

Minutes of the ERCC Committee meeting held on 26 February 2020 in London Hosted by UBS

Present:	Mr. Gareth Allen	UBS Limited (ERCC chair)
	Ms. Emma Cooper	Blackrock (ERCC vice chair)
	Mr. Dan Bremer	BAML
	Mr. Nick Dent	Barclays
	Mr. Eugene McGrory	BNP Paribas
	Mr. Peter Fejfer Nielsen	Citi
	Mr. Jean-Robert Wilkin	Clearstream
	Mr. Andreas Biewald	Commerzbank
	Ms. Marije Verhelst	Euroclear
	Mr. Jean-Michel Meyer	HSBC
	Mr. Lav Lukic	J.P. Morgan
	Mr. Antony Baldwin	LCH Limited
	Ms. Amandine Triadu	Mizuho
	Mr. Sylvain Bojic	Société Générale
	Mr. Harald Bänsch	UniCredit Bank
	Mr. Nicholas Hamilton	J.P. Morgan (ERCC Ops co-chair)
	Mr. James Upton	LCH (ERCC Ops co-chair)
	Mr. Godfried De Vidts	ICMA ERCC Special Advisor
	Ms. Lisa Cleary	ICMA
	Mr. Richard Comotto	ICMA Centre
	Mr. Andy Hill	ICMA
	Mr. Alexander Westphal	ICMA (ERCC Secretary)
On the phone:	Mr. Charlie Badran	AXA IM
	Mr. Paul Van De Moosdijk	PGGM
	Mr. Richard Hochreutiner	Swiss Reinsurance
Apology:	Mr. Romain Dumas	Credit Suisse

Welcome

Godfried De Vidts opened the meeting, congratulating all members for their (re-)election to the Committee and explaining some of the basic rules of engagement, in particular in relation to attendance and the process for replacement in case any member steps down from the Committee, based on an overview paper that had been circulated to members ahead of the meeting.

1) Election of the Chair and Vice-Chairs

Committee members unanimously elected Gareth Allen, UBS, as new 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. Mr. De Vidts will continue to support the Committee chairs in his role as ERCC Special Advisor.

Mr. Allen thanked members for their support and briefly set out some ideas and objectives for his upcoming term as Committee chair.

2) Minutes from previous meetings

The Committee approved the minutes of the previous ERCC Committee meeting held on 14 November in Brussels without further comments. The minutes are available on the [ICMA website](#).

3) Repo Market conditions

Members exchanged views on recent repo market conditions and the latest relevant market developments. In the following tour de table, members covered a number of current trends in the repo market. In particular, members made the following observations:

- Repo volumes have been increasing for some time with continued spread compression and increasingly downward pressure on haircuts, although at levels that still remain well above the minimum haircut floors proposed by the FSB.
- Market participants observe an increase in the use of Total Return Swaps (TRS) and other alternative products to repo, e.g. bond forwards, which seems to be a longer-term trend. Some commented on the related risks of creating a two-tier market and the fact that the upcoming phase 5 of the Uncleared Margin Rules (UMR) is likely to further increase the use of TRS and other alternative products.
- With the escalating Covid-19 crisis, there is now an increasing focus on banks' related contingency measures, e.g. to set up appropriate structures to enable large-scale working from home, including by traders, and overcoming the related challenges.

4) ERCC Committee priorities 2020

Andy Hill briefly presented a list of proposed strategic priorities for the ERCC Committee in 2020, which were set out in the ERCC overview note that Committee members had received ahead of the meeting. Members discussed the proposed list and suggested a few additions, including (i) closely following the ongoing work on the transition to risk-free rates and the impacts on repo, (ii) the evolution of repo client clearing, as well as (iii) keeping track of relevant developments in market infrastructure that are being coordinated by the ECB, in particular the development of the Eurosystem Collateral Management System (ECMS). Based on the discussion, the Secretariat will update the note and circulate a revised version to the Committee.

5) Legal updates

Lisa Cleary gave an overview of the ERCC's legal work, including the working group structure, key priorities and recent developments particularly regarding the GMRA legal opinions, which are currently being updated and should be ready for publication in April. Members briefly discussed implications from the discontinuation in 2019 of opinion coverage for the GMRA 1995 and the reasons why this hasn't led to a more significant uptake in the usage of the related protocol, which remains generally relatively limited (compared to the use of similar protocols developed by ISDA in relation to derivatives). Those Committee members representing firms that already signed up to the Protocol agreed to investigate internally and provide some further details at one of the next meetings on the related challenges and the 'lessons learned'. On a more general note, Ms Cleary encouraged Committee members to ensure that their firm is appropriately represented and actively contributes to the work of the ERCC Legal Working Group.

6) Update from the ERCC Operations Group

ERCC Ops co-chairs Nicholas Hamilton (JP Morgan) and James Upton (LCH) presented the work of the ERCC Operations Group, including the general setup of the group, as well as the key priorities and latest discussions across the following four pillars of ERCC Ops: (i) Regulation (in particular SFTR and CSDR), (ii) Market infrastructure (in particular the active agenda of the ECB's AMI-SeCo in which the ERCC represented, and the related work specifically on collateral management harmonisation), (iii) Best practices and education (including operational considerations around the recent transition to €STR), (iv) Technology (including the ERCC's FinTech mapping, CDM, and discussions within the ECB's FinTech TF in which ICMA is represented).

Mr. Upton focused his remarks on recent ERCC Ops discussions in relation to intraday liquidity management. This topic that has been discussed on several occasions by both the ERCC Committee and ERCC Ops, most prominently during a dedicated cross-industry workshop in September 2018. More recently the ERCC Ops has revived the discussion and is actively trying to bring previous inputs and analysis together into a consolidated document, which can be used as a basis to develop some concrete recommendations on the way forward. This analysis is currently being put together by a small sub-group of ERCC Ops members and will be finalised over the next few months before being presented to the Committee as a basis for further discussion. Committee members discussed some of the challenges around intraday liquidity and confirmed that this should indeed continue to be a priority area for ERCC Ops.

7) Common Domain Model & FinTech update

Andy Hill introduced ICMA's joint work with ISDA to extend the existing Common Domain Model (CDM) to also cover repo. He updated members on the latest progress, in particular a series of workshops with interested members and REGnosys, the company responsible for

developing the CDM from an IT perspective. The aim of the workshops is to develop concrete repo use cases in the CDM as a useful first step to incorporating repo more broadly into the model.

Mr. Hill updated members on a number of other FinTech-related initiatives, including the ERCC's existing [FinTech mapping directory](#) and a mapping of repo trading platforms which is currently being developed and should be finalised within the next weeks. In this context, Ms. Cleary also commented on ongoing discussions in relation to document negotiation platforms and their relevance to the GMRA.

Members discussed a proposal to create a new ERCC Fintech Working Group and agreed that it would be useful to set up such a group, spanning across ERCC Committee and ERCC Ops (hence also incorporating the existing ERCC Ops FinTech WG). One of the key priorities of the new ERCC FinTech WG should be the ongoing work in relation to the CDM and the group would report back to the ERCC Committee but should also provide a link to ICMA's overarching FinTech Committee. Based on the discussion, ICMA will prepare some more detailed terms of reference for the proposed ERCC FinTech WG and to set up an inaugural call in the next weeks with interested members to further discuss.

8) ERCC Guide to Best Practice

Sylvain Bojic and Richard Comotto introduced a set of proposed amendments to the ERCC Guide to Best Practice which had been agreed at the latest meeting of the group which was held on 3 October 2019 and subsequently finalised. ERCC Committee members will be given time following the meeting to review the proposed amendments in more detail and to send any written comments to the Secretariat ahead of the next meeting of the Guide Working Group which has already been scheduled for 26 March. Mr. Bojic also encouraged members to raise any additional issues/best practice proposals for consideration by the Guide Working Group and/or to join the working group directly.

9) Regulation

a) CSDR

Andy Hill updated members on ICMA's recent work with members to prepare for the implementation of CSDR mandatory buy-in provisions. He mentioned a number of recent advocacy efforts that have been made in collaboration with other industry bodies. These include two cross-industry letters, co-signed by ICMA, that have both been submitted to the European Commission, ESMA and other policy makers in the EU to reiterate the major industry concerns with the CSDR buy-in provisions. A first letter was submitted on 22 January, co-signed by 13 associations. A second letter submitted jointly by ICMA's AMIC and the IA focused more specifically on buy-side concerns and was submitted on 30 January. As part of the related discussions, ICMA also joined a meeting of EFAMA with the European Commission to further explain and discuss the concerns expressed by the industry. Apart from the more general

advocacy efforts, ICMA continues to be in close contact with ESMA to achieve further clarity on a number of fundamental aspects in relation to the implementation of mandatory buy-ins, which are still unclear, including some important queries specifically related to repo. As part of these discussion, ICMA submitted a proposed Q&A to ESMA specifically related to the treatment of open repos. A response is pending. ICMA also continues its efforts to raise awareness of the upcoming requirements and their implications, currently working on a FAQ document on mandatory buy-ins and SFTs which should be published within the next couple of weeks.

Ms Cleary complemented the overview from a legal perspective. The implementation of mandatory buy-ins will require new best practices but also contractual changes in relation to the GMRA. Both aspects are actively being worked on, in close coordination, including with other stakeholders such as ISLA.

b) SFTR

Alex Westphal and Richard Comotto provided an update on the latest developments in relation to SFTR and the extensive work of the ERCC SFTR Task Force to support and coordinate the industry's implementation efforts for repo. In term of process, Alex Westphal noted that the legal reporting go-live date on 13 April 2020 was now merely 45 days away. Despite the advanced stage of the process, there are still quite significant concerns in terms of industry readiness, mainly due to the very late delivery of the final reporting rules by ESMA. Their final Reporting Guidelines were only [released on 6 January](#) and many important issues remain unaddressed or unclear. In addition, the Covid-19 measures that are being taken are starting to take a toll on implementation programmes and may soon become a serious impediment. In the meantime, work with members of the ERCC's SFTR Task Force remains extremely active and engaged. Over 150 firms are represented in the Task Force and the group continues to meet on a bi-weekly basis, with an attendance in excess of 150 members at each meeting. Apart from the ongoing dialogue with ESMA, the main focus of the SFTR Task Force remains to agree and codify best practice recommendations which aim to fill the gaps and address inconsistencies in the regulatory framework. An important milestone in this regard was achieved on 24 February, as ICMA published its detailed [ICMA Recommendations for Reporting under SFTR](#) as well as two related best practice documents. The recommendations have been developed by the Task Force over the past couple of years as internal documents. Their publication is an important step to ensure broad industry awareness, even if the documents themselves will continue to evolve along with the discussions in the Task Force and any additional guidance received from regulators.

c) EMIR and pension funds

Godfried De Vidts and Andy Hill updated members on the latest discussions in relation to the extension of the EMIR clearing obligation to pension funds. Both have been invited to join an Expert Group set up by the European Commission to review the issue and suggest possible solutions that would ensure pension funds' stable access to liquidity including in stressed market conditions. In this discussion, the stability and reliability of the repo market obviously

plays an important role. Members briefly discussed the issues at stake. Paul van de Moosdijk added to the discussion from a pension fund perspective. The next meeting of the Commission Expert Group is scheduled for 29 April.

10) AOB and further dates:

- The results of the next **Repo Survey** are currently being compiled (38th edition – survey date: 11 December 2019). However, contributions are still missing from three major banks which has led to some delay. More generally, the number of contributors has decreased over the years. As the survey will remain valuable also post-SFTR it will be important to reverse this trend.
- As part of the wider ICMA effort to ensure that **sustainable finance** is being addressed across the different Committees, Andy Hill asked members for feedback as regards likely impacts of ESG agenda on repo and collateral markets. Members discussed and agreed that the ERCC should be represented in ICMA's new Sustainable Finance Committee
- Members were asked to approve three **applications for ERCC membership** received from: (i) Banque Central de Compensation (trading as LCH SA) (ii) Capula Investment Management, and (iii) State Street Bank and Trust Company. All three firms were approved as ERCC members and will be added to the [members register](#).
- In terms of next meetings, the next meeting of the Committee has been tentatively scheduled for 21 April. Members also suggested to set up, as in previous years, a **meeting with the ECB**. One possibility would be to hold the September/October Committee meeting in Frankfurt and organise the ECB meetings accordingly.