

# ICMA Regulatory Policy Newsletter

## Issue No. 8: January 2008

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### In this issue:

- 1 The Resilience of the Repo Market
- 3 Code of Conduct on Disclosure in the ABCP Market
- 4 The Post-MiFID Regulatory Landscape
- 5 The Debate on Supervisory Structures in Europe
- 6 Clearing and Settlement
- 7 EU/US Regulatory *Rapprochement*
- 8 Other Regulatory Policy News
- 10 ICMA Events



ICMA welcomes feedback and comments on the issues raised in the Regulatory Policy Newsletter.

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## The Resilience of the Repo Market

*Foreword by Godfried De Vidts,  
Chairman of ICMA European Repo Council and Committee*

“Securities financing, notably repo, is the oil on the cogs of the market.” You may have heard me make this statement many times before. But it is as true as ever. Steady growth has brought the total volume of repo contracts outstanding to €6.8 trillion, measured by the latest ICMA Repo Market Survey last summer. While we may not be expecting further growth when figures become available for the second half of the year, I am confident that the long term prospects for the secured financing market are excellent.

There are several reasons why I can say that the repo market had a good year in 2007. During what proved to be the most testing trading conditions for the past ten years, the repo markets not only continued to function without flaws, but they also provided much needed liquidity lifelines to borrowers short of cash. The main reasons surely lay in the robust market framework provided by the Global Master Repurchase Agreement (GMRA) with its legal opinions covering no fewer than 57 jurisdictions, and the trading and market practice guidelines and recommendations developed by the European Repo Committee over many years.

But the market is of course never perfect. Although the repo markets originally grew out of domestic markets, they have become truly global and their usage has become widespread. Moving collateral across borders has become the repo trader’s daily job – and challenge. This is the main reason why the European Repo Committee, and I as its Chairman, are engaged in work whose objective is to remove barriers to cross-border trading. I have been a member of

the Giovannini group and the European Commission’s CESAME group for many years, and I can only hope that the considerable progress achieved in these groups on the removal of private sector barriers will soon be followed by similar progress in the areas of legal and taxation barriers. The success of this project depends on action by the public sector.

With the “infrastructure” for the trader’s desk (ie the GMRA and the trading recommendations) working smoothly, attention has shifted to the operational issues in the back office. The European Repo Committee has therefore established an Operations Group charged with advising it on operations-related issues. This Group is in constant contact with the large infrastructure providers, such as Euroclear, Clearstream and LCH.Clearnet, and with the European institutions like the ECB and the Commission whose work is key to the creation of a truly barrier-free environment for the fast and risk-free movement of collateral.



*Godfried De Vidts, Chairman, ICMA European Repo Council and Committee*

## The Resilience of the Repo Market - continued

The repo community supports the ECB's TARGET2-Securities project for a common settlement platform for the euro area. The Operations Group was represented by two members in the key technical group advising the ECB on the matching and "lifecycle management" aspects of the project, which is still in its definition phase. Once the ECB has started in the second half of 2008 to build the system, it will be important to maintain balanced governance overseeing the project, involving investment firms as end-users of the system, to ensure that the requirements of the repo market community continue to be met. We are also taking an active part in the consultation on the ECB's parallel project for the Correspondent Central Banking Model (CCBM2).

The European Code of Conduct for market infrastructure providers is currently applicable only to cash equity trading. Especially in the areas of free access to and interoperability among and between settlement systems and clearing houses, however, the repo community supports work to extend the achievements of the Code to fixed income.

The European Repo Committee as a group of dedicated practitioners has no infrastructure of its own and is highly appreciative, therefore, of the support it receives from ICMA, both in terms of secretarial support and legal leadership with regard to the GMRA. The Committee does not work behind closed doors for the benefit of a few large firms. Twice a year, it engages with the wider market through the general

meetings of the European Repo Council. These meetings are open to all the members of ICMA's ERC Council – currently 62 – and to all interested observers from the banking community. Agendas and minutes of the ERC Council, and all presentations given, are made public on the ICMA website. At the next Annual General Meeting on Thursday, March 13, 2008 in Paris, we again expect a high turnout.

For details of future meetings and our work in the repo markets, please contact the ERC and its Secretariat at ICMA via [erc@icmagroup.org](mailto:erc@icmagroup.org) and visit the [ICMA website](#).

Godfried De Vidts,  
Chairman, ICMA European Repo  
Council and Committee



# Code of Conduct on Disclosure in the ABCP Market

ICMA, working with the European Securitisation Forum, will soon publish a *Review of the European ABCP Market, Structures, Reporting Practices and Investor Considerations*. The report will review the European asset-backed commercial paper (ABCP) market and structures, summarise current issuer disclosure and reporting practices, identify market participant viewpoints about the current state of the ABCP market, and serve as a discussion paper with ABCP investors as to ways in which current business practices could potentially be enhanced so as to maximize investor participation. The report will be submitted to the European Commission to aid in discussions on the wider “credit crunch”.

In addition, the ABCP market in Europe is planning to adopt a Code of Conduct on Disclosure as a standard of best practice. Such a Code of Conduct would be designed to ensure that investors in ABCP

have access to information through different sources: the information memorandum; the monthly investor report; investor meetings; and rating agency reports. This information should be reviewed by investors, both before buying and on an ongoing basis. Purchases should not be based on rating alone. Specifically, investors should know, monitor and be comfortable with: the type of assets financed; the sponsor of the programme; the sponsor’s ability to administer the programme; the liquidity support and credit enhancement provided; and the mechanism for repaying the commercial paper should market conditions not permit rollover.

In keeping with the Commission’s preference for market-led initiatives as opposed to additional regulation, the Code of Conduct would be voluntary. Participants in the ABCP market would be invited to comply with the code, the final version of

which would be promoted by ICMA through its Euro Commercial Paper Committee, and possibly also by other trade associations.

ABCP market participants are keen to cooperate to enhance the information provided should that be required. However, it is important to note that the vast majority of those directly involved in the market, and particularly those in the investor community, do not believe that a lack of transparency – through failure to provide adequate disclosure – has been a significant contributor to the recent global market turbulence.

Comments on the draft Code of Conduct are welcome. They should be sent by e-mail to [regulatorypolicynews@icmagroup.org](mailto:regulatorypolicynews@icmagroup.org) before the end of February.

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## Draft Code of Conduct for Comment

Programmes wishing to issue asset-backed short term debt should provide the following information on a timely basis and ensure, where appropriate, that it is kept up-to-date:

*Information memoranda:* The information memorandum is the primary marketing document of the programme, which should include issuer description, terms and conditions, form of notes, and selling restrictions. Currently this is usually only made available to actual and potential investors permitted under the selling restrictions, as the commercial paper is sold to institutional investors in the private placement market and usually is not listed

on an exchange. The information memorandum should be subject to a thorough legal review.

*Investor reports:* The investor report is a regular update provided by the issuer to investors on the status of the vehicle. Issuers should distribute investor reports on a monthly basis at least. They should describe current assets and verify compliance with programme tests or requirements. As a minimum, issuers should include the following information: total asset size; total commercial paper outstanding (by market); asset breakdown by sector and type; credit enhancement provided and total liquidity support.

Investor reports should normally only be made available to programme investors, so as to limit the transmission of sensitive client and competitive information and comply with private placement rules.

*Investor meetings:* Issuers should make themselves available for *ad hoc* conference calls or meetings to address queries from active investors as they arise.

*Rating agency reports:* Programmes should have ratings from at least two recognised rating agencies. In order to obtain these, issuers will need to meet structural and credit standards, satisfy documentation requirements, and be subject to ongoing monitoring and surveillance.

# The Post-MiFID Regulatory Landscape

The Markets in Financial Instruments Directive (MiFID) is intended to be a catalyst for innovation and change in Europe's securities markets to ensure that they are globally competitive. Following its implementation on November 1, MiFID can now be considered from two different angles: the remaining practical issues for the industry; and institutional work programmes for 2008.

## Remaining Practical Issues

Although [the transition to MiFID appears to have gone quite smoothly](#) in general, [late implementation](#) by several Member States, as well as national differences in implementation, has complicated the task for the industry. The risk is that of disruption to the continuity of cross-border business, and more importantly of firms' liability vis-à-vis their clients for not complying with MiFID obligations. In October 2007, CESR adopted a helpful approach – in the form of [a protocol](#) – for the supervision of branches under MiFID. The protocol aims to ensure that late implementation does not impede the business of inward passporting firms from countries that have met the implementation deadline. The Commission has also made public statements directed at Member States which have not yet implemented MiFID.

Client classification and the resulting re-papering exercise have generated queries from clients – especially professional ones that have now been classified as retail clients following the implementation of MiFID. In this context, record-keeping is an important topic for the forthcoming year. Under MiFID (Article 51), firms have to keep records of trades for at least five years. Firms anticipate that many of their clients will ask to see evidence of best execution – and record-keeping will be at the forefront of these queries.

In the run-up to the MiFID implementation date, transaction reporting was the subject of intensive discussion, both among regulators and between regulators and the industry. The teething problems have so far been less than the market feared, but further

steps are due to be taken by regulators following consultation with the industry.

Although MiFID has now been implemented, we will continue to cooperate with other trade associations (eg in MiFID Connect in the UK) in addressing post-MiFID issues. We are also monitoring views on the post-MiFID landscape in other Member States.

## The Commission and CESR Work Programmes for 2008

The implementation of MiFID is only the beginning. CESR, as part of a MiFID requirement, has published [its work programme for 2008](#). There are different points of interest: the review of the carve-out for certain commodity derivatives firms; telephone recording; the MiFID Q&A; and supervisory work. We participated in a [joint industry response](#) to the work programme. The response highlighted the need for continued cooperation and for consistency in the transposition of MiFID (eg between the Q&A of CESR, the Commission and national regulators).

Some reports and reviews are scheduled for 2008:

- The Commission report on non-equities transparency, mandated under Article 65(1) of MiFID, is due for publication in Q1 2008.
- The exemptions contained in Articles 2(1) (i) and (k) of MiFID as well as the parallel exemptions from the CRD (Article 48) will be considered as part of the ongoing [Commission review on commodity derivatives](#). A common mandate for advice was issued to both CESR and CEBS on these exemptions. The Commission hopes to receive advice from CESR and CEBS in mid-2008, and to report at the end of 2008. [A joint FSA/HM Treasury paper](#) was published in December advocating a proportionate approach.
- There will be further work on record-keeping and transparency requirements

for electricity and gas supply contracts.

- The Commission will also consider the relationship between MiFID and UCITS, as there are some concerns on how the two Directives relate to one another, and the Commission wishes to ensure a level-playing field between different types of product.

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# The Debate on Supervisory Structures in Europe

MiFID, as well as some other Directives such as the Transparency Directive and the Prospectus Directive, has followed the so-called Lamfalussy procedure – a four-level regulatory approach to policy-making specific to the financial services sector. The Lamfalussy procedure was originally to be applied solely to the securities market. In November 2004, it was formally extended to the banking, insurance, pensions and UCITS sectors.

The Lamfalussy procedure has enhanced the quality of regulatory outcomes, but lessons need to be drawn from the difficulties the industry has faced during the implementation of the “Lamfalussy directives”. The approach therefore needs to be reviewed in its entirety.

Pan-European discussions have focused on the role of Level 3 – and in particular the Level 3 Committees. The three Committees, [CESR](#), [CEBS](#) and [CEIOPS](#), published their own papers on the review, and CEBS published a [practical guideline](#) and a [template](#) on home-host supervisory cooperation for colleges. The European institutions have also contributed to the discussions. The Inter-Institutional Monitoring Group (IIMG) produced [its final report](#) in October 2007, advocating significant improvements in the functioning of the Level 3 Committees. [The Commission’s report](#) endorsed the IIMG conclusions and called for more Level 3 convergence and enhanced cooperation arrangements. The [ECOFIN meeting](#) held on December 4 included a “roadmap” calling for CESR, CEBS and CEIOPS to:

- explore how to strengthen the national application of their guidelines, recommendations and standards, without changing their legally non-binding nature;
- introduce in their charters the possibility of applying qualified majority voting, coupled with a “comply-or-explain” procedure; and
- consider how to introduce a common set of guidelines for the operation of colleges

of supervisors and monitor the coherence of the practices of the different colleges of supervisors.

The Commission was asked to clarify, by April next year, the Committees’ roles, and to consider “all the different options” to strengthen them.

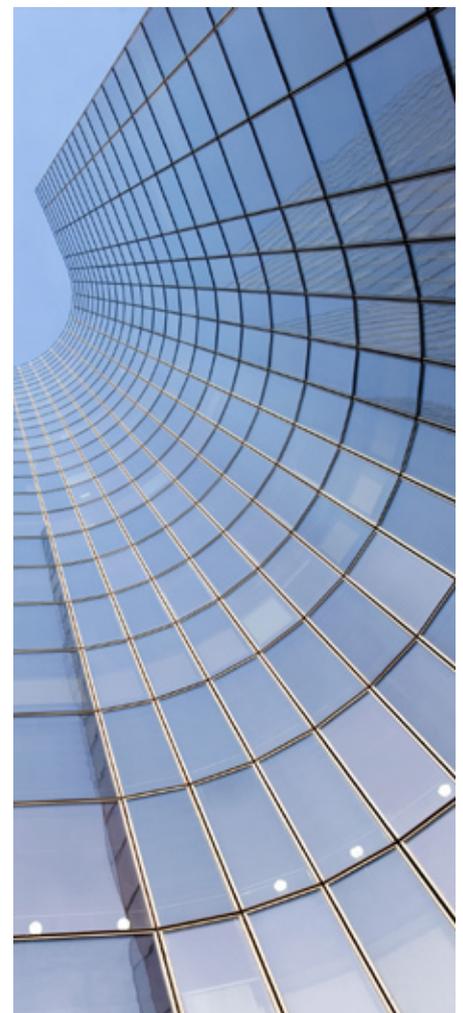
A number of other proposals have also been published:

- A [report](#) by the European Financial Services Round Table promotes the lead supervisor model, requiring Member States to give clear and unambiguous political mandates to their national supervisors, to make use of the delegation of tasks and responsibilities across borders, and the possibility for Level 3 Committees to adopt guidelines by qualified majority.
- In a [report](#) entitled *Towards a New Structure for EU Financial Supervision*, Deutsche Bank Research suggests that the best way forward is a three step approach: Step 1: empowering the existing Level 3 Committees; Step 2: implementation of the lead supervisor regime; and Step 3: establishment of a European System of Financial Supervision.
- The authors of a [book](#) by the International Monetary Fund claim that durable solutions (and *ad hoc* colleges are not durable) require more joint responsibility and accountability, more and better information sharing, a best practice rulebook, coordinated rules and tools, and a coordinated exit framework. The authors explicitly comment on the problem of the unanimity principle in Level 3 Committees. They observe that currently no institution in Europe has European optimisation on its menu: ie a commitment to minimise the EU-wide cost of failure.
- A [report](#) by Brussels-based think tank Bruegel identifies serious risks resulting

from supervisory structures not keeping pace with the integration process in the industry and advocates a two-tier supervisory system, with new institutions at EU level performing the tasks that national entities can no longer carry out. Their mandate should however be focused on a limited number of institutions with large cross-border operations within the EU. National prudential frameworks should be kept for all other institutions.

- A [paper](#) for the December meeting of the European Parliamentary Financial Services Forum provides briefing for MEPs on key trends and some deliverables in the area.

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# Clearing and Settlement

We expect the first half year of 2008 to be a crucial period for several major clearing and settlement projects in Europe.

## TARGET2-Securities

Just before Christmas, the ECB published its draft [User Requirements Document](#) (URD) for consultation with all interested parties until April 2, 2008. We are involved in the discussions involving several national and international associations based in London, and in the UK National User Group. In addition, the Operations Group of the ICMA European Repo Committee is scrutinising the URD with a special view to the needs of the repo community.

During the discussions preceding the publication of the consultation document, we and other securities markets associations sent a [note](#) to the ECB, emphasising that retaining national specifications and/or requesting their inclusion in the TARGET2-Securities (T2S) system was fundamentally incompatible with T2S' core vision of creating an integrated settlement landscape in Europe.

At the same time, the associations requested (in a separate [note](#)) that the URD be supplemented by updated documentation on the economic analysis and the business case for T2S, on legal issues, and on the proposed future governance structure (after the start of the construction phase).

## Code of Conduct

December 31, 2007 was the due date for the implementation of phase III of the Code of Conduct, namely service unbundling and accounting separation. Since this is in essence an internal process within each infrastructure provider, monitored in the first instance by the individual provider's auditors, most of the results will not be publicly visible before the 2008 reporting season in spring 2009. The infrastructure user community will, however, make sure that the Commission will, to the extent possible, monitor compliance by providers throughout 2008.

The extension of the Code to other asset classes – it is currently applied to cash equity trading only – was for the first time discussed at the Monitoring Group (MOG) meeting on October 10, 2007 (see [report](#)). At this meeting, the MOG considered that a thorough analysis of the implications for fixed income and derivatives would have to be carried out. The analysis would have to take due account of the specific characteristics of equities, bonds and derivatives markets, in relation *inter alia* to: (i) clearing and settlement; (ii) type of issuer (eg government vs corporate bonds); (iii) type of underlying security (financial vs non-financial); and (iv) market structure of trading (exchange vs OTC) and types of market participants.

It is expected that the analysis will start in the spring when ECOFIN will receive a report from the Commission on clearing and settlement issues. We will cooperate with other trade associations in providing input into the Commission's analysis, emphasising the differences in the current post-trading arrangements between government bonds and the international bond markets.

## CESAME

The official mandate of the CESAME group runs out in June 2008, but there is widespread agreement that its work needs to continue, with an emphasis on a monitoring role rather than the original advisory role. It is understood that the Commission will explore the availability of funds for a "CESAME II" process. (See in particular chapter 4 of the [Synthesis Report](#) of the last CESAME meeting.)

## ESCB-CESR Standards

It may be possible during 2008 to make progress on the Standard for Clearing and Settlement Systems in the EU. The fundamental decision has reportedly been taken to accommodate both models of security settlement systems, namely risk-free systems (CSDs) and banking-type systems, in the standards.

## ISMAG

The International Central Securities Depositories (ICSDs), Euroclear Bank and Clearstream Banking Luxembourg, together with a number of major market players, have launched a change programme to set processing standards for the servicing of international securities primarily deposited in the ICSDs. The main aims of the programme are to:

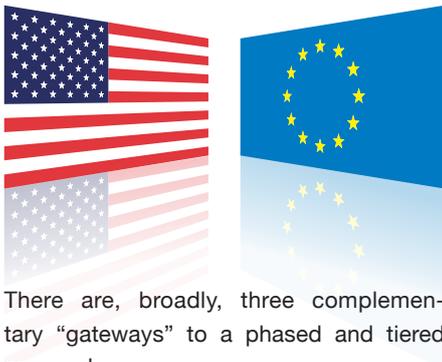
- increase operational efficiency and reduce operational risk by more clearly defining roles and responsibilities throughout the servicing chain;
- provide the highest quality of asset servicing to investors; and
- achieve a high level of Straight-Through-Processing in the interactions between market players, from the issuing community through to investors.

The initiative is under the guidance of the International Securities Market Advisory Group (ISMAG), a senior market committee formed for this purpose in 2007, and on which ICMA is represented. Both [Euroclear](#) and [Clearstream](#) have opened ISMAG web pages on their websites, and relevant documents are also available on the [ICMA website](#).

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# EU/US Regulatory *Rapprochement*

The EU/US regulatory *rapprochement* continues to be an issue of great interest to industry on both sides of the Atlantic. The globalisation of financial markets challenges the prevalent “default” position of applying national rules to cross-border transactions. Market participants (and many regulators) increasingly recognise that this can be harmful to effective regulation, cost of business and national competitiveness; and that regulatory modernisation and harmonisation would benefit investors, intermediaries, borrowers, infrastructure providers and regulators.



There are, broadly, three complementary “gateways” to a phased and tiered approach:

- **Exemption:** Under this option, exemptions would be provided from host state rules to foreign firms or issuers in relation to appropriate transactions or counterparties where imposing those rules would be disproportionately burdensome (for example, concerning dealings with sophisticated wholesale investors). This would have the advantage of not requiring a host state regulator to evaluate a home state’s regulatory framework (thus enabling some “fast track” improvements not subject to formal negotiations in the context of wider transatlantic issues).
- **Recognition:** Under this option, a host state regulator would accept compliance by a foreign firm or issuer with its home state standards through multilateral, mutual or even (due to the economic benefit of earlier progress) unilateral recognition (for example in the areas of securities issuance and

distribution, intermediary regulation and trading venue access). This would follow an evaluation of a home state’s regulatory framework based on final outcomes and principles rather than similarity of detailed rules.

- **Convergence/standardisation:** Alternatively, under this option, common approaches or international standards would be developed to reduce the incremental costs of compliance with multiple national rules. This would be most likely in the longer term or in “targeted” areas of “static” and “process” regulation where rules change infrequently and are anchors for the application of other rules (for example, the distinction between retail and wholesale investors).

Some specific “first tier” priority areas for harmonisation that have been identified include: direct institutional access (without needing a local branch or subsidiary presence); counterparty classification (between retail and wholesale); disclosure of large shareholdings; fund marketing restrictions; and segregation of client assets and reporting standards.

The potential benefits of harmonisation include: investor access to a much wider range of investment opportunities; improved investor understanding of a less complex market; increased liquidity as a result of reduced compartmentalisation; cost efficiencies for intermediaries and infrastructure providers; improved regulatory compliance with simpler rules; improved cooperation and information exchange between regulators and consequentially improved market understanding and supervision. Firms may have differing perceptions of the benefits in each of the proposed approaches, and we are interested to hear ICMA member views in this respect.

Various discussion papers are being published by industry in order to assist regulators in their approach to these issues. As part of these efforts, and following its 2005 report ([Part 1](#) and [Part 2](#)), the EU-US

Coalition on Financial Regulation formed by 9 industry associations, including ICMA, is expecting shortly to publish a further report setting out the basis for exemption, recognition and convergence. The report will also outline the urgency of the issues concerned and need for industry involvement in the EU/US regulatory dialogue.

The European Commission and the US Securities and Exchange Commission (SEC) have generally focused on mutual recognition:

- The Commission’s view, reiterated in a recent [speech](#) by Commissioner McCreevy, is that EU/US regulatory harmonisation should be a gradual (beginning with investment firms and exchanges) and multilateral process, involving all EU Member States on a consistent basis and avoiding extra-territorial application of rules. The focus of the discussion has generally been on broker-dealers and exchanges, with market abuse and anti-fraud rules specifically excluded.
- For its part, the SEC is reported to be considering a proposal under which US investors would gain direct trading access, via US brokers, to foreign listed securities. US brokers would then have in-house access to the trading screens of foreign exchanges that are subject to home regulations deemed comparable by the SEC: currently trades must be routed via a US broker with an affiliate based in the foreign jurisdiction concerned. The SEC proposal might also remove restrictions on foreign brokers soliciting US investors.

The 2003 thirty [IOSCO principles](#) (focusing on investor protection, market integrity and transparency and systemic risk reduction) are seen as good starting point for establishing an international measure of regulatory comparability.

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# Other Regulatory Policy News

## Priorities for the Slovenian Presidency

*Spring 2008:* The Council agreed at the Luxembourg ECOFIN meeting held on October 9 a work programme, which runs until the end of 2008, to enhance the arrangements for [cross-border financial stability](#) within the EU. The spring ECOFIN will assess whether these arrangements are appropriate. A first discussion will be held in March to prepare a progress report for the March European Council. The Commission is expected to clarify the circumstances in which a major banking crisis could be considered “a serious disturbance to the economy” within the meaning of Article 87(3) of the EC Treaty and state aid rules.

*March/April 2008:* The Slovenian Presidency will be following up the work on the [review of the Lamfalussy process](#). The Commission is to prepare an assessment of the role of Level 3 Committees and consider the different options to strengthen the working of these Committees. The Presidency sees the review as a step-by-step process.

*June 2008:* The Presidency will be considering the different initiatives on clearing and settlement: the industry Code of Conduct; the ECB's initiative to set up Target2-Securities; the work on dismantling the fiscal and legal barriers to securities market integration; and the promotion of the safety and soundness of European post-trading arrangements.

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## Bond Market Transparency for Retail Investors

In his speech on November 26 in Dublin, Commissioner McCreevy said: “An important part of the political compromise on the MiFID required the Commission to report to the European Parliament and Council on pre- and post-trade transparency in the bond markets. Both the Committee of European Securities Regulators (CESR) and European Securities Markets Expert Group

(ESME), in undertaking this task, concluded that there is little evidence of market failure in the wholesale business. To the extent that there is some evidence of sub-optimality or potential market failure for retail investors in terms of access to price information about bonds, CESR and ESME concluded that self-regulatory solutions could remedy the situation without imposing costs on industry and damaging liquidity. Such solutions have now been developed by the International Capital Market Association along with the Securities Industry and Financial Markets Association. As far as I am concerned the matter has been dealt with – no market failure, no regulation.”

On December 3, ICMA Ltd launched [BondMarketPrices.com](http://BondMarketPrices.com), a dedicated online portal providing – free of charge – data on higher quality investment grade bonds with a large issue size, offering retail investors and their advisors access to pricing and liquidity information on the global bond market. This service has been developed by ICMA Ltd to comply with the European Financial Services Industry Standard of Good Practice on Bond Market Transparency for Retail Investors, drawn up by ICMA as an industry-led initiative in response to calls for greater transparency in the bond market. The service was presented to the Commission at ICMA's Regulatory Policy Committee meeting in Brussels on December 13. There will be a review of the new arrangements after the first 12 months.

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## CESR Work on the Prospectus Directive

Following the publication of the [September update](#) of CESR's frequently asked questions about prospectuses, we wrote a [letter to CESR](#) expressing concern at the possible impact of some of the new answers. These concerned: description of the right of withdrawal in a supplement; disclosure

on withholding tax; and audit review of *pro forma* information which has been provided voluntarily.

In December, CESR published [another update](#) of the frequently asked questions. This update contains a number of important new answers, including on “retail cascades” and limits of final terms.

Separately, CESR has also published a helpful [summary](#) of (i) the languages accepted by the various competent authorities for the review of a prospectus and (ii) existence of a requirement for translation of a summary of the prospectus in the host Member State and the languages accepted by the competent authorities for such a summary.

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## Level 3 Work on Stabilisation

In the October Newsletter, we reported that CESR had published its formal work programme of Level 3 work in the area of market abuse. This [work programme](#) lists stabilisation as a high-priority item.

We welcome CESR's initiative as we believe there is still a considerable degree of divergence in the interpretation and application of the Stabilisation Regulation No. 2273/2003 across the Member States. This is exacerbated by possible applicability of several Member States' regimes to a particular transaction, and results in considerable legal uncertainty and practical difficulties to market participants operating on a pan-European basis.

We have outlined the key concerns of the industry together with possible ways of addressing them in a [letter to CESR](#) and will participate in any formal consultations it may announce.

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### Progress towards Accounting Equivalence

Significant progress has been made towards mutual recognition of accounting standards between the EU and certain third countries, particularly the US. The [Regulation](#) laying down principles for determination of third country accounting standards as equivalent and granting an additional three year transitional period to third countries with converging standards was published in December.

Final decisions by the Commission on the equivalence of accounting standards of the key third countries are expected in mid-2008. To this end, CESR has published a consultation paper preceding its advice on the equivalence of Chinese, Japanese and US accounting standards. The [consultation paper](#) suggests that US and Japanese accounting standards should be declared equivalent.

In a parallel development, the US SEC has allowed non-US issuers to use IFRS in their filings. While the [decision](#) is limited to IFRS as originally adopted by the IASB, there is expected to be a temporary two year relief available to EU issuers which do not use IAS 39.

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### Commission Consultation on "Substitute" Retail Investment Products

The European Commission has published a [Call for Evidence](#) on the need for a coherent approach to product transparency and distribution requirements for "substitute" retail investment products. The "substitute" retail investment products discussed include investment funds of all varieties, certain life insurance policies and structured securities.

Building on our previous cooperation with other trade associations in the area of retail structured products, we will be responding to the Call for Evidence later this month.

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### Repo Markets

In December 2007, we published a new legal opinion on the GMRA for Croatia. This brings the number of jurisdictions for which legal opinions exist to 57. The opinion is available [here](#) for ICMA members. The related circular to members can be found [here](#) and general information about the GMRA and the related legal opinions is available from the relevant [page](#) on the ICMA website.

The 14th ICMA ERC Repo Market Survey is being conducted and will provide a snapshot of the market structure and the volumes outstanding as of December 12, 2007. For further information please go to the relevant [webpage](#).

The results of the survey will be presented, together with other presentations on market developments, at the Annual General Meeting of the European Repo Council on Thursday, March 13, 2008, in Paris. Please visit the ICMA [website](#) regularly for further information on the AGM and (as from early February) for the list of candidates for the elections to the European Repo Council. The AGM will be hosted by Euroclear in the context of the [Eighth Annual Collateral Solutions Conference](#).

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### Hedge Funds

We participated in the response on December 14 by the Working Group on Hedge Funds of the International Council of Securities Associations (ICSA) to the [Consultation Document](#) published by the Hedge Fund Working Group chaired by Sir Andrew Large. In its response, the ICSA Working Group said that "the recommendations contained in the Consultation Document represent an extremely important initiative that should lead to the development of global standards for the hedge fund industry. We are pleased that the hedge fund industry is moving forward on a self-regulatory basis and we particularly support the principles-based approach taken in the Consultation Document, which we believe is consistent with the recommendations contained in ICSA's Principles for Better Regulation." Following the consultation, the report of Sir Andrew Large's Hedge Fund Working Group is expected to be available shortly.

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# ICMA Events

## *Japan Securities Summit, London, Jan 21-22, 2008*

The Japanese Securities Summit organised jointly by the Japanese Securities Dealers Association and ICMA will take place on January 21-22, 2008, at the Renaissance Chancery Court, London.

This conference, entitled: "A New Sunrise for International Investors in the Japanese Market", provides an ideal opportunity to better understand the revival of the Japanese economy, the new framework of the Japanese securities market as an effective trading venue and the attractiveness of Japan as an investment choice.

There is still time to register for the event through the [ICMA website](#). There is no charge for attendance.

## *Confirmed Speakers at ICMA's AGM*

Jean-Claude Trichet, President of the ECB, has been confirmed as the keynote speaker at ICMA's AGM and Conference in May 2008. The list of participating speakers includes: Yves Mersch, President of the Central Bank of Luxembourg; Eugene Rotberg, Former Vice President and Treasurer, The World Bank; Louis de Montpellier, Deputy Head of Banking, Bank for International Settlements; and Sir Andrew Large, former Deputy Governor of the Bank of England.

Delegate registration for the AGM and Conference, which is due to take place in Vienna from May 14-16, 2008, will be open from February 4, 2008, via the [ICMA website](#).

## *New Chairman for ICMA's UK, Ireland and Americas region*

We are very pleased to announce that [Tim Skeet](#), a London-based Managing Director and Head of Covered Bond Origination at Merrill Lynch, has become Chairman of ICMA's UK, Ireland and the Americas region.

## *Education*

The new ICMA Financial Markets Foundation Course (FMFC) is a first level qualification intended for anyone embarking on a career in the financial markets, relevant to the front office, middle office and operations areas. The first FMFC, which will run in Luxembourg in February, is already sold out. Future courses will be announced later in the year. Full details and registration for all ICMA's 2008 education courses are available from the [ICMA website](#). See in particular:

### *Operations Certificate Programme (OCP)*

March 9-15, 2008  
Montreux, Switzerland

### *International Fixed Income and Derivatives Certificate Programme (IFID)*

April 13-19, 2008  
Sitges, Barcelona, Spain

Published by:  
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