

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 ICMA's role and approach to Brexit can be summarised as follows:
 - ICMA's role is to encourage efficient and integrated capital markets, which are necessary to support economic growth.
 - ICMA's approach has been to focus on the potential impact of Brexit on international capital markets, particularly the need to address and avoid cliff-edge risks which arise when passporting rights between the EU27 and the UK cease.
 - ICMA is not lobbying for any particular financial centre. ICMA's members are based in London, the EU27 and more broadly.
 - ICMA has been discussing capital market preparations for Brexit with members through its main ICMA Market Practice and Regulatory Policy Committees and reporting to the Board.
 - ICMA is keeping in contact with the authorities in the UK, the EU27 and the euro area.
 - ICMA is cooperating with other trade associations by sharing information, wherever possible.
 - ICMA is keeping members up-to-date on Brexit by giving them regular assessments through the ICMA Quarterly Report and conference calls.
 - ICMA has posted on its website for members an ICMA Brexit FAQ, focusing on ICMA's own documentation.
 - ICMA is keeping its Brexit webpage up-to-date, both with its own work, and also with electronic links to key documents published by the authorities in the EU27 and the UK, and with links to the webpages of law firms and others.

Capital Markets Union (CMU)

- 2 On 26 July, ICMA published a [short briefing paper on *The Importance of Integrated Capital Markets and CMU*](#). This gives some high-level observations on the importance of making progress to fulfil the objectives of CMU in a way which allows the EU to achieve better outcomes in a highly competitive global environment, and on the incremental complexity introduced by Brexit. The paper also outlines why ICMA considers that there is a big opportunity to fully exploit the synergies between each of the CMU, the Sustainability Action Plan and the FinTech Action Plan.

The transition to risk-free rates

- 3 ICMA participates in the RFR Working Groups in the UK, the euro area and Switzerland; and ICMA is chairing the Bond Market Sub-Group in the UK, working with the FCA and Bank of England, and is in regular contact with the equivalent group in the US Alternative Reference Rates Committee (ARRC), which is working with the Federal Reserve. A detailed account of ICMA's work is given in the Quarterly Assessment on *The Transition to Risk-Free Rates in the Bond Market* on pages 8-14 of the [ICMA Quarterly Report Third Quarter 2019](#). Over 600 members joined the ICMA members' call on the transition to risk-free rates on 16 September, and a further call was held on 24 September for ICMA's Asia-Pacific region.

Primary markets

- 4 *Public sector issuers*: The Public Sector Issuer Forum (PSIF) met at the EBRD in London on 17 June to discuss the European Distribution of Debt Instruments (EDDI) initiative, introduced by the ECB and the ESM. The next meeting of the PSIF is at the World Bank in Washington on 17 October.
- 5 *EDDI*: On 9 July, on behalf of all its member constituencies, [ICMA responded](#) to the ECB's consultation on EDDI, identifying the issues that need to be addressed for its successful implementation.
- 6 *Prospectus Regulation*: ICMA is working with members on implementation of the new Prospectus Regulation regime (including consequential revisions to the ICMA Primary Market Handbook) and considering potential disclosure requirements related to ESG.

- 7 *Key information documents*: ICMA has responded to a Czech consultation proposal to require a key information document for all bond offerings (including vanilla bonds for professional investors only).
- 8 *Deal announcements and new issue processes*: ICMA is facilitating industry discussions on the format of deal announcements and, in the Asia-Pacific area, on new issue processes.
- 9 *Post-trade*: ICMA is working on the primary market implications of various emerging post-trade initiatives, including: EDDI; the ECB AMI-SeCo Collateral Management Harmonisation Task Force (CMH-TF) consultation on corporate action harmonisation; and potential reforms to the ICSD syndicated closing process following CSDR implementation.
- 10 *Primary markets technology mapping directory*: ICMA has reviewed its mapping of existing and emerging platforms and technology solutions in primary markets, which was initially launched in December 2018. The new version was published on 18 September 2019. The purpose is to help inform ICMA members and thereby create greater transparency.
- 11 *Primary Market Forum*: ICMA is currently planning the organisation of its next Primary Market Forum, which will be hosted by The London Stock Exchange in London on 14 November.

Secondary markets

- 12 *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.
- 13 *CSDR*: As the November 2020 date of implementation for the contentious mandatory buy-in obligations under the Central Securities Depository Regulation (CSDR) approaches, ICMA is engaged in a number of important related initiatives. These include:
 - updating the ICMA buy-in rules (part of the [ICMA Secondary Market Rules & Recommendations](#)) to create a legal framework and market best practice to support compliance for ICMA members;
 - working with ESMA to address a number of technical challenges in the Regulation (such as asymmetrical payments of the buy-in and cash compensation differential); and
 - working with the industry to design a workable pass-on mechanism to enhance the CSDR buy-in framework.

This is part of ICMA's [broader work](#) to create a contractual framework and market best practice (through the ICMA buy-in rules) to support implementation of and compliance with the [new regulatory requirements](#). ICMA is also undertaking a new market impact study, updating the previous analysis [published in 2015](#). ICMA plans to publish the new report in Q4 2019.

- 14 *Corporate bond secondary market*: ICMA is nearing completion of its [research](#) for the third ICMA study into the state and evolution of the European IG corporate bond secondary market. Intended to update on the seminal [2016 report](#), the new study seeks to address three key questions: (i) What is the current state and expected course for market liquidity? (ii) How is the structure of the market evolving? (iii) What are the expectations for future market developments? ICMA plans to publish the new report in Q4 2019.
- 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 relating to MiFID II/R post-trade data. The objective of the Task Force is to work with ESMA and the European Commission in improving the existing data structures and systems in a cost-effective way.
- 16 *MiFID II/R consolidated tape*: ICMA's Consolidated Tape Working Group and Task Force (part of ICMA's MiFID II/R Data Workstream), involving the buy side, sell side, trading venues and data providers, have submitted a response to ESMA's [consultation on cost of market data and consolidated tape](#). While the consultation focuses specifically on the development of a consolidated tape for equity products, ICMA views this as a valuable opportunity to highlight market considerations with respect to a consolidated tape for EU bond markets, which, in many respects, are quite distinct from those of equities. The ICMA response was submitted by the deadline on 6 September.
- 17 *Brexit Technical Working Group*: ICMA has established a technical working group to focus on the practicalities of Brexit relating to the secondary bond and repo markets in the EU27 and the UK.
- 18 *ICMA Secondary Markets Newsletter*: ICMA has launched a new Secondary Markets Update which provides a quick summary of ICMA's current initiatives and workstreams, pertinent news and regulatory updates affecting the secondary bond markets. It is to be published every two months.

Repo and collateral markets

- 19 *SFTR*: ICMA's European Repo and Collateral Council (ERCC) has submitted a [detailed response](#) to ESMA's consultation on draft *Guidelines in relation to Securities Financing Transactions Regulation (SFTR) Reporting* under Articles 4 and 12. The response was prepared based on feedback from the ERCC's SFTR Task Force, which brings together more than 600 individuals from over 100 member firms, including sell side, buy side, market infrastructures and service providers, leading the industry's implementation effort in relation to repo. The response form itself was submitted alongside two further documents prepared by the Task Force previously: [a list of SFTR sample reports](#), as well as detailed overview table on the reporting of [repo lifecycle events](#).
- 20 *SFTR workshops*: In the run-up to the implementation of the SFTR in the EU in 2020, ICMA has organised a number of workshops. The most recent workshop in [London was on 13 September](#). Two workshops in Asia briefed members on the implications for Asia-Pacific fixed income markets. The workshop in [Singapore on 3 September](#) was hosted by SGX and the one in [Hong Kong on 4 September](#) by Bloomberg.
- 21 *Transition from EONIA to €STR in the repo market*: The ICMA ERCC has published guidelines on repo market best practice with respect to the transition from EONIA to €STR to be followed from 1 October 2019. The ECB [announced in March](#) that it would start publishing the €STR as of 2 October 2019, reflecting the trading activity of 1 October 2019. The finalised guidelines will be included in the [ICMA ERCC Guide to Best Practice in the European Repo Market](#).
- 22 *Common Domain Model*: ICMA is cooperating with ISDA to extend the development of the Common Domain Model (CDM) to include repo and, by extension, outright bond transactions: a single, common digital representation of securities trade events and lifecycles intended to enhance standardisation and facilitate interoperability across firms and platforms. The development of the CDM for all financial markets and securities will be critical in creating cross-industry efficiencies, while easing the development and adaptation of new technologies.
- 23 *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.

- 24 *Balance sheet netting and T2S*: The ERCC has raised concerns about the possibilities for balance sheet netting in T2S and is coordinating an industry discussion on this topic with the relevant accountancy experts. In this context, ICMA will be hosting a meeting between ERCC members, experts from the major accountancy firms and T2S experts from the ECB in order to lead the discussion towards a positive conclusion.
- 25 *FinTech mapping for repo and cash bonds*: The FinTech Working Group of the ERCC has conducted a review of the FinTech mapping directory for repo and cash bond operations to ensure it is up-to-date. The revised mapping is available on ICMA's website.

Sustainable markets

- 26 *TEG*: Following the publication in March 2018 of the European Commission's Action Plan on Sustainable Finance, the Technical Working Group on Sustainable Finance (TEG) was established in June 2018. ICMA, with the support of the GBP SBP Excom, was nominated on the TEG, which has held monthly working group and plenary meetings since its inception. On 18 June 2019, the TEG published reports and guidelines relating to its four key deliverables: EU Taxonomy for sustainable activities; EU Green Bond Standard; EU climate benchmarks and benchmarks' ESG disclosures; and guidelines on the disclosure of environmental and social information. [ICMA has produced an overview and comments on these reports](#).
- 27 *Usability of the EU Taxonomy*: ICMA responded to the second EU consultation primarily from the perspective of the Green Bond Principles (GBP). ICMA continues to support a taxonomy that would determine environmental sustainability and be complementary to the existing GBP project categories and other green taxonomies. There are concerns, however, such as on the usability for the project-based approach of green, social and sustainability bonds, as well as the practicality of the proposed "Do No Significant Harm" (DNSH) criteria.
- 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.

30 *Green Bond Index*: The GBP SBP ExCom has [responded](#) to Bloomberg Barclays MSCI Green Bond Index consultation.

Asset management

- 31 *AMIC Executive Committee*: On 4 October, the Asset Management and Investor Council (AMIC) Executive Committee held its latest meeting, in London. The meeting included a discussion regarding AMIC priorities; an update on the work of the AMIC's Risk Management Working Group, which is currently focused on fund liquidity; a debate to help finalise a short AMIC position paper on ELTIFs; an initial discussion on the contemplated EU Ecolabel for funds, and updates on Brexit and IBOR transition. The next AMIC Executive Committee meeting is scheduled for 28 November.
- 32 *ESMA consultation on short termism*: On 29 July, the AMIC submitted a [response](#) to ESMA's consultation on possible short-term pressure from the financial sector on corporations. AMIC refutes the idea that short termism is a prevalent bias of asset managers and calls for a regulatory framework which can further foster capital allocation towards sustainable and long-term assets. ICMA also subsequently participated in ESMA's associated, 16 September, workshop on short termism.
- 33 *Risk requirements for funds*: Over the past few years, AMIC and EFAMA have published joint reports on the legislative requirements and market-based tools available to manage liquidity risk in investment funds in Europe; leverage in investment funds; and systemic risk in asset management, focusing on liquidity stress testing in investment funds. These have formed the basis for a number of subsequent responses to regulators. The AMIC is continuing to examine the best ways in which to further this process of working to ensure that there is a well-informed debate regarding any potential imposition of additional risk requirements for funds.
- 34 *AMIC conference*: The next AMIC Conference, which will be hosted by BlackRock in London on 27 November, is currently being organised. The conference will feature Tatyana Panova, DG FISMA, as a keynote speaker on the topic of CMU, followed by panel discussions led by industry practitioners on the development of the STS securitisation market; the pension gap, PEPP and the effect of negative interest rates; and the possibility of an EU Ecolabel for funds.

FinTech in capital markets

- 35 *FinTech meetings with regulators*: ICMA held meetings with the Bank of England on 11 July and with BaFin on 12 September to discuss FinTech and related legislative and regulatory developments.
- 36 *ECB FinTech Task Force*: ICMA, through the ERCC Ops FinTech Working Group, continues to be represented on the ECB's Harmonisation Steering Group's FinTech Task Force, a sub-group of the AMI SeCo, following the renewal of its mandate. ICMA contributes, for example, to the mapping exercise of post-trade technology solutions, as well as discussions on tokenisation of securities.
- 37 *IOSCO FinTech Network*: ICMA, an affiliate member of IOSCO, is represented on 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.
- 38 *ICMA FinTech Forum*: On 25 June in London, ICMA held its inaugural FinTech Forum: *How is Technology Shaping International Fixed Income Markets?* The event brought together a broad range of market participants across the whole value chain of international debt capital markets (including issuers, investors, intermediaries and market infrastructure providers) as well as regulators.

Other meetings with central banks and regulators in Europe

- 39 *ICMA Regulatory Policy Committee (RPC)*: Rich Fox, Head of Markets Policy at the FCA, joined the ICMA RPC meeting in London on 26 September for a discussion.
- 40 *ICMA/ECB meetings*: A small ICMA delegation, including Board members and chairs of ICMA Committees, had a series of meetings with the ECB in Frankfurt on 30 September.
- 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](#) is available on a password-protected webpage on the ICMA website.