, Ms. Cleary also noted that there has not been a suspension of termination rights. She said that she had spoken with German counsel (Freshfields) who are happy to field questions or to have a briefing call, if such would be helpful. Ms. Cleary said that counsel was making best-efforts observations based on what had happened in the Lehman's default. German counsel has discussed the moratorium in previous German legal opinions.

The Chairman said that he had raised this matter at COGESI where it had been agreed that the regulators could have handled the imposition of the moratorium on Maple Bank differently. The way the moratorium had been imposed on Maple Bank had caused a lot of confusion throughout the market. He asked Ms. Cleary to prepare a short briefing note to be shared with the ERCC and regulatory authorities documenting to the membership what had happened in the Maple Bank situation vis-a-vis the BRRD which could also call on regulators to be better prepared to deal with such situations in the future and to communicate more effectively with the market in order to reduce the level of confusion in the market. The note can also be sent to Lord Hill in the context of the CMU and the need for harmonised processes in this area.

(iii) **BRRD developments** - Ms. Cleary said that implementation across the Member States is continuing. There are amendments pending in certain jurisdictions such as Austria and France, where bail-in related issues have arisen, similar to the ones that arose in Germany. These issues are being clarified and amendments are proposed in those jurisdictions. The committee should take note of the updates to the GMRA legal opinions which are due for publication in early April.

The Chairman asked if there was any follow-up from the Bank on the discrepancy between the market and CCP treatment under the BRRD? Ms Cleary noted that work is starting on CCP Recovery and Resolution and we need to keep abreast of this work.

(iv) **Inclusion of CCPs in the legal opinions** – Ms. Cleary said that there had been a number of requests for CCPs to be included as bilateral counterparties in the legal opinions. This may be a very expensive process and would require industry backing. The Committee supported the idea that the scope of the legal opinions should include CCPs.

(v) **Article 15 SFTR** - the information statement is still being finalised and should be published shortly. It is a cross-association project and will be a generic risk disclosure document which can be used to satisfy the disclosure requirements of Article 15 of the SFTR. The deadline for providing this to counterparties is July 2016 and it is hoped that this will be published in the next few weeks. The hold-up has been some last-minute comments about the usability for US counterparties. Once this has been clarified, the information statement will be published. A briefing call will be set up in due course once the information statement has been published. The Chairman noted that the ERCC Operations Group has asked for this work to be speeded up because they have to send out the relevant papers and have them confirmed by counterparties in advance of the deadline.

(vi) **Credit claims** - the Committee discussed the extent to which there was appetite to continue work on developing the credit claims annex. It was agreed that there was little interest but that the Committee would continue to monitor developments.

4. Collateral and liquidity

(i) **Bank of England meeting** - Mr. Hill said that most Committee members will have seen his short, confidential note of the meeting that took place on 5 February involving a Committee delegation and a delegation made up from the Bank, led by David Rule (Executive Director of Prudential Policy).

At that meeting, there was a lot discussion regarding the leverage ratio and the Bank had been curious as to why this had not been more fully felt in the market in terms of reported volumes and pricing. NSFR was also discussed. The Bank's perspective was that if you look across the whole market and the whole entity of a bank you have elements which produce ASF and other elements which give rise to RSF. But on aggregate, most banks are already NSFR compliant so it is not clear why the introduction of the NSFR would be problematic. Committee members explained that, regardless of the aggregate position, NSFR will be a further significant pressure which will serve to constrain repo activity. CCPs were also discussed, with the Bank being particularly interested in the scope for client clearing which it sees as a potential solution to provide netting under the leverage ratio and NSFR. Interestingly, in the Bank's published response to the call for evidence for CMU it suggested the removal of central bank reserves from the leverage ratio calculation. The Committee agreed that this would be a significant development. US banks had unsuccessfully lobbied for a similar position to be adopted in the US.

(ii) **Collateral management paper** - Mr. Markouizos agreed to chair a working group to champion and supervise the work being done on collateral management. Some draft slides had been circulated to the Committee prior to the meeting. The aim is to use the slides, modified as necessary, to communicate to regulators the importance of collateral. By not safeguarding the fluidity of collateral in the repo market the foundation of the new regulatory framework is put on a shaky footing, given that repo and collateral are effectively the same.

The Committee noted that NSFR will create significant new impacts on collateral. Concerning derivatives, starting in September firms will be posting significant amounts of IM, that are almost exclusively in securities and derivatives because of the difficulties which would be associated with segregating cash. This segregated IM will not be available for reuse, unlike VM which will be in cash and can be reused. Firms will not want to gross-up their balance sheet leverage or NSFR consumption and will seek to select margin collateral from amongst assets already held; but could need to engage in collateral transformation trades if their holdings do not match with IM eligibility requirements. Firms will want to standardise a basket of eligible IM, which would be good for the market and add to its fluidity; and ideally cover a broad range of eligible collateral assets. But eligibility details are yet to be finalised and challenges such as wrong-way risk will remain. The more you standardise, however, the easier it should be to manage concentration risk/limits; but there will be a problem that everyone in the industry will be motivated to take essentially the same risk profile. A lot of practitioners across the industry are discussing this topic at the moment. It was noted that if the aim is to keep the market stable, collateral velocity will have to increase, but there was scepticism amongst some Committee members about whether this would happen. The best thing that could happen would be to tap into asset classes that are not traditionally used for IM, such as equities - but there is a big debate on if and how to do this. The asymmetries in NSFR and its lack of allowable offsetting only serve to exacerbate the challenges to be faced. Committee members were requested to send comments on the draft slides to the Secretariat by 9 March so that the amended slides could be sent to Mr. Markouizos for his consideration.

(iii) **Liquidity in the European secondary bond market** - Mr. Hill said that the 2014 study on [Liquidity in the European secondary bond market²](#) was being updated. The 2014 study had proved to be been a fairly seminal work. The terms of reference for the new study are currently being drawn up. Committee members were requested to contact Mr. Hill if they are interested in providing input on corporate bond, government bond and repo markets.

² Alternatively, see: <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Secondary-Markets/survey-report-liquidity-in-the-european-secondary-bond-market-perspectives-from-the-market/>

5. NSFR

The Chairman said that regulators and the Commission do not appear to fully appreciate the implications of NSFR, especially for repo and collateral markets. To this end, Mr. Hiscock had been requested to draft a paper setting out the issues, a copy of which had been circulated to the Committee prior to the meeting. Mr. Hiscock felt that there were two areas that needed further work. The first relates to the effect the NSFR will have quantitatively - to which he referred the Committee to the spreadsheet that had also been circulated. He noted that the spreadsheet was based on numerous assumptions. However, ideally more concrete data from firms was required. Individual firms may have started to profile their own position and it was hoped that if firms were willing to share their data, Mr. Comotto could aggregate the data to produce more meaningful statistics.

The second part of the paper that needed further work relates to the proposals that the Committee would like to put forward to remedy some of the issues created by the NSFR. For example, should the paper advocate that the real problem is the calibration of ASF/RSF and push for an adjustment or should the paper highlight the issues regarding HQLA and suggest that there should be some other treatment for holdings of HQLA.

Once developed, the paper will be reviewed with Mr. Mario Nava of the Commission, who will be responsible for developing proposals necessary for the implementation of NSFR in the EU. The Chairman noted that he has written the foreword to the latest edition of the ICMA Quarterly Report about the threats to the repo market. NSFR was drafted to generally avoid undue reliance on short-term funding rather than being specifically designed in the context of how to treat repo and collateral; and the way it impacts upon repo and collateral does not appear to make sense. One possibility is to ask that repos with a maturity of less than six months are effectively excluded from the scope of the NSFR. The ICMA ERCC paper should also emphasise that NSFR appears to drive seemingly perverse behaviours as banks are incentivised to structure products in potentially unsuitable ways. It was also noted that from 2019 UK banks will be required to split their retail and wholesale business, with the retail operations being ring-fenced. However, not all European banks would be so constrained.

It was agreed that the draft paper was a good start but that it needed further work, especially in relation to the data that might be used. The paper needs to more clearly detail the resulting impact that the NSFR will have on the real economy: and buy-side implications should also be more fully discussed. ISLA should be asked whether they have looked at NSFR, particularly since its impacts are even more problematic for equities than for fixed income. It was agreed that Mr. Comotto would help explore how to produce a more robust quantitative analysis. A working group, chaired by Mr. Eduard Cia, was set up with members to include Messrs. Rowley, Allen, Danese, Meyer, Bremer, Manna, Kouyoumjian, Hochreutiner, Comotto, Hill and Hiscock. It was agreed that the working group would circulate a revised draft of the paper to the Committee during the week of 14 March.

6. Operations Update

(i) **ERCC Operations Group update** – Mr. Hiscock said that the ERCC Operations Group continued to have a full agenda and that they were looking for additional volunteers willing to take an active role working on some of the Operations Group projects. The latest meeting of the Operations Group was held on 5 February.

On 10 February the ERCC Operations Group held a very successful industry-wide seminar. Around 90 people had attended and the agenda had included updates from Messrs Jonathan Lee, Nicholas Hamilton, Richard Comotto and David Hiscock in addition to a Panel session on the continued evolution in securities financing markets moderated by Mr. Adam Bate. It is hoped that the seminar will be held annually.

The ERCC Operations Group is also finalising its work on the usage of confirmations, with the aim that new recommendations would be included in the ERC Guide to Best Practice. Transaction reporting had also been a key issue for the ERCC Operations Group. There are initiatives by the Bank of England (Sterling money market data collection), the European Central Bank (Money Market Statistical Regulation), the EU (SFTR reporting to trade repositories) and the FSB; all of which means that there is a lot to do over the next couple of years. As a precursor to this and other coming regulatory requirements such as CSDR, the ERCC Operations Group has also published a TMA template which includes both mandatory and optional matching fields. The Group is working with vendors to encourage them to sign up to supporting the mandatory and optional matching fields as a minimum. Finally, details regarding the ERCC Operations Group's work on the regulatory initiatives relevant to the identification and reporting of SFTs are available on ICMA's website ([Future challenges in repo post trade processing](#)).³

(ii)(a) **COGESI meeting** – The Chairman said that the meeting had looked at what the ECB could do to help the markets and it had focused on T2S harmonisation. The settlement bridge between the ICSDs was discussed, as were other steps considered necessary to enhance collateral efficiency in the European markets. It has been decided that the T2S Harmonisation group should be merged with COGESI.

The Chairman said that he is arranging a collateral event, together with public authorities, to take place in the middle of the year.

(ii)(b) **Monte Titoli's penalty regime** – Mr. Rowley said that Monte Titoli intends to re-introduce their penalty regime. The penalty regime had originally been introduced in 2011 but had been suspended for the migration to T2S. The construct of this penalty regime appears to be unfair, as charges are imposed on banks but not levied against intermediaries. The penalty regime also incentivises sub-optimal settlement behaviour. Concerns about the penalty regime were raised with Monte Titoli some time ago, but this has seemingly been to no avail. With the new CSDR penalty regime planned to come into force once the T2S migration process is complete, now would seem to be an appropriate time to at least reconsider the operation of this Italian regime.

Other Committee members are aware of this issue. It was agreed that this was a retrograde development and goes against the work the Committee has done in the CSDR context. Additionally, some CSDs make money on fails. This does not help to solve the problem of fails - which is dependent upon identifying and rectifying root causes.

The Italian Annex to the 2011 GMRA sets out that that in the case of a fail, as an alternative to terminating the transaction, the non-defaulting party may elect to "roll over" the transaction in whole or in part with the pricing rate for the replacement transaction being minus five percent unless the parties agree otherwise. This GMRA provision only exists for Italian domestic purchased

³ Alternatively, see: <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/short-term-markets/Repo-Markets/icma-european-repo-market-reports-and-white-papers/the-future-challenges-in-repo-post-trade-processing/>

securities – it is not clear why this is the case, though it may have to do with continuing settlement issues in the Italian market. It was agreed that the ERCC Operations Group should look into this issue further.

(ii)(c) **CCP settlement of non-ATS trades** – The Chairman said that while he was looking at the work being done to develop a secured benchmark, it became clear to him that there are significant differences in the way that CCPs deal with non-ATS trades. It was agreed that this issue should be raised with the ERCC Operations Group.

(ii)(d) **ESRB report on CCP interoperability**⁴ – the Committee took note of the ESRB report on the systemic risk implications of CCP interoperability. CCP interoperability in the context of European repos is a project that might happen, but would likely occur only in the distant future.

(ii)(e) **T2S** – The Committee noted that the first wave of T2S has been completed, while the second wave had been delayed because of Euroclear. Once the second wave has been completed the third wave will begin. It is planned that the migration to T2S will not be completed till 2017.

7. Regulatory Update

(i) **MiFID II/MiFIR** – Mr. Hill said that he and Ms. Callaghan had drawn up a list of 10 questions requiring clarification about how securities financing transactions would be treated under MiFID II/MiFIR. The aim is to send the paper to the FCA asking how best to take these issues forward. Committee members were requested to provide feedback on the paper.

(ii) **CSDR** – A new paper had been drafted by Mr. Hill which outlined the problems arising from an asymmetric treatment under CSDR for the payment of the buy-in or cash compensation reference price differential. The paper will be sent to the Commission and ESMA, who have indicated their willingness to work with ICMA to try and make things better.

Mr. Hill said that from a repo perspective, the industry had been able to improve ESMA's framework for mandatory buy-ins, with the inclusion of a 30 business day exemption. This will take 70% – 80% of the repo market outside the scope of the mandatory buy-in regime. It also seems to include the end date as well as the start date, which is better than was expected. Therefore, albeit that there are still problems, it is very positive for repo.

However, the mandatory buy-in provisions still pose a significant problem for the cash market and for corporate bonds and less liquid bonds in particular. The key concern is how the buy-in differential (i.e. the difference between the original trade price and the buy-in execution price or cash compensation reference price) is settled between the purchasing and the selling counterparties, and how this differs from more conventional buy-in processes. The buy-in (or cash compensation) process prescribed by the CSDR only allows for the payment of the differential to pass in one direction (from the seller to the buyer), where the buy-in price is higher than the original trade price, and explicitly prevents the differential being paid in the opposite direction (from the buyer to the seller) in the event that the buy-in price is lower than the original trade price. Effectively this means that if you short a bond, it is the economic equivalent of writing a free put at the sale price that becomes active in the event of a buy-in. This is a huge risk and would kill off market making particularly in less liquid products. Therefore, ICMA is trying to effect a change to

⁴ Alternatively, see: https://www.esrb.europa.eu/pub/pdf/other/2016-01-14_Interoperability_report.pdf

the RTS to at least allow the buy-in to work symmetrically, consistent with how it works in markets currently, though it is recognised that this will be very difficult because of constraints imposed by the way the Level 1 legislative text is drafted. The draft paper will be shared with the working group, which includes AFME. It was also noted that the position of open trades still has to be clarified.

(iii) **ESMA request for haircut data** – Mr. Hill said that ESMA had asked ISLA and ICMA for haircut data on SFTs. ESMA had been asked by the Commission to carry out a study into haircuts and haircut policies in SFTs with a view to making a recommendation in relation to the FSB’s recommendation for mandatory minimum haircuts. ICMA had explained that it is very difficult to meaningfully provide and interpret haircut data as every bank will have its own commercial policy that takes into account a lot of different variables. However, EMSA said that they are required to make a recommendation and that the more data and information they are given the more the recommendation will be able to suitably reflect market practices.

Three of ISLA’s members have volunteered to talk to ESMA about haircuts in general and how they set their policies. Mr. Comotto had already done some work in this area for the FSB. It was noted that it would be important to emphasise that ESMA should take care not to focus solely on the data which could easily be misinterpreted and thus provide a misleading picture. It was also noted that the FSB had gathered some data (including through a QIS process), which it would be helpful if ESMA was able to reuse. It also needs to be recognised that the Basel rules already act as an incentive for banks to take on less risk, with capital having to be set aside in case an insufficient haircut is taken; and therefore the FSB proposals on haircuts are focussed on SFTs involving non-banks. The Chairman urged the Committee to provide haircut data to Mr. Comotto and volunteers were also asked to come forward to speak to ESMA about haircut policies.

8. Update on the work of the Joint Taskforce of the ERCC Secured Benchmark Working Group and EMMI

The EMMI launched a public consultation at the end of December seeking feedback on the potential need and use of a pan-European repo benchmark and also asking for views on what transactions should be used to support such an index. The EMMI subsequently published the results of that consultation, which had been circulated to the Committee. EMMI is trying to find a way to collect the data that the Committee had agreed should be included in the new index – namely all CCP cleared trades – i.e. not just electronically traded transactions but also voice brokered and any other OTC bilateral trades, which are submitted to the CCPs by the trading parties. It was noted that Mr. Alberto Lopez Martin has taken over from Mr. Mirko Guth on EMMI’s secured index work

Mr. Dumas said that he had attended a meeting the previous day with MTS and BrokerTec. MTS and BrokerTec are looking to revive the swap markets for RFR Italy, RFR France and RFR Germany (which are functioning but without significant volumes) and develop a pan-Euro RFR. Because of this focus (which would possibly be even more important should Brexit occur) it had been agreed that BrokerTec and MTS would not change the definition of the RFR at this stage to collect the wider set of data as recommended by the ERCC Committee. BrokerTec and MTS could add language that would leave open the possibility of changing the definition of the data making up the index at a later stage. Attendees at that meeting viewed this as a pragmatic decision given the volume of data on which the index would rely and the market share that is made up of electronic trading. It would be easier to change the position afterwards than trying to redo the whole project now. Mr. Dumas also noted that if the Bank of England, in its work to reform SONIA, were to adopt a secured index, then the credibility of secured indices would improve. An overnight secured rate, however, would

never replace LIBOR because it includes a term rate element. Central banks have a real interest in identifying a true risk-free rate.

It was noted that ICAP had suggested having on-screen, two-way, non-executable prices, in order to gain LCH support. Apparently LCH cannot collect the requisite data in France and Germany due to legal problems. LCH does not own the data and would have to approach each clearing member to get their approval in order to send the data to EMMI.

The Committee agreed that its original decision (to include in the overnight secured index all CCP cleared trades – i.e. not just electronic traded transactions but also voice brokered and any other OTC bilateral trades, which are submitted to the CCPs by the trading parties) should stand and that the logistics of obtaining that data would remain for the EMMI to consider.

Turning to administrative matters, the Chairman noted that EMMI are setting up a Secured Benchmark Task Force (SBTF) to take over from the old Eurepo Steering Committee. The SBTF will include two members to be nominated by the ERCC, with the majority of the remainder of its members to be appointed by EMMI. Mr. Eugene McGrory and Mr. Richard Hochreutiner agreed to be nominated by the ERCC Committee to sit on the SBTF.

9. Asian and US repo developments

Mr. Hiscock said ICMA had received a request from ASIFMA asking for reciprocal observer status. ICMA is routinely invited to attend ASIFMA's Secured Funding Committee meetings and ASIFMA would like the Chair of that Committee, Mr. Ed Donald of Standard Chartered, to be invited to participate in ERCC Committee meetings. The Committee agreed to grant Mr. Donald observer status.

Mr. Comotto said that discussions with ASIFMA on developing an Asian repo survey were still ongoing. The extent to which Asian deals can be separated from global books had been queried. Accordingly, Mr. Comotto had conducted a survey to which 11 firms had provided data. The results had been sent to ASIFMA and he was waiting for feedback on whether they would go ahead with an Asian survey or not.

The articles on US repo developments⁵ were noted.

10. AOB and further meetings

(i) **semi-annual repo survey** - the Committee reviewed the paper prepared by Ms. Colaco-Henry setting out which firms do and do not contribute to the semi-annual repo survey. It was noted that none of the ERCC's buy-side firms have contributed data to the survey. It was agreed that the Chairman will write to those ERCC members asking them to contribute data.

⁵ See:

US Treasury Request for Information on the Evolution of the Treasury Market Structure - <https://www.treasury.gov/press-center/press-releases/Documents/Market%20Structure%20RFI%20Final.pdf>

DTCC request for \$50 billion to shore up the US repo market - <http://www.wsj.com/articles/is-50-billion-the-price-of-repo-safety-1449706582>

(ii) **FSB report** on [Possible Measures of Non-Cash Collateral Re-Use](#)⁶ – the Committee discussed the FSB’s report published on 23 February. It was agreed that the Committee should respond to the report in advance of the 22 April deadline for comment.

(iii) **BCBS consultation** on [Revisions to the Standardised Approach for credit risk](#)⁷ - the BCBS published its second consultative document on 10 December 2015 as part of its broader review of the capital framework to balance simplicity and risk sensitivity, and to promote comparability by reducing variability in risk-weighted assets across banks and jurisdictions. The deadline for responses is Friday 11 March 2016. Given the lack of responses to date, Mr. Hiscock said that he assumed that the Committee would not be responding.

(iv) **SLRC call** – Mr. Hiscock said that a call with SLRC members had taken place on 23 February and a few Committee members had participated in that call. Ms. Sarah John (Head of Sterling Markets and Chair of SLRC) ran the meeting and Mr. Jon Pyzer (Senior Manager, Sterling Markets) represented the Bank of England. The Bank explained their plan to replace the NIPs Code, the Gilt Repo Code of Guidance and the Securities Borrowing and Lending Code of Guidance, with a new, updated, unified code (all in light of the BIS led work on the new global FX market code). The Bank sees the new unified Code as voluntary but, at the same time, they would like firms to attest and adhere to the new Code possibly by linking it to the UK’s Senior Managers Regime. Additionally, the focus of the new unified code is the London market, covering both Sterling and foreign currency activities. The Bank is aware that there is little central bank appetite to work on any further global codes, but has not really explored as yet whether there is an EU level harmonisation which should be worked on (in particular to cover ECB/euro-area activity). ICMA will engage in this Bank led initiative and will need to carefully consider how this work will sit alongside the published ERC Guide to Best Practice.

Future **European Repo and Collateral Committee meetings** have been scheduled as follows:

1. **13 April, 2:30 – 5:30 BST**, kindly hosted by Swiss Re in the Gherkin - 30 St. Mary Axe, EC3A 8EP London;
2. **20 May, from 10:30 – 13:30 BST**, in the margins of the ICMA Annual General Meeting, The Convention Centre, Spencer Dock, North Wall Quay, Dublin 1, Ireland;
3. **21 June (afternoon)** - joint ERCC/ISLA Board meeting in the margins of the ISLA 25th Annual Conference in Vienna;
4. **Mid-end September**, kindly hosted by UniCredit in the margins of the Munich Oktoberfest (tbc)

Other Repo dates:

- **ICMA European Repo and Collateral Management Course – 11 – 12 April 2016**, kindly hosted by Barclays, 1 Churchill Place, Canary Wharf, E14 5HP.

⁶ Alternatively, see: <http://www.fsb.org/2016/02/fsb-releases-report-on-possible-measures-of-non-cash-collateral-re-use-2/>

⁷ Alternatively, see <http://www.bis.org/bcbs/publ/d347.htm>

- **ICMA European Repo and Collateral Council General Meeting – 27 September 2016**, kindly hosted by BondLend in London.

The Chairman:

The Secretary:

Godfried De Vidts
13 April, 2016

Lalitha Colaco-Henry