F ICMA Common Domain Model for repo and bonds

The development of the Common Domain Model (CDM) for repo and bonds is a long-term strategic initiative for ICMA. Following a number of workshops held last year and the establishment of a Steering Committee, ICMA is collaborating with REGnosys to extend ISDA's CDM for derivatives to repo and bonds over an 18-week period from February until June 2021.

As a reminder, the CDM is software that provides a common, digital representation of securities lifecycle events in the form of code. The aim is to generate industry-wide efficiency gains, by enhancing standardisation, reducing the need for reconciliation, and facilitating interoperability across firms and platforms.

The initial focus is to model a standard fixed-term repo, with a single ISIN as collateral, which is the most commonly transacted repo structure. We are also modelling a bond transaction in the CDM, both as the underlying component of a repo and as a standalone transaction. Lifecycle events in the initial phase comprise trade execution, clearing and settlement. It is important to note that the objective is to deliver CDM software that can be implemented in a production environment at the end of the initial phase.

ICMA's CDM Steering Committee (SteerCo) brings together member firms who are willing to contribute to this cross-industry initiative and provide guidance. These include Allen & Overy, Barclays, BNY Mellon, Eurex Clearing, Euroclear, IHS Markit, JPMorgan, LCH, Murex, Swift, Tradeweb, and UBS. ICMA member firms who would like to contribute to this initiative are welcome to get in touch.

SteerCo members have shared anonymised sample test trades and associated electronic trade messages of repo transactions from their test environments (eg in FIX or Swift). The different data points contained in the messages are used to develop the repo model and ensure the CDM is compatible with existing messaging protocols and data standards.

The inaugural meeting was held at the beginning of March followed by regular meetings scheduled until the end of Q2. In the first weeks, the main focus was to develop a conceptual repo model that is aligned with the GMRA and ERCC *Best Practice Guide in the European Repo Market* and validated by the SteerCo. In practical terms, this entails mapping out and categorising the processes and data elements in a repo such as sale and repurchase of securities, transfer of cash, initiation and termination dates, pricing (ie the repo rate) and associated data points and values. The conceptual model will then be translated into a logical model, with conditions and validation rules.

The CDM is intended to be developed as a cross-industry model, building on previous ISDA and ISLA work. ICMA is closely coordinating with ISLA which is working with REGnosys on a CDM implementation for securities lending. The purpose is to ensure consistency and benefit from synergies, where possible, between repo and securities lending. ICMA also agreed with ISDA and ISLA to formalise a Memorandum of Understanding in relation to shared governance and IP rights in the CDM.

The key to realising the benefits of the CDM is adoption and ICMA will be holding a showcase event to demonstrate implementation of the CDM and its benefits at the end of Q2 or beginning of Q3. The date of the event will be communicated in due course. Further information on the CDM for repo and bonds can be found on ICMA's CDM webpage.

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