

Summary of practical initiatives by ICMA

The practical initiatives on which ICMA has been engaged over the past quarter, with – and on behalf of – members, include the following:

Brexit

- 1 *Brexit cliff-edge risks*: Following publication of ICMA's open letter to senior political leaders in the EU27 and the UK on Brexit cliff-edge risks international capital markets on 22 June, the Vice-President of the European Commission, Valdis Dombrovskis, replied on 19 July, and the UK City Minister, John Glen, replied on 6 August. Taking account of their responses and other recent developments, ICMA has published a new paper on *Brexit: Cliff-Edge Risks in International Capital Markets* as the Quarterly Assessment in this edition of the ICMA Quarterly Report.

Transition to risk-free rates

- 2 *Transition to risk-free rates*: ICMA has continued to work on the transition from LIBOR and other IBORs to near risk-free rates. ICMA is participating in the Sterling Risk-Free Rates Working Group, including chairing the Bond Market Sub-Group, and also participating in the Euro Risk-Free Rates Working Group and the National Working Group on Swiss Franc Reference Rates. There are two feature articles on the transition to risk-free rates in this edition of the ICMA Quarterly Report.

Primary markets

- 3 *Public sector issuers*: The Public Sector Issuer Forum (PSIF) is meeting on 11 October in the margins of the IMF and World Bank AGM in Bali to discuss the implications of Brexit for international capital markets and progress in the transition from LIBOR and other IBORs to near risk-free rates.
- 4 *ICMA Primary Market Handbook*: Various updates to the ICMA Primary Market Handbook were published in September 2018. Further details are available in the Primary Market section of this Quarterly Report.
- 5 *FICC Markets Standards Board*: ICMA responded to the FICC Markets Standards Board on its proposed statement of good practice on information and confidentiality for FICC markets on 31 August.
- 6 *PRIPs Regulation*: ICMA responded to the UK FCA's call for input on initial experience with the new requirements in the PRIPs Regulation by the deadline of 28 September.
- 7 *Prospectus Regulation*: ICMA responded to the ESMA consultation relating to guidelines on risk factors under the EU Prospectus Regulation by the deadline of 5 October.
- 8 *EU Benchmark Regulation*: ICMA has published on its website suggested language for EU Benchmark Regulation Article 29(2).
- 9 *ICMA Primary Market Forum*: The ICMA Primary Market Forum, which is now in its 12th year, and involves issuers, syndicate banks, investors and law firms, is due to take place in London on 8 November, and will discuss market trends and practices, regulatory developments and the overall outlook for the primary debt capital markets.

Secondary markets

- 10 *ICMA SMR&R*: ICMA is consulting members on the impact of MiFID II/R and other proposed new EU regulations on the ICMA Secondary Market Rules & Recommendations (SMR&R), and has established a dedicated working group to review the ICMA SMR&R.
- 11 *Electronic Trading Council*: The ICMA Electronic Trading Council (ETC), a technical working group under the umbrella of the ICMA Secondary Market Practices Committee, is focusing on electronic trading and the role of technology in the evolving structure of fixed income secondary markets.
- 12 *CSDR settlement discipline*: Following the publication of a discussion paper on *How to Survive in a Mandatory Buy-in World*, ICMA has published an information brochure on CSD Regulation mandatory buy-ins, outlining the scope and regulatory requirements. The CSDR buy-in provisions will come into force in September 2020 and will also apply to non-EU/EEA domiciled trading entities. The brochure is part of ICMA's ongoing work to ensure industry awareness and preparedness in the international cross-border fixed income markets.
- 13 *MiFID II/R trading suspensions*: ICMA has published a position paper on MiFID II/R trading suspensions from the perspective of fixed income markets. The paper highlights scenarios where a blanket suspension for trading in debt instruments or related derivatives could be damaging to investors' interests and the orderly functioning of the market; and recommends that national competent authorities consider these risks, and possibly also consult market stakeholders, before imposing removals or suspensions of trading under Articles 32 and 52 of the Regulation.
- 14 *MiFID II/R regional workshops*: Following a series of ICMA workshops in the autumn of 2017 on the implications of MiFID II/R for fixed income trading, further workshops are planned before the end of 2018.
- 15 *Asian corporate bond liquidity study*: ICMA has published a report, written by Andy Hill and Mushtaq Kapasi, on the state and evolution of the Asian corporate bond markets, as an extension of its work on the European markets.
- 16 *Brexit and secondary bond markets*: Led by Andy Hill, ICMA is planning to publish a paper outlining member concerns with respect to Brexit and secondary European bond and repo markets. The paper will be based on interviews with members, including sell-side, buy-side and trading venues, both based in the UK and the EU27.
- 17 *Electronic trading platform (ETP) mapping directory*: In light of the evolving market structure resulting from MiFID II/R, ICMA has reviewed and updated the ETP mapping directory, which includes new types of trading venues such as organised trading facilities, but also information networks and order management systems.

Repo and collateral markets

- 18 *SFTR implementation*: ICMA is continuing to help members to implement the EU Securities Financing Transactions Regulation (SFTR), through the ICMA European Repo and Collateral Council (ERCC) SFTR Task Force. The SFTR will be one of the main issues on the agenda at the ERCC autumn meeting in London on 17 October. The introduction of extensive reporting requirements through the SFTR is one of the major challenges that the industry is currently facing.
- 19 *ECB AMI-SeCo*: The ERCC is represented on the ECB's Advisory Group on Market Infrastructure for Securities and Collateral (AMI-SeCo) and is playing an active role on its Collateral Management Harmonisation Task Force and the related workstreams.
- 20 *Technology*: The ERCC is following closely how technology is shaping repo and collateral markets and the resulting need for standardisation.
- 21 *Intraday liquidity*: The ERCC is analysing the important challenges around intraday liquidity management for the industry and assessing the need for further alignment and market practice. The ERCC Ops Group held three workshops on this topic over the summer and a larger cross-industry workshop on intraday liquidity management and shaping was held on 12 September in London.
- 22 *Mandatory buy-ins*: On 3 October, ICMA published a discussion paper on CSDR mandatory buy-ins and securities financing transactions.

Green, social and sustainable bond markets

- 23 *European Commission Technical Expert Group on Sustainable Finance*: Nicholas Pfaff has been appointed to represent ICMA on the European Commission Technical Expert Group (TEG) on Sustainable Finance, with the support of the GBP Executive Committee. The inaugural meeting of the TEG was held in Brussels on 4 and 5 July. ICMA is especially focused on monitoring and providing input into a possible future European Green Bond Standard.
- 24 *France's Green Evaluation Council*: ICMA has been nominated as an observer on the Evaluation Council of France's green sovereign bond and is represented by Nicholas Pfaff. The Evaluation Council will define the specifications and schedule for evaluation reports on the environmental impact of France's green sovereign bond. The last physical meeting of the Council was held in Paris on 12 July.

Asset management

- 25 *Stress testing*: ESMA organised a roundtable for industry experts on investment funds' liquidity stress testing on 19 July. AMIC and EFAMA were invited to take part alongside several experts chosen from AMIC and EFAMA member firms. ESMA is in the process of preparing liquidity stress testing guidelines for UCITS funds and AIFs, in line with the ESRB's recommendation on investment funds, and wanted to hear from industry experts. Sessions at the roundtable included discussion on liability stress testing, asset stress testing and the role of depositaries. AMIC and EFAMA are separately preparing a third joint report on systemic risk in asset management focusing on stress testing.
- 26 *Primary Market Investor Working Group*: AMIC has established a Primary Market Investor Working Group. The first meeting of the Working Group was held on 13 June in London where the Working Group approved its proposed terms of reference and initial focus. The second meeting was held on 5 September and featured an exchange of views with Euroclear on ISIN availability and discussion of standardised initial deal terms.

- 27 *Covered bonds legislation*: The ICMA Asset Management and Investors Council (AMIC) Covered Bonds Investor Council (CBIC) secretariat has prepared a summary analysis of *rapporteur* Bernd Lucke MEP's first report on the European Commission's proposed Directive on covered bonds. The analysis covers the main amendments proposed, including the suggested creation of a two tier "premium" and "ordinary" covered bond market in Europe. CBIC is seeking feedback from its members on the report in order form a response in advance of additional amendments being tabled in the European Parliament and the Council.
- 28 *AMIC Conference*: The next AMIC Conference will be held in London on 22 November, with an agenda for the buy side including benchmark reform and the transition to risk-free rates, mandatory buy-ins, the evolution of the landscape for investment research and securitisation.

FinTech in capital markets

- 29 *FinTech meetings with regulators*: ICMA held meetings with the FCA (11 June), the AMF (26 June) and BaFin (23 July) to exchange views on Fintech in capital markets.
- 30 *Regulators' approaches to FinTech and innovation in capital markets*: On 7 September, ICMA published a paper which provides an overview of regulators' approaches to FinTech and innovation in capital markets.
- 31 *FinTech mapping directory*: ICMA's FinTech mapping directory, which includes more than 100 technology solutions for repo and cash bond operations, is being kept up-to-date on the ICMA website.
- 32 *New FinTech applications in capital markets*: On 31 August, ICMA published on its FinTech webpage a listing of new FinTech applications in primary, secondary, repo and collateral markets, taken from public sources.

Other meetings with central banks and regulators

- 33 *ICMA Regulatory Policy Committee*: Adam Farkas, Executive Director of the EBA, joined the ICMA Regulatory Policy Committee meeting in London on 21 September for a discussion on regulatory developments.
- 34 *Official groups*: ICMA continues to be represented, through Martin Scheck, on the ECB Bond Market Contact Group; through René Karsenti, on the ESMA Securities and Markets Stakeholder Group; through Godfried De Vidts on the ECB Macroprudential Policies and Financial Stability Contact Group, and on the Consultative Working Group to ESMA's Secondary Markets Standing Committee, and through Charlotte Bellamy on the Consultative Working Group on ESMA's Corporate Finance Committee.
- 35 An updated draft of the *ICMA Regulatory Grid* has been posted on a password-protected webpage on the ICMA website.