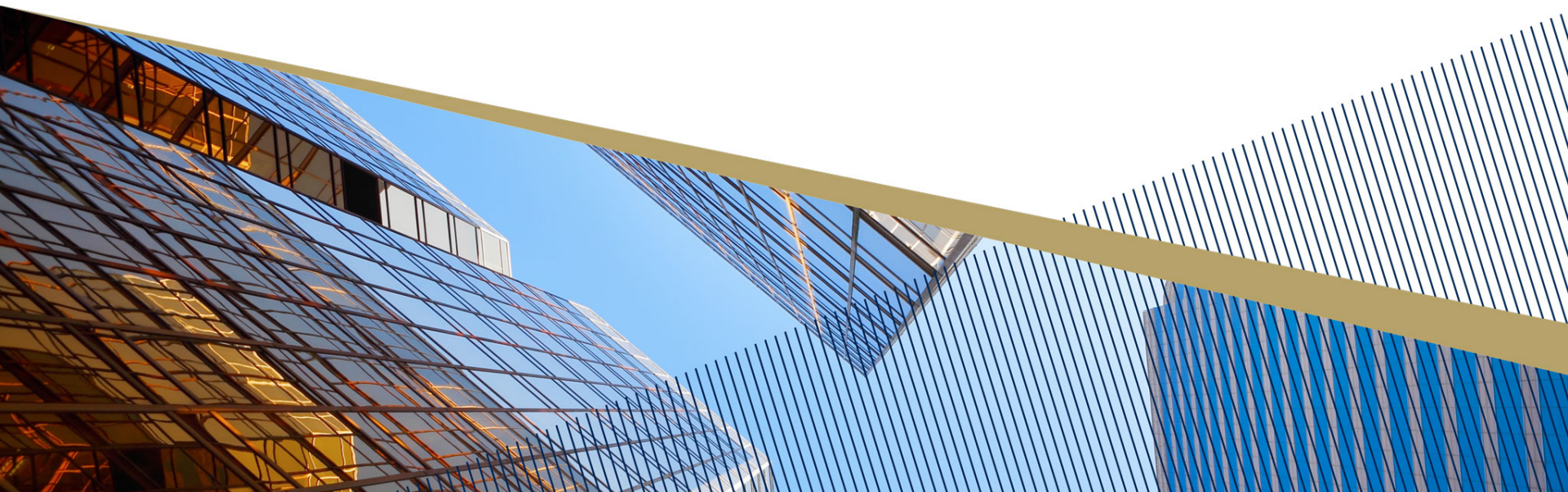


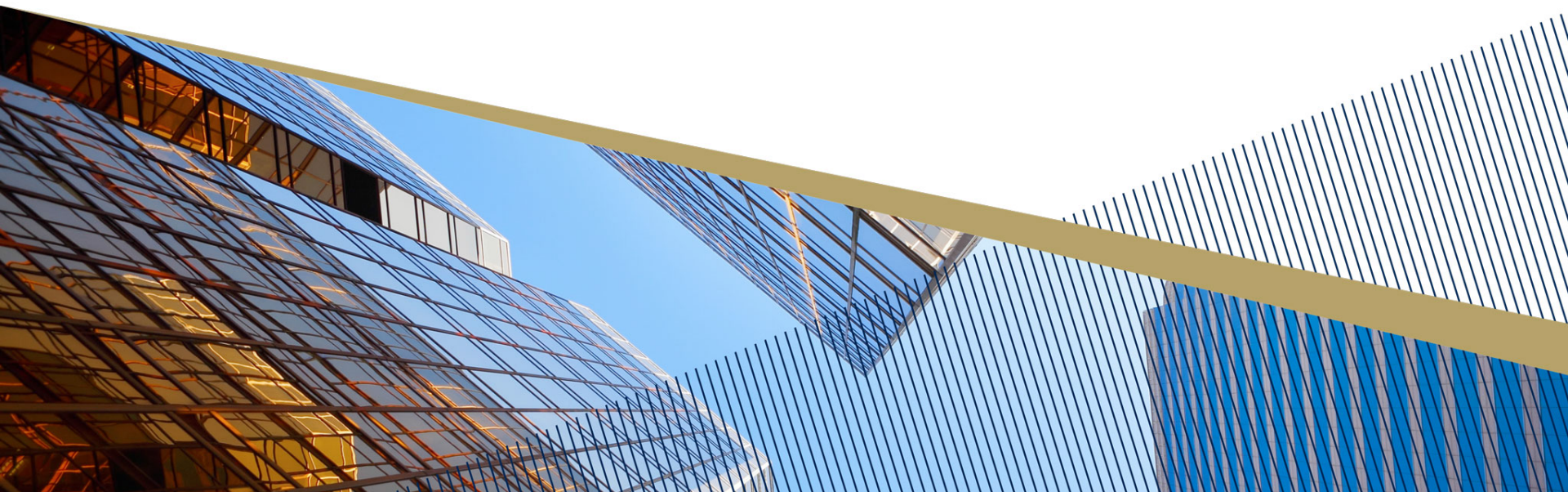
International Capital Market Association

ICMA



ICMA's European Repo Council (ERC) Annual General Meeting

18 May 2015, Brussels



Welcome remarks

- Mr. Martin Scheck, Chief Executive, International Capital Market Association

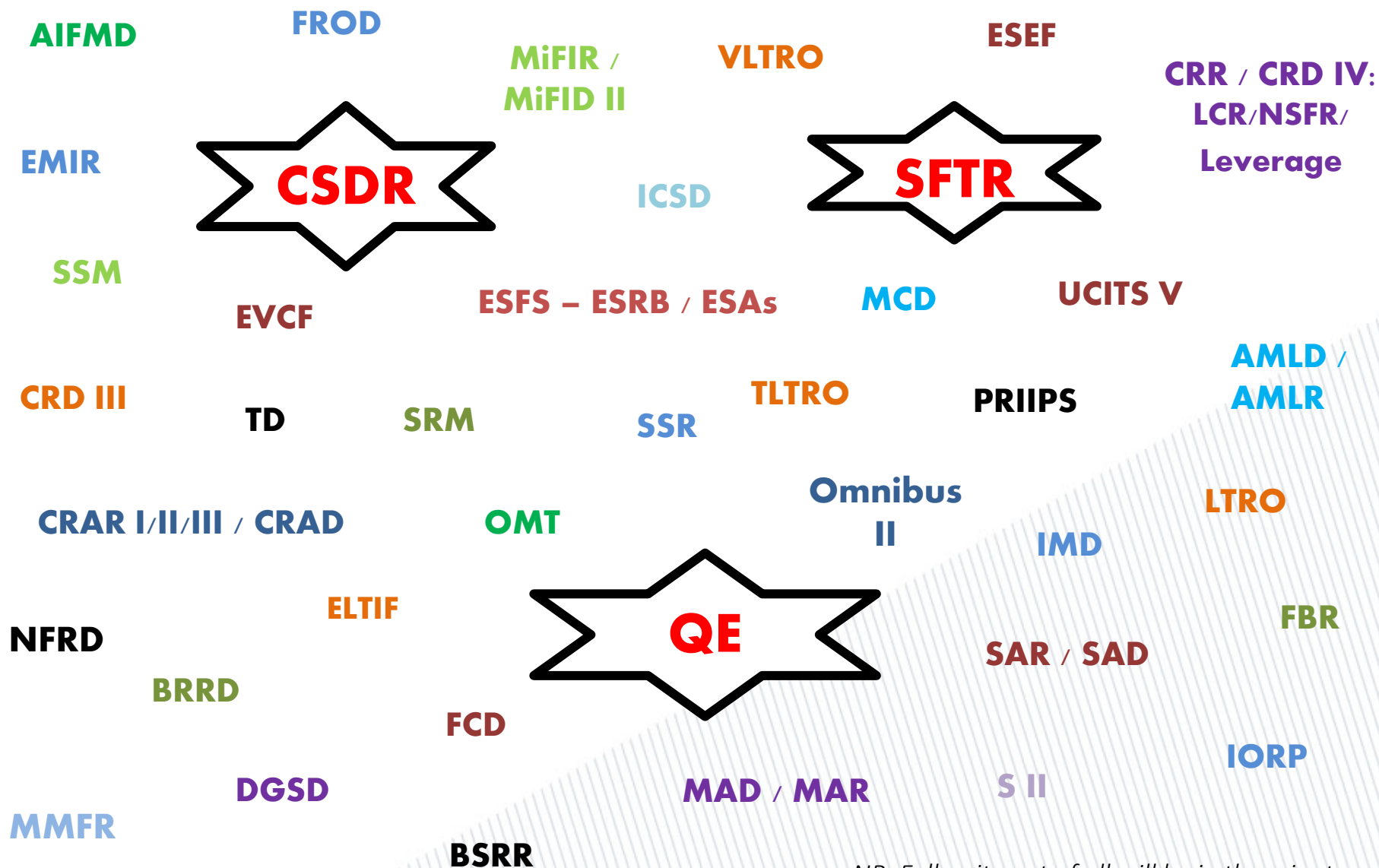
Opening remarks

- Mr. Godfried De Vidts, Chairman of the ICMA European Repo Committee

The 11 worst jobs in investment banking for 2015*

- Repo jobs
- Rates jobs
- Capital intensive jobs at Credit Suisse and Deutsche Bank especially
- Most front office jobs at RBS
- Credit trading – especially in the US
- Single name CDS traders
- Spot FX traders
- High touch sales-trading jobs with low value clients
- European cash equities
- CLO trading
- IBD at Bank of America

Regulatory alphabet soup.....



NB: Full write out of all will be in the minutes

Plus ça change....



Frederik Bolkenstein
'Giovannini barriers'



Charles McCreev
'Hands-off'



Michel Barnier
'Hands-on'



Lord Hill
'CMU'



Willem Frederik Duisenberg



Jean-Claude Trichet



Mario Draghi

In his 17/3/15 speech “How to restart growth”, Commissioner Hill called for a review:

- Regulation was needed to respond to the financial stability threat of the financial crisis
 - But today the threat to financial stability is the lack of jobs and growth
 - So now it is time to take stock of the overall impact of regulation, through the prism of jobs and growth: a reality check, on the right balance between reducing risk and fostering growth
- Do rules achieve what they set out to do; and in a way which poses minimum burdens?
 - Not only laws passed individually, but also as a whole – what is the combined impact of rules and the consequences, sometimes unintended, of interactions between them?
- This does not signal throwing hard-fought recent reforms overboard
 - But if on the ground the rules are in practice impeding the capacity of the financial industry to lend and invest, then we should be prepared to look at them again

Other topics of focus are....

- Improvement of “The Bridge”, impact of TSI
- FSB meeting re re-use vs re-hypothecation & TR
- Best practices on negative interest rates
- Secured benchmarks
- Credit claims
- 28th semi-annual repo survey results
- ICMA ERC Best Practices Guide and ICMA-ASIFMA Asian Best Practices Guide

Approval of the minutes

- Approval of the minutes of the ERC General Meeting held on November 19, 2014 in London

Keynote Presentation: Securities lending in the ECB's Public Sector Purchase Programme

- Ms. Cornelia Holthausen, Principal Adviser in the Directorate General Market Operations, European Central Bank

**Please note these slides are not available for circulation*

Elections to the European Repo Committee

- Please mark the names of the 19 candidates you wish to elect to the Committee.
- You are asked to select a **minimum of 10** candidates and a **maximum of 19** candidates on your ballot paper.
- Any ballot paper that selects fewer than 10 candidates or more than 19 candidates will be treated as spoiled.

Legal Update

- Ms. Lisa Cleary, Director, Associate Counsel, International Capital Market Association

Appointment of the IRC Committee Chairman

- Under s.1000 of the ICMA rulebook:
 - the IRC committee shall consist of two representatives of the ERC council
 - the ERC council shall determine a candidate for the IRC committee, for appointment by the ICMA's board
- The IRC is currently comprised of Mr Godfried De Vidts of ICAP Securities and Mr. Edward McAleer of Morgan Stanley
- Subject to appointment by ICMA's board, we ask the ERC council the following:
 - to confirm Godfried De Vidts as Chairman of the IRC committee for a term of office to expire at the European repo council's annual general meeting in 2018

ERC Election Procedure

- The annual ERC election will take the form of an email ballot from 2016.
- The process will be as follows:
 - December - ICMA will contact all Members of the ERC asking them (excluding associate members) to put forward names of candidates for election or re-election to the ERC Committee.
 - January - the list of candidates standing for election to the ERC Committee will be circulated to the ERC and also published on the ICMA website. The named repo contact of each ERC firm will have four weeks to email their ballot form to the ERC Secretariat. In the case of a tie, a second ballot will be held, with the period of voting open for two weeks.
 - March - ICMA will send the results of the election to the ERC. The results will also be published on the ICMA website. The term of office of ERC Committee members will be one year, beginning on 1 March each year.
- In order to facilitate the transition to an email ballot, ICMA will (i) make the necessary changes to s.1000 of the ICMA Rulebook; and (ii) be contacting all ERC members, asking for details of the named repo contact to whom the email ballot will sent.

Resolution stays: BRRD implementation

- The transposition of the Bank Recovery and Resolution Directive (BRRD) is underway across Europe, providing a harmonised legislative framework for the resolution of banks in Member States. One of the powers provided for in the BRRD enables resolution authorities to temporarily suspend termination rights and impose stays which would override specific provisions of certain agreements to which a resolved entity is party, including the Global Master Repurchase Agreement (GMRA).
- Implementation is still pending in the majority of the 28 jurisdictions to which it applies.
- In those countries where it has been implemented there are already problems with a lack of harmonisation and potential unintended consequences which are concerning for our markets.

Resolution stays: Plugging the legislative gap

- With the legislative overlay of the BRRD in place, recognition of Member States' resolution regimes will eventually, at least within the EEA, be provided for as a matter of law. However, this does not necessarily deal with scenarios where there is a relevant extraterritorial element. In such scenarios, a contractual solution has been requested by the regulators to plug the legislative gap.
- The proposed contractual solution is to develop a protocol- similar or bolted onto the ISDA Resolution Stay Protocol.
- It is understood that regulations will be developed in the 'Home Authority' jurisdictions (UK, France, Germany, Japan, Switzerland and USA) to support contractual solutions, requiring regulated entities to provide for contractual recognition of the Home Authorities' resolution regimes in given circumstances.

Resolution stays: Pending regulation

- At a meeting of the ISDA resolution stay protocol working group on March 2, some of the Home Authority regulators provided an indication of how forthcoming regulations may look:
 - UK: PRA rule likely to cover all PRA regulated credit and investment firms and a wide scope of financial contracts- similar to the scope provided for in the Banking Act. Will require regulated entities to provide contractual recognition of UK resolution in contracts governed by non-EEA law. Expected to be prospective but cover 'continued trading activity'.
 - US: Regulation likely to cover all US GSIFs, US operations of non-US GSIFs and subsidiaries of GSIFs. Scope of contracts- not yet clear but derivatives and SFTs. Expected to be retroactive and would like any market solution to be universal.
 - Germany: Formal law rather than regulatory guideline. Coverage of firms and contracts in line with those within scope of the BRRD. Prospective in effect.
 - Japan: Conducting a survey to assess where exposures are for banks, broker dealers and financial companies. Will take form of supervisory guideline- prudential regulation.

Resolution stays: Universal or modular adherence to a protocol

- The initial engagement by ICMA, ISLA and SIFMA with their members to date reveals a split in views, similar to that being experienced by ISDA. Whereas the G-18 banks appear to favour a universal approach, other market participants, in particular on the buy-side express a strong preference for the modular approach.
- Buy-side firms that are fiduciaries have a potential legal conflict with their client obligations to the extent that they are asked to voluntarily adhere to a protocol that restricts their legal rights or business beyond what applicable law or regulation requires.
- On the other hand, to the extent that SRR's and regulations are implemented and require fiduciaries, or fiduciaries doing business with regulated entities, to comply by agreeing to appropriate contractual terms, at that point there may be tangible commercial and other incentives to prefer adhering to a protocol solution over entering into many bilateral agreements. Sufficient commercial and economic incentives conducive to entering into a protocol will occur after, and not before, relevant regulations have been determined and implemented.
- While having the G-18 banks adhere to an SFT protocol prior to full implementation of the BRRD and SRR regulations protocol may be achievable, indications are that voluntary adherence by other market participants will be more unlikely if the protocol is universal in light of the uncertainty of outcome of the regulations that have yet to be adopted. There is a general view that it is simply too early and too speculative to say whether a universal or modular structure should be adopted until there is better clarity and certainty as to how the SRR regulations will be implemented in other jurisdictions.

Resolution stays: Next steps

- Regulatory aim to have the G18 on an SFT extension by November 2015
 - To be retroactive and universal in application
 - Bolt on or standalone
- Regulations requiring wider resolution recognition to be published for consultation by the Home Authority regulators over the coming months

Adherence to the ICMA GMRA Protocol and cessation of the GMRA legal opinions to the GMRA 1995

- Regulatory desire to see the market using the most up to date version of standard market documentation
 - GMRA Protocol
 - Improved default provisions:
 - Methodology for calling an event of default
 - Procedure for closing out transactions and determining the amounts payable
 - Introduces a set off provision
 - Introduces a definition of Euro
 - Replaces references to LIBOR
- Cessation of coverage of the GMRA 1995 in the GMRA legal opinions

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ICMA European Repo Council Operations Committee AGM update

- **Mr. Nicholas Hamilton**, Chairmen of the ERC Operations Group, will report on the recent work of the ERC Operations Group including:
- Industry event on repo lifecycle messaging;
- SFT data reporting and proposals for a trade repository; and
- the ECB money market statistical regulation.

ERC Operations Group update

European Repo Operations Committee Structure:

20 members: Chair Nicholas Hamilton (JPM) & Co Chair Sanjiv Ingle (Soc Gen)

- 3 working groups:
 - Trade Matching & Affirmation – Adam Bate (MS)
 - Target 2 Securities – Rob Mason (RBS)
 - Repo Transaction reporting (SFTR) - Jonathan Lee (JPM)
- 2 focus groups:
 - ICSD / CCP Tri-party interoperability
 - COGESI - CMU
- Ongoing Contributions:
 - CSDR preparation – Buy in and settlement
 - Repo Best Practice Guidelines - sp. margin / confirmation & affirmation

Post Trade Repo processing – an industry crossroads.



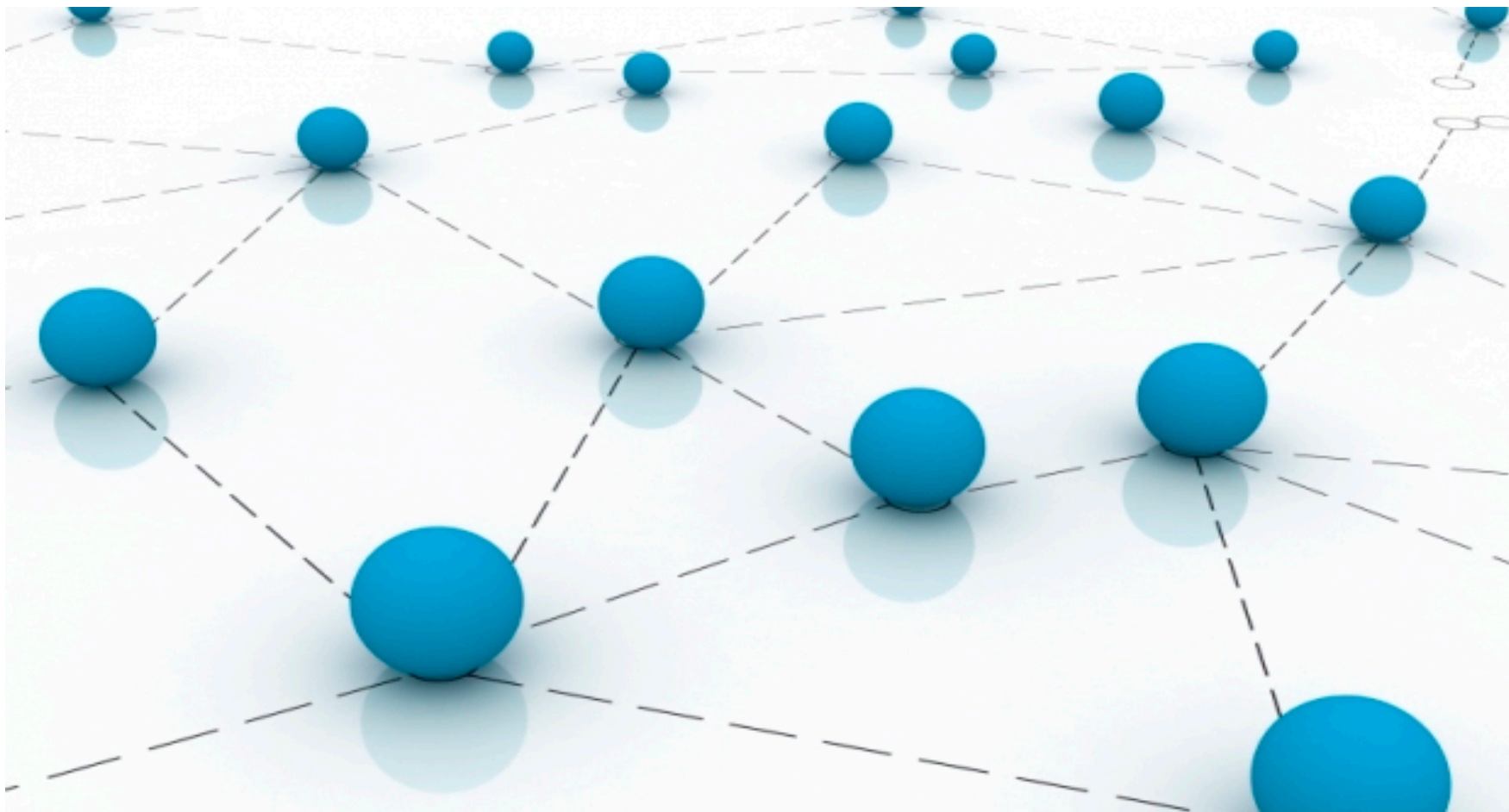
Repo post Trade - Key themes



Key themes timetable

Event	Product	Impacts	2014	2015	2016	2017
1) Trade Matching & Affirmation	Cash / Repo	T-Zero Trade Capture				
2) Target 2 Securities <i>Single Market Interoperability</i>	Cash / Repo	CSD consolidation Settlement Messaging Mandatory Buy-Ins / Penalties		ESMA fields T2S Wave 1 Italy, Greece, Malta, Switzerland	T2S Wave 2 Belgium, France, Netherland, Portugal	T2S Wave 3 Germany, Hungary, Denmark, Luxembourg, Austria T2S Wave 4 Spain, Finland, Romania, Latvia, Slovenia, Estonia, Lithuania
3) European Central Bank <i>Money Market Reporting</i>	Repo	Move from Quarterly to Daily reporting for in-scope entities			Major Euro area legal entities	Minor Euro area legal
4) SFTR <i>SFT Trade Reporting</i>	Repo Sec Lending	Repo trade reporting		Entry into Force		SFT TR Implementation
5) CSDR <i>T+2 settlement Single market harmonisation</i>	Cash/ Repo	Settlement compression Settlement Messaging Mandatory Buy-Ins / Penalties	T+2 Euro Settlement	CSDR implementation		

Can we join the dots?



ERC Operations Group update

- Work has commenced in the top layer of post trade lifecycle to establish standards/consistency in Trade level matching / affirmation
- Existing standards are incomplete and fragmented – ISDA / ICMA / ISLA
- Existing infrastructures have developed different treatments of product & process
- In-flight regulatory demands require a level of product differentiation and recognition of new attributes (CSDR / SFTR)
- There is no target operating model designed to recognise these elements
- There is limited usage of specific repo messaging today and will this be further reduced post T2S implementation.

Opportunities – areas for collaboration

- De-risk elements of post trade processing with a product standard incorporating new attributes (TMA / SFTR / CSDR)
- Further develop a consistent repo message incorporating these new demands
 - ISO20022 ?
- Validate & link existing work together to identify an efficient operating model
 - TMA – standards
 - CSDR - buy in /settlement discipline requirements
 - ECB/SFTR - attribute and product definitions
- Work as a product community on solutions initially with TMA agenda
- Publish updates on ICMA website
- Run design workshops to develop target operating model

Addendum

TMA Working Group – 2015 Update/Targets

2015 Update

- TMA becoming increasingly linked with SFT Reporting requirements
 - Key regulatory requirements include:
 - ECB Trade level reporting (from April 2016): Could increase T0 pressure to match on T
 - EU Trade level reporting to Trade Repository (TBC during 2017): Detail re granularity TBC
 - FSB global aggregated Position level reporting by local competent authorities (TBC during 2017)
- ICMA TMA Seminar 8 Apr
 - Included all sectors of the Industry (ICSDs/CCPs/Vendor).
 - Focused on bringing together message requirements for Reporting with TMA.

2015 Targets

- Consolidated template is shared with vendors having been approved by ICMA/ERC
 - Was approved at ERC Ops Committee on 10 Mar 15
- Create a market standard that also meets CSDR requirements
- Collaboration across vendor platforms to establish some form of interoperability
 - May see elements of market consolidation
- Look for synergies between matching/affirmation and transaction reporting
 - T2S does not support specific classification of Repo
 - Repo Data Repository Working Group providing on-going market updates

European Securities Financing Reporting Requirements

- 3 distinct requirements from the European Union (ESMA), European Central Bank (ECB) and Financial Stability Board (FSB) have started to firm up but are still not finalized
- **ECB from April 2016:** The European Central Bank require daily trade level reporting on Securities Financing, Money Market, Callable/Putable Bond issuance and other financing transactions from the **Top 50 Euro area Domiciled Monetary Financial Institutions** (others to follow from 2017)
- **European Union Securities Financing Transaction Regulation from 2017/18 (date TBC):** **Currently in Trilogue – Level 1 adoption anticipated before July 2015.** Areas of focus and differences between Commission, Council & Parliament versions of the text are: central bank exemption, inclusion of CCPs & CSDs in definition of counterparties, inclusion of total return swaps, collateral swaps & liquidity swaps, transparency of UCITs & AIFs, Reuse/Rehypothecation and whether they meet the FSB definition, the minimum haircut framework and the timeline for entry into force. Go-live now likely end 2017 / early 2018.
- **Financial Stability Board 2017 (date TBC):** Requirement is for globally aggregated reporting, supplied by each respective competent authority. The expectation here is that this will be met by ESMA and ECB reporting provisions with no further FSB reporting requirements for member firms. This will be dependent on ESMA and/or ECB settling on a format that can be readily aggregated.

European SFT Reporting Operational Challenges

- ECB requirements coming into force in April 2016 are likely to put pressure on non-Euro area firms to affirm and lock down their trades facing major € players on Trade Date. The pressures will grow as the reportable universe grows in 2017.
- Trade matching / electronic affirmation to meet SFTR will also need to facilitate the adoption of Legal Entity Identifiers (LEIs), Unique Trade Identifiers (UTIs) and Unique Product Identifiers (UPIs).
- Booking conventions, deal rate quotation, collateral haircuts and other key economic and non-economic fields should also be subject to new (ISDA/ICMA) messaging standards to ensure accurate, consistent, aggregated reporting.
- We feel Industry should use this opportunity to significantly improve risk capture on trade date, introduce transaction lifecycle efficiencies through great automation and to focus on capping and reducing cost per trade.

Central Securities Depository Regulation

- Currently undergoing validation of level 2 text
- Mandatory buy in regulations
- Significant increase in buy in's (est. move from 100's to 1000's of executed events per month)
- Exclusion of short dated repo
- Product differentiation needed to indentify repo vs. cash trades
- No automated buy in messaging has been identified
- Process design required to service demands – ICMA – Secondary market practices proposals underway

Paper on the interaction of regulation on repo and collateral markets

- Mr. Richard Comotto, Senior Visiting Fellow, ICMA Centre - University of Reading
- Mr. David Hiscock, Senior Director, International Capital Market Association

Repo rate dislocation study

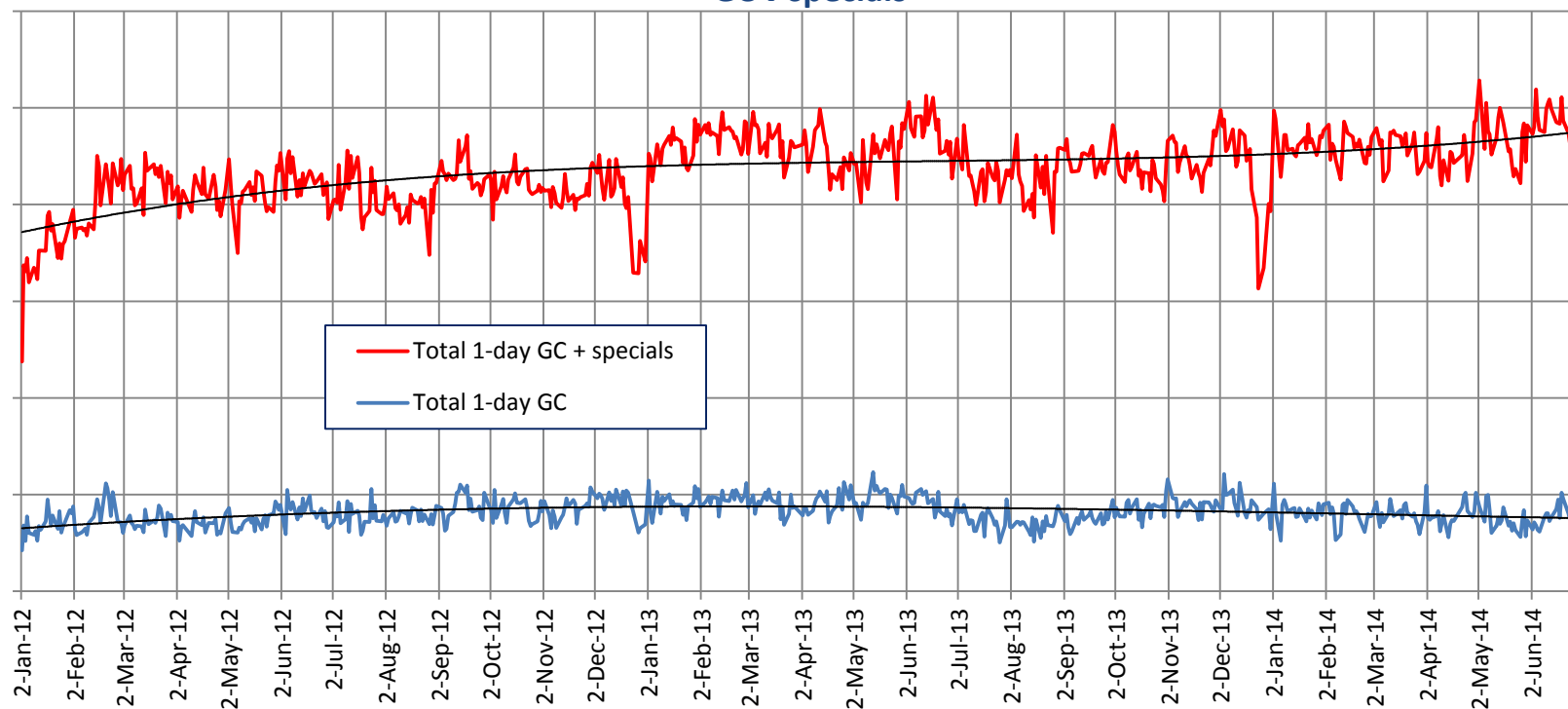
- » Is there evidence of a systematic change in the behaviour of repo rates since the crisis?
- » Study focused on 1-day euro-denominated fixed-rate GC repo rates for transactions executed on automatic trading systems and cleared across CCPs.
- » Study considered this dataset as basis for a repo index.
- » Data made available for 2012 to mid-2014.

Repo rate dislocation study

Daily repo turnover

ATS-traded CCP-cleared fixed-rate 1-day transactions

GC v specials

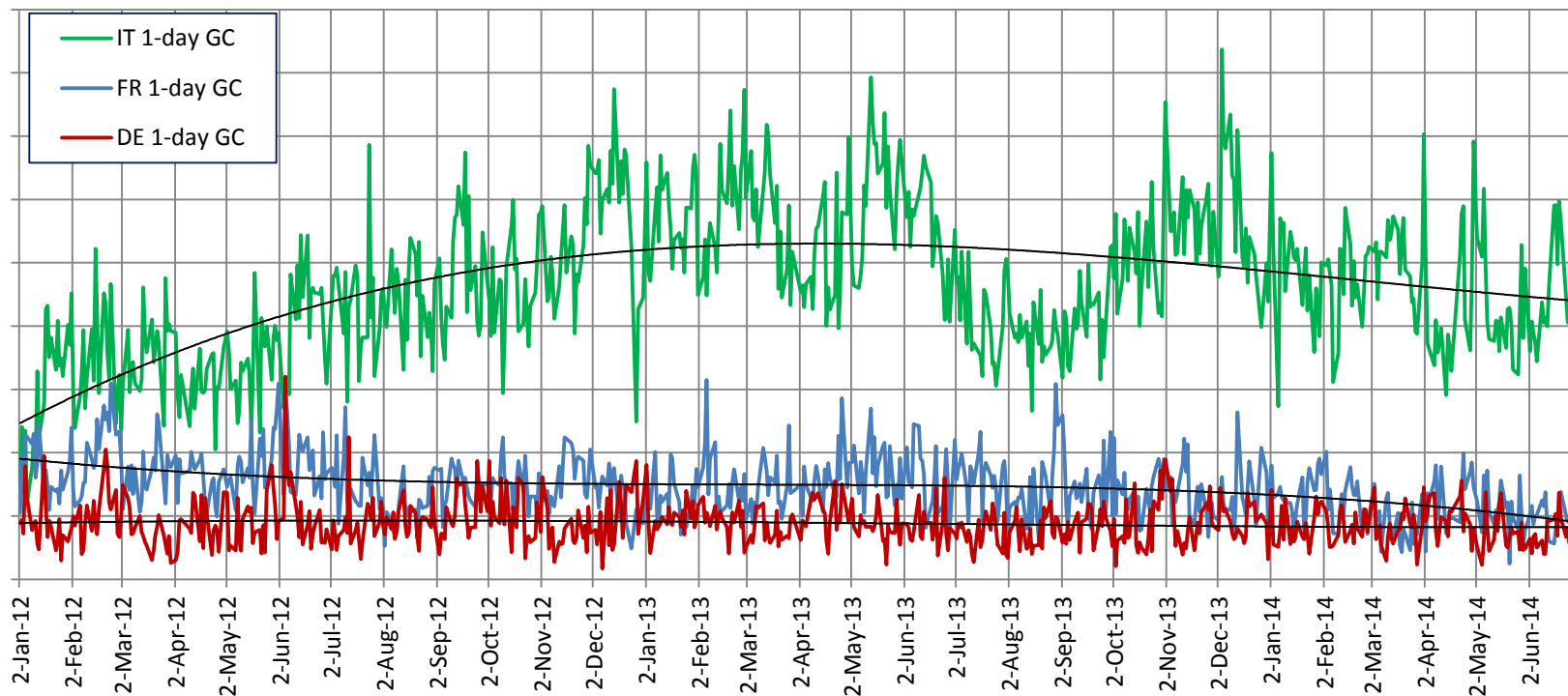


Repo rate dislocation study

Daily repo turnover

ATS-traded CCP-cleared fixed-rate 1-day GC transactions

FR v IT v DE

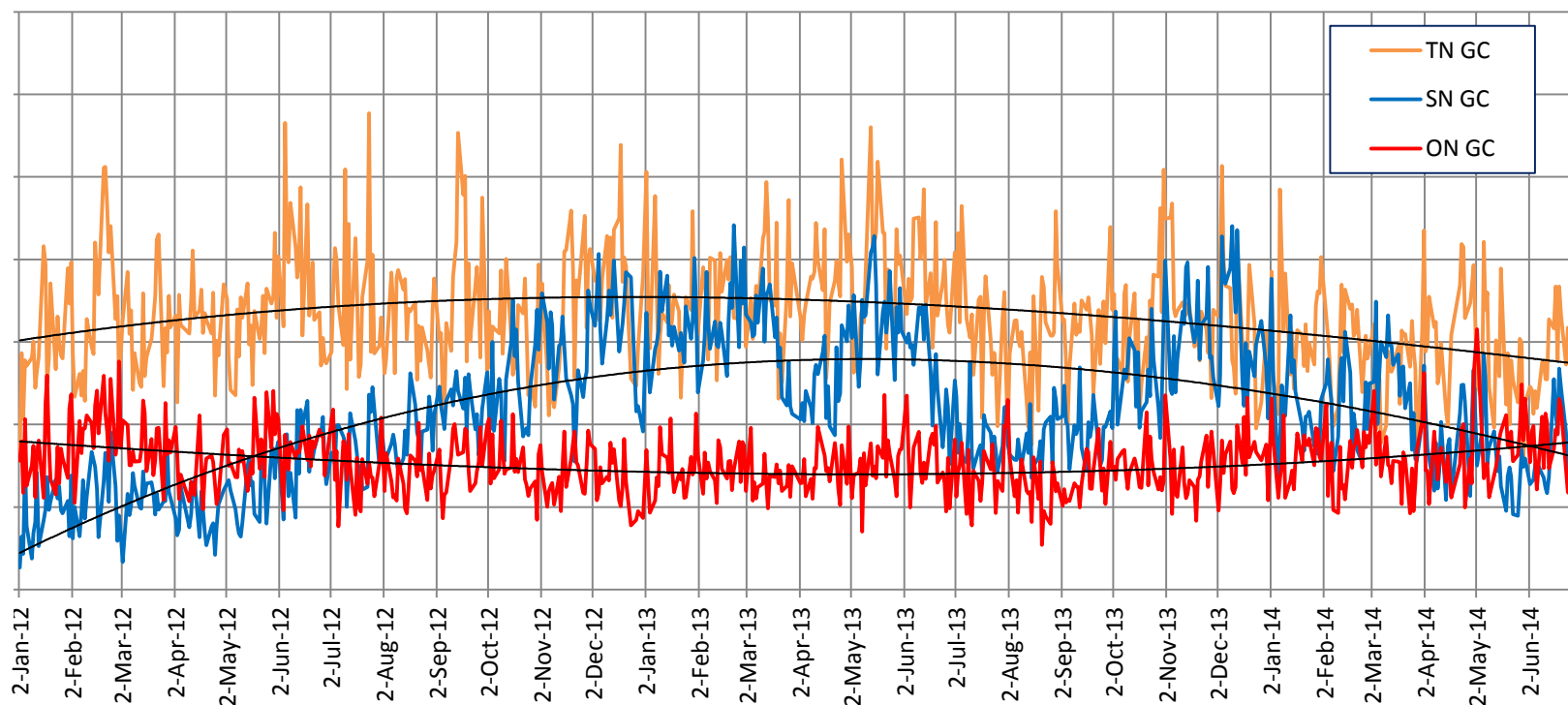


Repo rate dislocation study

Daily repo turnover

ATS-traded CCP-cleared fixed-rate 1-day GC transactions

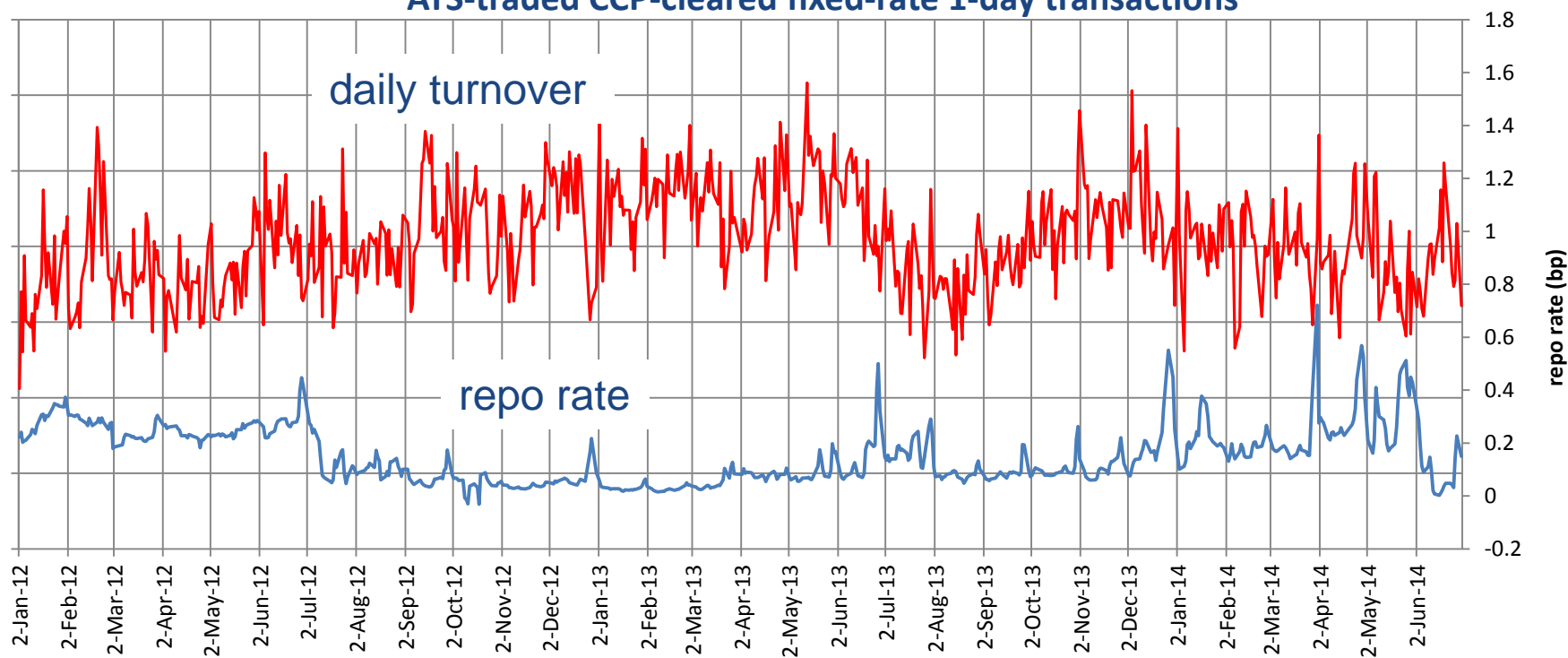
ON v TN v SN



Repo rate dislocation study

Daily turnover (LHS) v average daily repo rate(RHS)

ATS-traded CCP-cleared fixed-rate 1-day transactions

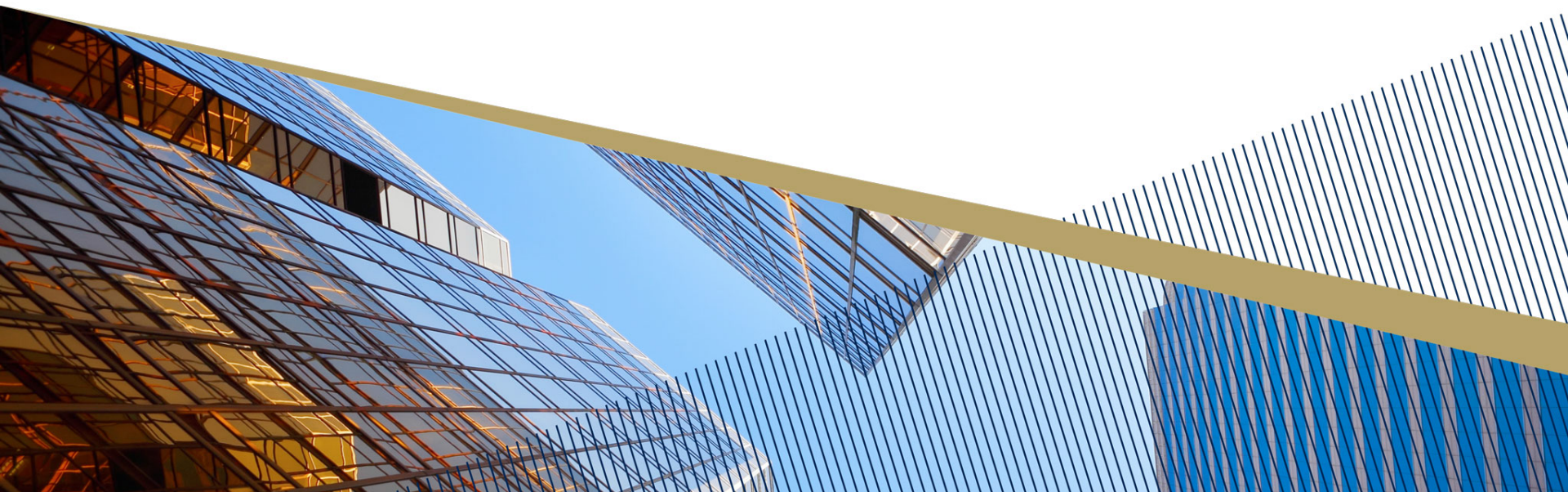


Repo rate dislocation study

- » No evidence of regime change (but sample too short).
- » Evidence of a switch in seasonality from reserve periods to end-months. Tighter market conditions and introduction of Leverage Ratio reporting in 2013?

The current state and future evolution of the European Repo Market: perspectives of the market

An ICMA ERC qualitative study to be conducted through June-September 2015, based on semi-structured interviews with ERC member Repo Desks



Briefing: CSDR Mandatory Buy-ins

- Mr. Andy Hill, Director, Market Practice and Regulatory Policy, International Capital Market Association

CSDR Mandatory Buy-ins: Draft Regulatory Technical Standards

- For non-cleared trades, buy-ins to be initiated and managed at the CSD (or ATS level), with CSDs heavily involved in process (including verifying fails-chains)
- Buy-ins to be initiated either 4 or 7 days after intended settlement date, as determined by MiFID II/R liquidity calibrations
- The start-leg of SFTs to be in scope (suggestion for exemption cut-off is 8 days for liquid securities and 14 days for illiquid)
- A cash penalty mechanism to be managed by the CSDs

A recommendation that implementation of Settlement Discipline be delayed for 18 months to allow the market sufficient time to make necessary measures in order to be compliant.

In February 2014, ICMA responded to the CSDR Consultation Papers on the Technical Standards and Technical Advice

Key ICMA recommendations, within the limitations of the Level 1 text, included:

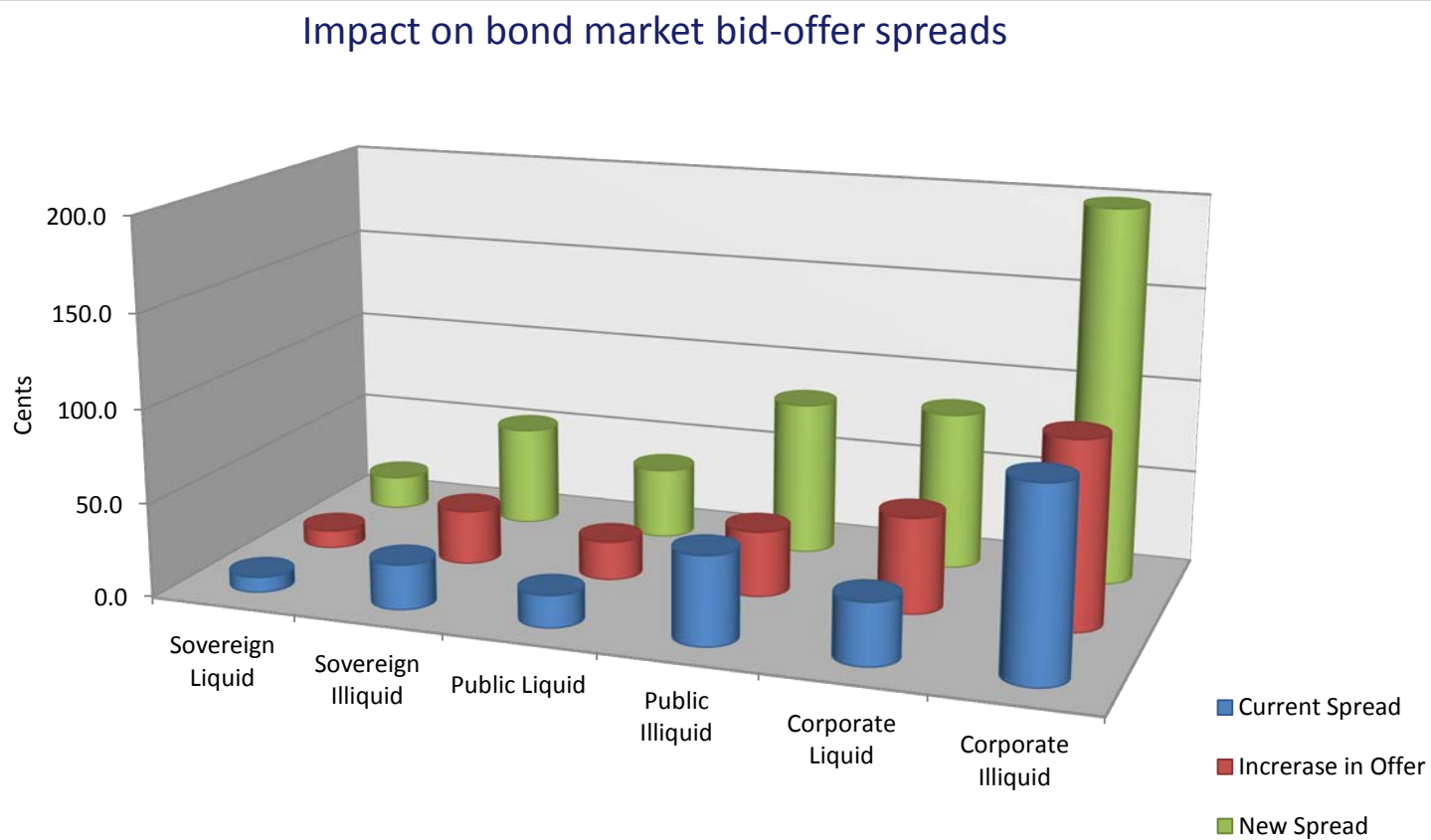
- For non-cleared, fixed income transactions, buy-ins should take place at the trading level, and not at the CSD or ATS level
- The maximum extension period of 7 days should be applied to all fixed income products
- Consistent with the maximum extension period, the start-leg of repos termed up to 21 business days (approximately 1 calendar month) should be exempt
- Implementation should be postponed until at least after the roll-out of T2S

These recommendations were largely supported by other association responses, including AFME, ECSDA, and ISLA

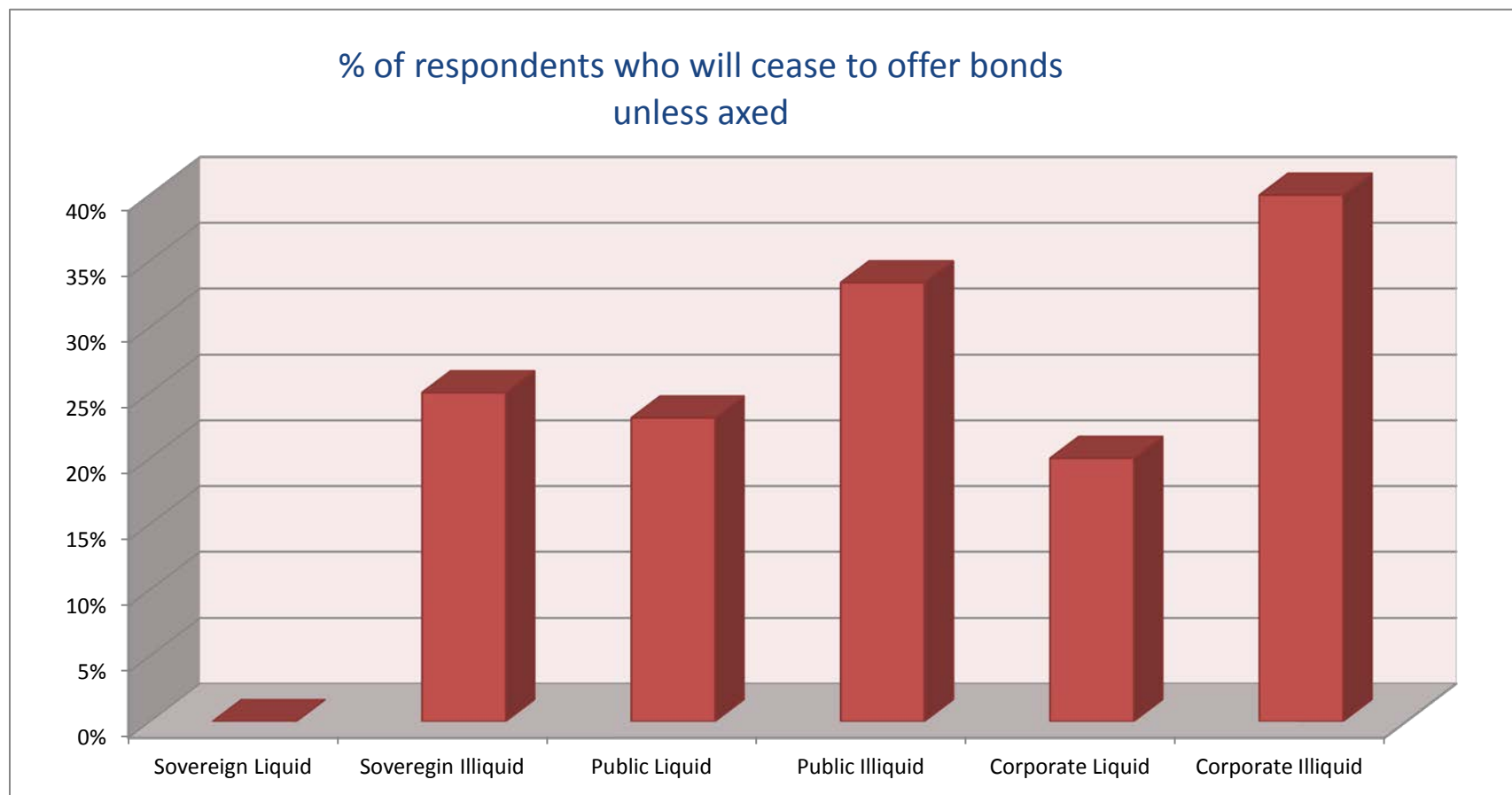
In February, ICMA also published its CSDR Mandatory Buy-in Impact Study

- Surveyed bond and repo market-makers to assess and quantify impact on market pricing and liquidity
- Quantifies the average offer-side premium market-makers will add to show offers in securities they do not hold in inventory
- Illustrates that bid-offer spreads across all asset classes, including the most liquid sovereign bonds will increase significantly
- In the case of less liquid securities, some market-makers will retrench from providing offer-side liquidity completely
- Term repo prices will also widen significantly (due to additional offer-side premia required)
- Impact on repo pricing and liquidity will be greatest at the exemption threshold

Impact on bond market bid-offer spreads

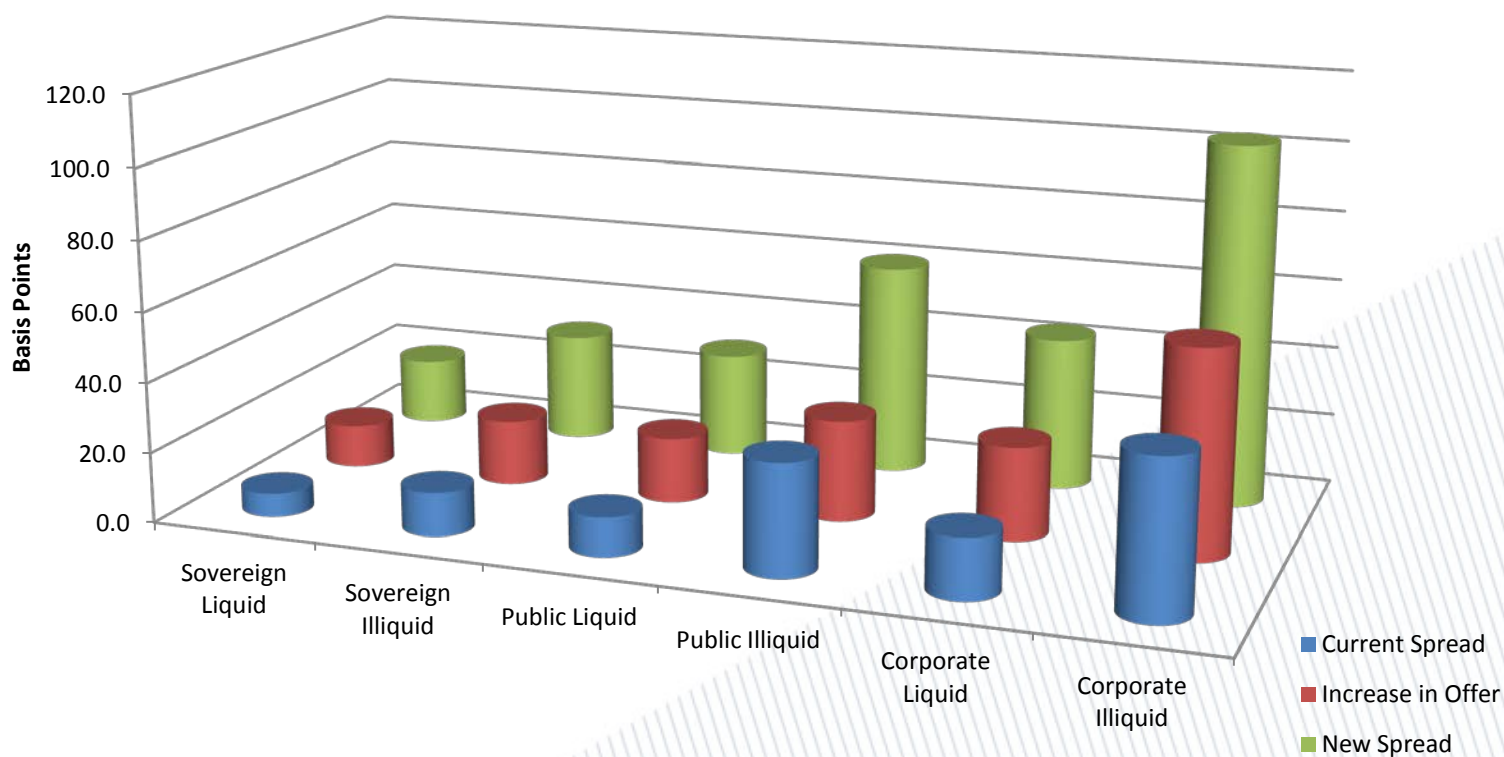


Percentage of respondents who will cease to offer bonds unless axed

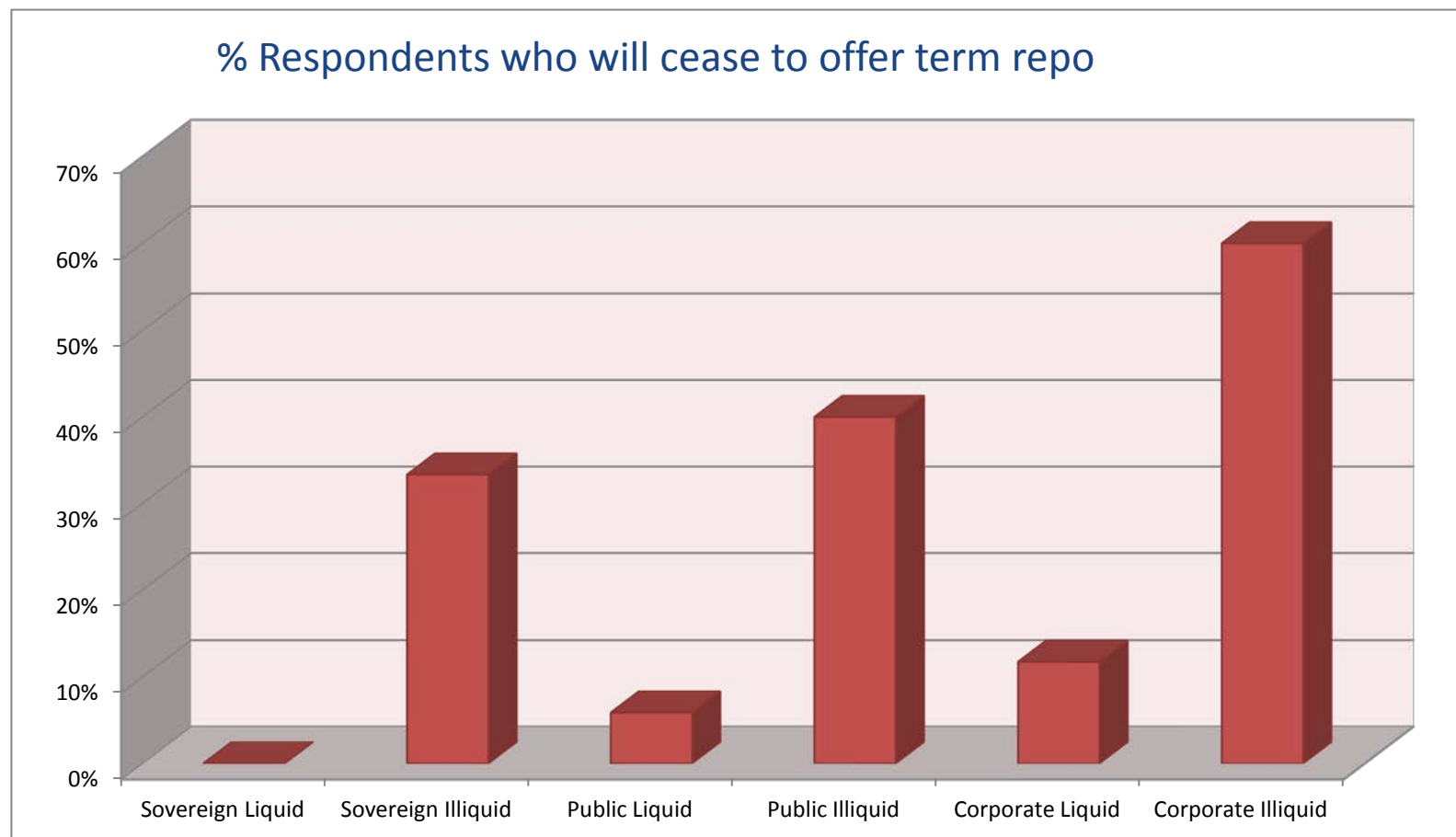


Impact on 1 month repo bid-offer spreads

Impact on 1 month
repo bid-offer spreads



Percentage of respondents who will cease to offer term repo (1mth)



In February, ECSDA published an Impact Study

- Based on settlement efficiency data extracted from (I)CSDs for November 2014, implementing the regulation as drafted would result in:
 - ❖ Over 7,500 new buy-ins being initiated per day
 - ❖ 1.8 million buy-ins per year
 - ❖ An underlying market value of buy-ins in excess of €2.5 trillion

Recent advocacy work

- Feb 2015: Joint ICMA-AFME delegation met with ESMA in Paris
- Feb 2015: Joint ICMA-AFME delegation met with CONSOB in Rome
- Mar 2015: ICMA wrote to Steven Maijoor (Chair of ESMA) expressing concerns on attempts to enforce buy-ins at CSD-level
- Apr 2015: ICMA and AFME invited back to meet with ESMA in Paris
- Next ?

Next steps for the regulation

- June 2015: ESMA Settlement Discipline Task Force to submit final RTS to the 'ambassadors'
- Q3 2015: RTS go to trialogue talks between the European Commission, Parliament, and Council
- Q4 2015: Final RTS expected to be published in the Official Journal and become effective in law
- Q1 2016: Mandatory buy-in enforced in law

OR

- Q3 2017 (assuming EC accepts ESMA recommendation of an 18 month delay)

CSDR Mandatory Buy-ins: APPEAL FOR ACTION TO ERC COUNCIL MEMBERS

- Mandatory buy-ins are set to come into force in early 2016 (although ESMA is advocating an 18 month delay, which the Commission may or may not accept).
- ICMA's impact study shows that the regulation will have a significant detrimental impact on European Bond and Repo market pricing and liquidity.
- An ECSDA study shows that the number of buy-ins being triggered each day will bring the markets to a grinding halt.
- In many respects, Mandatory Buy-ins could be as damaging to market order and efficiency as the FTT. One commentator described it as: "Preventing malaria by clearing the swamp with an atomic bomb".
- Many DMOs, Central Banks, and other regulatory authorities are only just waking up to this.

CSDR Mandatory Buy-ins: APPEAL FOR ACTION TO ERC COUNCIL MEMBERS

- As good market participants, and in the best interests of the real economy, it is our duty to ensure that Mandatory Buy-ins never happens on the basis of today's proposal.
- Every member of the European Repo Council is asked to raise the issue with their respective NCA, Central Bank, and DMO. The message needs to be clearly and loudly communicated that:
 - The introduction of Mandatory buy-ins must be delayed until at least after T2S implementation
 - The Level 2 RTS (as proposed) should be rejected on the grounds that they are un-implementable (in particular buy-ins at CSD or ATS level, and using MiFID II/R calibrations to determine when buy-ins should occur; both of which are inherently flawed)
 - A thorough and transparent, independent Impact Study should be conducted, involving all market stakeholders, to assess the likely consequences of introducing mandatory buy-ins
 - The Level 1 law should subsequently be reviewed and appropriately revised.
- Time is of the essence. **We need your action before end of May.**

Regulatory update

- Mr. David Hiscock, Senior Director, International Capital Market Association

Bringing transparency to SFTs

- » On 29 January 2014, the European Commission adopted a proposal for a regulation providing a set of measures aiming to enhance regulators' and investors' understanding of SFTs
- » Following debates, both the European Council and the European Parliament have developed their positions and the process of trilogue is now underway – and should be complete in the coming weeks
 - » Only a handful of political issues, together with a number of technical issues
- » Key provisions of the proposal:
 - » Reporting of SFTs to trade repositories;
 - » Disclosure on the use of SFTs to fund investors; and
 - » Specific provisions to address collateral re-use

Industry position on certain key issues

- » Article 15 – collateral re-use
 - » Key to correctly distinguish re-sale of securities received under TTCA from re-hypothecation of client assets
 - » Avoid introducing legal uncertainty regarding the transfer of ownership involved in TTCA
- » Article 4 – TR reporting requirements
 - » Encourage flexibility in Level 1 text; with ESMA to develop reporting details in Level 2
 - » Transaction v. position reporting
 - » Dual- v. single-sided reporting
 - » Specification of standardised elements – LEI, UTI...
 - » Specification of specific attributes – principal, currency, type, etc... ...and re-use of collateral
- » Article 2 – scope: Seek clarity as to what SFTs encompasses
- » Article 28 – entry into force: More time will be needed

FSB work to address SFTs in the context of shadow banking

- » FSB: Standards & Processes for SFT Data Collection and Aggregation
 - » On 13 November 2014, the FSB published for public consultation its report “Standards and Processes for Global Securities Financing Data Collection and Aggregation”
 - » Proposed standards and processes in the consultative document define the data elements for repos, securities lending and margin lending that national/regional authorities will be asked to report as aggregates to the FSB for financial stability purposes
 - » ICMA participated in a related FSB workshop, in Tokyo; and responded on 12 February 2015, publicly reiterating a series of general observations and addressing the specific consultation questions
 - » FSB report now being finalised
- » FSB review of re-use
 - » Focus on client assets protection (re-hypothecation), but also broader re-use implications for financial stability
 - » Workshop with industry held at UK FCA on 30 April 2015

ECB Money Markets Statistics Regulation (MMSR)

- » Dated 16.12.14, the Regulation of the ECB of 26.11.14 concerning statistics on the money markets (ECB/2014/48) was published in the Official Journal of the EU
- » As of 1 July 2016, the ECB will require that about 50 euro area MFIs... ..report data on money market transactions
- » As of 1 January 2017, the Governing Council may decide to further expand the list of reporting agents
- » Data must be sent to once per day to the ECB before 07:00 CET on the first TARGET2 settlement day after the trade date
- » Data to be provided shall include repos and reverses... ..denominated in euro with a term up to and including 1-year
- » Reporting may be taken from SFTR TR data once this is available, but scope of reportable transactions for MMSR is wider

Unlocking funding for Europe's growth

- » Capital Markets Union (CMU) is a European Commission plan that aims to create deeper and more integrated capital markets in the 28 EU Member States
 - » Exploring ways of reducing fragmentation in financial markets, diversifying financing sources, strengthening cross border capital flows and improving access to finance for businesses, particularly SMEs
 - » CMU Green Paper published 18 February, to kick-start EU-wide debate over possible measures needed to create a true EU single market for capital
 - » Questions posed include:
 - » How to reduce the costs of setting up and marketing investment funds across the EU;
 - » How to further develop venture capital and private equity; and
 - » Whether targeted measures in the areas of company, insolvency and securities laws as well as taxation could materially contribute to CMU
 - » ICMA response to Green Paper submitted 30 April, ahead of 13 May deadline
 - » Public hearing on the “Next steps to build a CMU”, in Brussels on Monday 8 June 2015

What measures should the EU take to improve the cross-border flow of collateral?

- » Question #27 of the CMU Green Paper specifically considers measures to improve collateral flows
- » ICMA addressed this question based upon the ERC's work and input, the key points being:
 - » If collateral fluidity is inhibited, this poses a risk to the overall functioning of capital markets
 - » Further market infrastructure enhancement, as also promoted by COGESI, is important – including TSI & bridge upgrade
 - » Tracking collateral in SFTs is not feasible and it is unclear why attempting to track re-use is really necessary
 - » CSDR mandatory buy-ins are a particular concern and should be deferred at least until after full T2S implementation
 - » BRRD implementation must avoid unintended consequences, particularly in relation to the efficacy of netting
- » The ERC also provided input to COGESI to assist in the formulation of its response to this particular question

Revised Markets in Financial Instruments Directive (MiFID) & new Regulation (MiFIR)

- » MiFID governs the provision of investment services in financial instruments by banks and investment firms and the operation of traditional stock exchanges and alternative trading venues
- » MiFID was focussed on equities markets, but is now being extended to full cover non-equities markets
 - » As repos are comprised of trades in fixed income securities, they are impacted by this extension of MiFID
- » This new EU legislation was agreed in 2014, but work to develop required implementation standards is ongoing
 - » ICMA is engaged in providing input to this process, with a particular focus on pre- and post-trade transparency
 - » For SFTs both pre- and post-trade transparency requirements will apply to SFTs traded on a trading venue (RM, MTF, OTF)
 - » To avoid confusion in post-trade reporting from trading venues, SFT trades will be flagged as “non-price forming trades”
 - » For SFTs traded OTC there is no pre-trade requirement and post-trade transparency will not be applied
 - » MiFIR also requires transaction reporting – ICMA is seeking to ensure that this is correctly dis-applied in the case of SFTs, it being recognised that these are already subject to more specific requirements being established under the SFTR

New international tax rules to end tax base erosion and artificial profits shifting

- » On 16 September 2014, the OECD released its first recommendations for a coordinated international approach to combat tax avoidance by multinational enterprises
- » One of these first recommendations focuses on neutralising hybrid mismatch arrangements
 - » This report says (at paragraph 56) that “... the most common transaction used to achieve a mismatch in tax outcomes under a hybrid transfer is a sale and repurchase arrangement...”
- » The ERC has continued to support cross-industry efforts to engage with the OECD (and HMT) to focus this initiative
 - » Encouraging progress seems to have been achieved
 - » Recognition that most SFTs are not tax motivated
 - » Effort to limit tax burdens of BEPs initiative by focussing on that sub-set of SFTs designed to generate tax benefits
 - » New reporting will aim to identify such transactions and new rules will serve to offset the associated tax benefits

Thank you, Ladies and Gentlemen

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- ICMA quarterly report provides detailed updates on these matters and ICMA's broader work
<http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Regulatory-Policy-Newsletter>

Results of the elections to the European Repo Committee

Michael Manna	Barclays Capital Securities Limited, London
Eugene McGrory	BNP Paribas, Paris
Grigorios Markouizos	Citigroup Global Markets Limited, London
Andreas Biewald	Commerzbank Aktiengesellschaft, Frankfurt
Romain Dumas	Credit Suisse Securities (Europe) Limited, London
Tony Baldwin	Daiwa Capital Markets Europe Limited, London
Ronan Rowley	Deutsche Bank AG, Frankfurt
Francois-Xavier Bouillet	Goldman Sachs International, London

Jean-Michel Meyer	HSBC Bank plc, London
Godfried De Vidts	ICAP Securities Limited, London
Andrea Masciovecchio	Intesa Sanpaolo S.p.A., Milan
Nicola Danese	J. P. Morgan Securities plc, London
Daniel Bremer	Merrill Lynch International (trading as Bank of America Merrill Lynch), London
Andrew Wise	Morgan Stanley & Co. International PLC, London
Michel Semaan	Nomura International plc
Sylvain Bojic	Société Générale S.A., Paris
Richard Hochreutiner	Swiss Reinsurance Ltd, Zurich
Gareth Allen	UBS AG, Zurich
Eduard Cia	UniCredit Bank AG, Munich

Any other business and next meetings

- The next ERC General Meeting will be held on **Wednesday 14 October 2015**, hosted by Bank of New York Mellon.