

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:

Primary markets

- 1 **Public sector issuers:** The Public Sector Issuer Forum (PSIF) met in Vienna on 15 March to discuss prospects for bond markets in the next ten years, and a range of other subjects, including Brexit and the transition from IBORs to risk-free rates. Jingdong Hua, Treasurer of the World Bank, has joined the PSIF Steering Committee, which also includes Frank Czichowski, Treasurer of KfW, and Anne Leclercq, Head of the Belgian Government Debt Management Office.
- 2 **ICMA Primary Market Handbook:** Various updates to the ICMA Primary Market Handbook were published in December and in March, including an update to the ICMA Agreement Among Managers version 1 and version 2 in the light of the rules related to the US special resolution regimes.
- 3 **ICMA Primary Market Forums:** ICMA held Primary Market Forums in Hong Kong, Mumbai and Bahrain on 26 February, 7 March and 13 March.
- 4 **MiFID II/R:** ICMA's report on *MiFID II and the Bond Markets: The First Year*, which contains an assessment of the impact of MiFID II/R in the primary markets, was published on 6 December.
- 5 **US special resolution regimes:** ICMA has published on its website a guidance note and a set of FAQs on the effects of the rules related to the US special resolution regimes on capital markets documentation for vanilla, non-structured debt securities in primary markets outside the US.
- 6 **Prospectus Regulation:** ICMA provided feedback to the European Commission on its draft Level 2 delegated regulation and disclosure annexes on 21 December and has engaged informally with the Commission since then.
- 7 **PRIPs Regulation:** ICMA responded briefly to the ESAs' joint consultation paper concerning amendments to the PRIPs KID.
- 8 **Investment Firms Review:** ICMA participated in joint trade association letters to the European Commission, Parliament and Council on the third country firm regime, and has focused in particular on the implications for underwriting and placing.
- 9 **Auditors:** ICMA has responded to two UK consultations relating to proposals to split the Big Four (and possibly other firms) between their audit functions and other services they provide to clients with a view to improving robustness and reducing potential conflicts of interest in the audit process. ICMA has also engaged with PwC in relation to its proposed uniform engagement letter for SAS-72 issuance.
- 10 **FATCA:** ICMA has circulated an updated version of its suggested FATCA language for vanilla debt programmes of non-US issuers to reflect recent regulatory developments.

Secondary markets

- 11 **ICMA SMR&R:** ICMA is consulting members, on an ongoing basis, 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. In particular, the working group will look to revise the ICMA buy-in rules in light of the new CSDR requirements.
- 12 **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.
- 13 **CSDR settlement discipline:** ICMA has established a dedicated working group focused on the practical challenges of implementing the CSDR settlement discipline provisions, in particular the new mandatory buy-in framework. The CSDR buy-in provisions will come into force in September 2020 and will also apply to non-EU/EEA domiciled trading entities. ICMA is in ongoing discussions with ESMA, including on finding a solution for an anomaly in the CSDR provisions that potentially prohibits the payment of the buy-in or cash compensation price differential from moving in the right direction, and also on the establishment of a pass-on mechanism. In addition, ICMA is looking to raise awareness of the scope and obligations of the CSDR, particularly among buy-side and non-EU members.

- 14 *MiFID II/R*: ICMA's report on *MiFID II and the Bond Markets: The First Year*, which contains an assessment of the impact of MiFID II/R in the secondary markets, was published on 6 December.
- 15 *MiFID II/R data quality*: ICMA has established a MiFID II/R data quality task force which has identified key challenges and provided practical solutions related to MiFID II post-trade data. The objective of the task force is to work with ESMA in improving the existing data structures and systems. A meeting was held with ESMA on 2 April.

Repo and collateral markets

- 16 *ICMA European Repo and Collateral Council (ERCC)*: The ERCC met in Luxembourg on 31 January, and the results of elections to the ERCC Committee were announced on 6 February, with a wide range of international representation from across the industry.
- 17 *SFTR implementation*: ICMA is continuing to help members to implement the EU Securities Financing Transaction Regulation (SFTR), through the ICMA ERCC SFTR Task Force. In early March, ICMA launched an updated SFTR webpage with more details on the ERCC's work in relation to the extensive reporting requirements to be introduced by SFTR, and has issued an SFTR update e-mail.
- 18 *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 (CMH-TF). In response to a CMH-TF consultation on a set of harmonisation standards in relation to corporate actions, ICMA has submitted informal high-level considerations focusing on primary market-related concerns, based on input from ICMA's Primary Market Practices Committee.
- 19 *Impact of post-crisis regulation*: Working jointly with the GFMA, the ICMA ERCC published a report on 17 December, which assesses the impact of post-crisis regulation on the functioning of the repo and broader securities financing transactions (SFT) markets. The report, which includes some new research in the form of qualitative and quantitative analysis, makes a number of recommendations concerning the need for further review and refinement of the post-crisis regulatory framework. Various follow-up discussions are being conducted with official institutions.
- 20 *ICMA ERCC Guide*: A revised and updated version of the *ICMA ERCC Guide to Best Practice in the European Repo Market* was published on ICMA's website on 21 December. Subsequently, on 17 January, an updated version of ICMA's *Frequently Asked Questions on Repo* was also published on the website.

- 21 *Intraday liquidity*: The ERCC continues to analyse the important challenges around intraday liquidity management for the industry. Following a successful cross-industry workshop on the topic held in September, the ERCC is focusing in particular on the need for further alignment and on market practice in relation to shaping and partialling.
- 22 *Technology*: The ERCC is assessing the important impact of technology on repo markets and collateral management. In this context, ICMA is working closely with ISDA to assess the possibility to extend ISDA's work on a Common Domain Model (CDM) for derivatives to other asset classes, in particular SFTs. ISDA outlined its CDM project at the latest ERCC AGM in Luxembourg.
- 23 *Repo market at year-end*: On 15 January, the ERCC published a briefing note on the conditions in the European repo market at 2018 year-end, following up on similar studies published in 2016 and 2017. Compared with the previous two year-ends, 2018 was relatively uneventful in Europe.

Sustainability

- 24 *Integrating sustainability risks and factors in MiFID II*: ICMA responded to this ESMA consultation primarily from the perspective of the Primary Market Practices Committee and Legal & Documentation Committee. The response focused on the need to clarify terminology and references to green labels and standards in the market, while noting the absence of any concerns in the context of ICMA1/ICMA2.
- 25 *Integrating sustainability risks and factors in the UCITS Directive and AIFMD*: ICMA responded through the AMIC Sustainable Finance Contact Group on 19 February to the ESMA consultation on integrating sustainability risks and factors in the UCITS Directive and AIFMD. AMIC agreed overall with ESMA's principles-based approach. However, AMIC has suggested some clarifications to the technical advice, including (i) limiting the coverage to "risks" and not "factors", (ii) strengthening the materiality of sustainability risks and (iii) preferring "sustainability" to "ESG" risks for consistency purposes.
- 26 *Climate change and green finance*: ICMA responded to this FCA discussion paper by aligning with the view that climate change risks are likely to have a significant impact on financial markets and expressing its support for voluntary disclosures as recommended by the Task Force for Climate-related Financial Disclosure (TCFD).
- 27 *Usability of the EU Taxonomy*: ICMA responded to this EU consultation primarily from the perspective of the GBP. Support was expressed for a taxonomy that would determine environmental sustainability and be complementary to the existing GBP project categories

and other green taxonomies. Concerns were, however, raised on certain proposed thresholds for sustainability (eg green buildings and energy efficiency) that go significantly beyond current levels for eligible green projects and could impact both existing and future green bond issues.

- 28 *ESMA guidance on CRA disclosure*: ICMA responded to this ESMA consultation primarily from the perspective of the Corporate Issuer Forum. Support was expressed for more and better disclosure on unsolicited ratings in credit rating agencies' press releases, and for efforts to improve the quality and consistency of ESG-related disclosures in credit ratings and outlooks.
- 29 *Sustainable finance in emerging markets*: ICMA responded to the IOSCO consultation on sustainable finance in emerging markets and the role of securities regulators.

Asset management

- 30 *Covered bond legislation*: The ICMA Asset Management and Investors Council (AMIC) Covered Bonds Investor Council (CBIC) Secretariat has briefed members on the outcome of the recently agreed covered bond legislation and will now prepare for the Level 2 process which is due to be under way by the middle of 2019.
- 31 *Securitisation*: On 31 January, the AMIC Securitisation Working Group published a short guide to the due diligence requirements in the EU STS Securitisation Regulation. The guide provides a primer for investors in the securitisation markets.
- 32 *Leverage*: The AMIC Fund Liquidity Working Group responded on 1 February to an IOSCO consultation on leverage in investment funds. AMIC welcomed the focus by IOSCO at each fund level on the potentially risky activities of asset managers as compared to an approach at management company level. In addition, AMIC agreed with IOSCO's proposed two-step approach to measuring risk associated with leverage but recommended that the gross notional exposure (GNE) figure is combined with the net notional exposure (NNE) figure to filter potentially risky funds.
- 33 *Liquidity stress testing*: On 8 January, AMIC and EFAMA published their third joint report on systemic risk in asset management, focusing on liquidity stress testing in investment funds. Subsequently, on 28 March, AMIC responded to ESMA's consultation on liquidity stress testing in UCITS and AIFs. AMIC was supportive of ESMA's overall approach but cautioned that 18 months' implementation time was necessary for firms. AMIC also cautioned against use of the bid-ask spread for asset managers.
- 34 *AMIC Conference*: An AMIC Conference was held in Amsterdam on 7 March.

FinTech in capital markets

- 35 *Primary markets technology mapping directory*: To increase ICMA's coverage of the evolving FinTech landscape, ICMA launched an exercise to map technology solutions in primary markets. The purpose is to help inform ICMA members about existing and emerging platforms and technology solutions, and thereby create greater transparency. As with the ICMA ETP mapping directory and the FinTech mapping directory for repo and cash bond operations, the mapping was published on ICMA's website on 18 December, and is being kept up-to-date.
- 36 *FinTech meetings with regulators*: ICMA held meetings with DG FISMA and DG Connect on 25 January to discuss FinTech and legislative, regulatory and other developments.
- 37 *ECB FinTech Task Force*: ICMA, through the ERCC Ops FinTech Working Group, has been invited to join the ECB's Harmonisation Steering Group's FinTech Task Force, a sub-group of the AMI SeCo. ICMA contributes, for example, to the mapping exercise of post-trade technology solutions, as well as discussions on tokenisation of securities.
- 38 *IOSCO FinTech Network*: ICMA, an affiliate member of IOSCO, has joined the IOSCO FinTech Network, and is participating in two workstreams on distributed ledger technology (DLT) and lessons learnt from innovation. The purpose of the network is to share information and practices with respect to FinTech in an informal manner.

Other meetings with central banks and regulators

- 39 *Bundesbank/ICMA meetings*: An ICMA delegation including senior representatives of ICMA Market Practice and Regulatory Policy Committees and ISDA visited the Deutsche Bundesbank on 18 February for discussions on market operations and financial stability issues.
- 40 *ICMA Regulatory Policy Committee (RPC)*: Clare Bolingford, Deputy Head of Capital Markets at HM Treasury, joined the ICMA RPC meeting in London on 14 March.
- 41 *Official groups*: ICMA continues to be represented, through Martin Scheck, on the ECB Bond Market Contact Group and on the ESMA Securities and Markets Stakeholder Group; through Nicholas Pfaff on the European Commission Technical Expert Group on Sustainable Finance; and through Charlotte Bellamy on the Consultative Working Group on ESMA's Corporate Finance Committee.
- 42 An updated draft of the [ICMA regulatory grid](#) has been posted on a password-protected webpage on the ICMA website.