

# 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:

## Transition to risk-free rates

- 1 ICMA continues to participate 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. In the ICMA Quarterly Report for the First Quarter of 2020, the Quarterly Assessment is on *The Transition from LIBOR to Risk-Free Rates: Legacy Bonds*. There is also a feature article on global developments relating to the transition to risk-free rates.
- 2 ICMA responded in December 2019 to the European Commission's consultation on the EU Benchmarks Regulation.

## Primary markets

- 3 *Public sector issuers*: The Public Sector Issuer Forum (PSIF) met at the World Bank in Washington on 17 October to discuss the transition to risk-free rates, particularly in the US, introduced by the Federal Reserve and the World Bank, cyber-security and Brexit.
- 4 *MAR*: ICMA responded on 29 November to an ESMA consultation on MAR.
- 5 *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.
- 6 *MiFID II/R*: ICMA has been working with members on refining implementation of the allocation justification recording requirements and on German Ministry of Finance findings relating to a potential review of the product governance regime.

- 7 *PRIPs*: ICMA is working with members on the implications of an ESAs' statement on scope and on a high-level response to the ESAs' consultation on Level 2 KID content.
- 8 *Deal announcements and new issue processes*: ICMA is facilitating industry discussions among buy-side and sell-side market participants on the format of deal announcements and 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 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 held its annual Primary Market Forum in London on 14 November, hosted by The London Stock Exchange. The event attracted over 120 participants and comprised panels on capital market developments and keynote speeches on FinTech and diversity, inclusion and well-being.

## Secondary markets

- 12 *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. In particular, the working group will look to revise the ICMA buy-in rules in light of the new CSDR requirements.

- 13 *CSDR mandatory buy-ins*: ICMA, through its CSDR Settlement Discipline (CSDR-SD) Working Group, remains highly focused on the implementation of the mandatory buy-in framework, which is scheduled to come into force in September 2020, but is likely to be delayed for technical reasons. The CSDR-SD Working Group has two priorities: (i) addressing practical implementation challenges, both for cash bonds and repo; and (ii) advocacy and raising awareness.
- 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 Q1 2020.
- 15 *MiFID II/R*: Following its review of MiFID II/R at the end of 2018, ICMA published a second annual review of MiFID II/R in December 2019.
- 16 *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.
- 17 *An EU bond consolidated tape*: In response to a request from the European Commission, ICMA submitted an interim report to the Commission on 16 December on an EU bond consolidated tape.
- 18 *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.
- 19 *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 on a bi-monthly basis.
- 20 *ETP mapping directory*: ICMA has updated its mapping directory of Electronic Trading Platforms (ETPs). The directory now lists a total of 43 electronic execution venues, Order Management Systems (OMS) and information networks. It is intended to help market participants understand what execution and non-execution venues are available for cash bonds. The revised mapping is available on ICMA's website.

## **Repo and collateral markets**

- 21 *SFTR implementation*: Helping members to implement the extensive reporting requirements under the EU's SFTR Regulation (SFTR) continues to be a key priority for ICMA and its members, who are heavily engaged in the ERCC's dedicated SFTR Task Force. This brings together representatives from over 120 firms across the whole market spectrum to coordinate the industry's implementation effort in relation to repos and buy/sell-backs.
- 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).
- 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 hosted a meeting on 10 September 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 *Basel III implementation*: The ERCC remains focused on the implementation of Basel III measures with respect to SFTs, in particular the Leverage Ratio, the Liquidity Coverage Ratio, the Net Stable Funding Ratio, and minimum haircut floors. The ERCC submitted its response to the European Commission's consultation document on *Implementing the Final Basel III Measures in the EU* on 2 January.
- 26 *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.

## Sustainability markets

- 27 *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 and ICMA has produced an overview and comments on these reports.
- 28 *EU Taxonomy*: On 18 December 2019, the European Council and the European Parliament reached a political agreement on the Taxonomy Regulation. The Regulation will introduce a complex classification system of sustainable activities based on contributions to environmental objectives and technical criteria, as well as wider social and sustainability factors. It also recognises transition and enabling activities. ICMA has published an overview and comments on the text of the agreement.

## Asset management

- 29 *Fund liquidity*: The ICMA Asset Management and Investors Council (AMIC) is working with EFAMA on updating their joint fund liquidity report. AMIC and EFAMA members are: (i) calling for a stronger enforcement of the current rules rather than new provisions; (ii) recommending that liquidity management tools should be made available across all EU jurisdictions; (iii) asking for data to be made available better to understand investors' behaviour and redemption patterns; and (iv) flagging the impact of monetary easing and market making rules on market liquidity.
- 30 *Sustainable Finance Working Group*: At the request of the AMIC Executive Committee, the AMIC Sustainable Finance Contact Group has been converted into a Working Group, which met for the first time on 3 December. This group will provide a dedicated platform for AMIC members to discuss the trends and development of the ESG market and relevant regulatory files, such as the EU Ecolabel for investment funds, ESG disclosures, climate benchmarks, and integration of sustainability risks in UCITS and AIFMD.
- 31 *AMIC Conference*: The latest AMIC Conference was hosted by BlackRock in London on 27 November. Its agenda featured Fabrice Demarigny, Chair of the Next CMU High-Level Working Group, 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. The next AMIC Conference is planned for March 2020.

## FinTech in capital markets

- 32 *FinTech meetings with regulators*: ICMA held meetings and calls with the FCA on 7 October and 4 November respectively, and met the FSB and BIS on 20 November to discuss FinTech and related legislative and regulatory developments.
- 33 *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.
- 34 *IOSCO FinTech Network*: ICMA, an affiliate member of IOSCO, is represented on the IOSCO FinTech Network, and continues to participate in the workstream on distributed ledger technology (DLT). The purpose of the network is to share information and practices with respect to FinTech in an informal manner.
- 35 *ICMA Regional FinTech conference*: On 9 October in Paris, ICMA's Regional Committee for France and Monaco held a conference entitled *The Impact of New Technologies on Fixed Income Professionals - What Is the New Paradigm?* The event was hosted by the Banque de France and brought together over 100 participants across the international debt capital markets as well as regulators.

## Other meetings with central banks and regulators

- 36 *ICMA Regulatory Policy Committee (RPC)*: Ugo Bassi, Head of Directorate C, Financial Markets, DG FISMA, European Commission, joined the ICMA RPC meeting in Brussels on 12 December for a discussion.
- 37 *Other 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; through Charlotte Bellamy on the Consultative Working Group on ESMA's Corporate Finance Committee; and through Gabriel Callsen on the ECB AMI-SeCo Harmonisation Steering Group Task Force on FinTech Innovation in Securities Post-Trading (FinTech-TF).
- 38 An updated draft of the [ICMA regulatory grid](#) is available on a password-protected webpage on the ICMA website.