

Summary of practical initiatives by ICMA

This contribution summarises recent and current practical initiatives by ICMA with - and on behalf of - members.

Market impact of coronavirus (COVID-19) pandemic

- 1 ICMA has worked with, and on behalf of, members in response to the COVID-19 pandemic in a number of complementary ways:
 - ICMA has continued regularly to update, on the ICMA website, the [COVID-19 resource page](#) on the market impact of the COVID-19 pandemic and the response, and produced a series of [podcasts](#) for members.
 - The ICMA Quarterly Report for the Second Quarter of 2020, published in early April, focused on the market impact of the COVID-19 pandemic and the response, and the ICMA Quarterly Report for the Third Quarter includes contributions on the lessons to be learned in capital markets from the pandemic.
 - ICMA has continued to hold all its Market Practice and Regulatory Policy Committees with members during the COVID-19 pandemic remotely (eg via Microsoft Teams, Zoom or conference calls).
 - ICMA has continued to set standards of good market practice: eg making freely available its standard form ECP documentation for the purposes of accessing the Bank of England's COVID Corporate Financing Facility; and producing a note on the ICMA *force majeure* clause in the context of the COVID-19 pandemic.
 - ICMA has engaged with regulators and central banks to discuss the market impact of the pandemic (eg through the ECB Bond Market Contact Group and ESMA Securities and Markets Stakeholder Group). While recognising that there should not be a general rollback of regulation in response to the COVID-19 pandemic, ICMA has sought and secured regulatory forbearance in the form of delays, where needed, to regulatory implementation deadlines (eg on SFTR implementation) and consultation deadlines, and drawn attention to proposed regulation which, if implemented, will have an adverse market impact (eg CSDR mandatory buy-ins).

Post-Brexit

- 2 There are a number of key post-Brexit developments affecting capital markets since the last Quarterly Report:
 - Following its departure from the EU on Brexit on 31 January 2020, the British Government formally notified the EU on 12 June that the UK will not agree to an extension of the transition period beyond the end of 2020. The deadline for agreeing on an extension for a further period of up to two years would have been at the end of June.
 - The deadline set in the Political Declaration attached to the EU/UK Withdrawal Agreement for UK assessments of equivalence with EU capital market regulations was the end of June. In the case of the UK, equivalence has been assessed on the basis of whether EU and UK "outcomes" are the same. But decisions will not be taken by the European Commission until later in the year and may be caught up in the trade negotiations between the EU and the UK. Although the assessments are technical, the decisions are essentially political.
 - In the UK, the Temporary Permissions Regime (TPR) will apply as planned for EU firms in the UK from the end of the transition period for a maximum of three years. The Temporary Transitional Power (TTP) will give firms until March 2022 to comply with EU legislation "on-shored" into the UK at the end of 2020. There are limited exceptions where firms will need to make changes earlier. (These are listed on the FCA website). It is not yet clear how "in flight" EU legislation over the year-end will be treated in the UK.
 - There is no equivalent at EU level to the UK TPR, though there are transitional arrangements at national level in some Member States. It cannot be assumed at this stage that bilateral agreements reached between the EU27 and the UK to address cliff-edge risks before Brexit will necessarily still apply post-Brexit at the end of 2020, when passporting rights cease. But the authorities are well aware of the importance of addressing certain cliff-edge risks.

- Having had to prepare for cliff-edge risks on three previous occasions before Brexit, the financial services industry – located both in the EU and in the UK – should be better prepared for another cliff-edge post-Brexit when passporting rights cease at the end of the transition period. Large international sell-side and buy-side firms are authorised to operate in both the EU and the UK, and are as well prepared as they can be, though it is less clear how well prepared some smaller firms will be.
- The issues that arise, and the implications for international capital markets, were set out in the Quarterly Assessment for the ICMA Quarterly Report for the Second Quarter, published in early April: *Post-Brexit: Should the Transition Period Be Extended?*

EU Capital Markets Union

- 3 In response to the Report of the High Level Forum on EU Capital Markets Union, ICMA published on 12 June some [preliminary thoughts on the CMU HLF Report](#), focusing on: sustainable finance; banks' withdrawal from market making activity; encouraging retail investment; encouraging long term investments; STS securitisation; the European Single Access Point for company data (ESAP); building stronger and more efficient market infrastructure; and legal certainty and clear rules for the use of crypto/digital assets. ICMA subsequently submitted before the end of June a [response](#) to the Commission's related consultation.

Transition to risk-free rates

- 4 ICMA continues to participate in the Working Groups on Risk-Free Rates 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 this edition of the Quarterly Report, the Quarterly Assessment is on *From LIBOR to SONIA in the Bond Market*. There is also an accompanying contribution on *The Transition to Risk-Free Rates in the Euro Area*.

Primary markets

- 5 *MiFID II/R*: ICMA worked with members on primary market aspects of investor protection as a contribution to ICMA's response to the European Commission consultation on reviewing MiFID II/R, which was submitted on 15 May.
- 6 *Prospectus Regulation*: ICMA is continuing to work with members on the implementation of the Prospectus Regulation regime and has published revisions to the ICMA Primary Market Handbook. ICMA is also considering potential disclosure requirements relating

to green bonds (and intends to respond to the European Commission's consultation on the renewed sustainable finance strategy on this point) and ESG more generally, as well as new requirements relating to machine-readable data.

- 7 *Deal announcement and new issue processes*: ICMA has been facilitating industry discussions among buy-side and sell-side market participants on new issue processes and in this respect has published a form of deal announcement in the ICMA Primary Market Handbook, which it is now planning to update.
- 8 *Post-trade*: ICMA is working on the primary market implications of various emerging post-trade initiatives, including: the ECB AMI-SeCo Collateral Management Harmonisation Task Force consultation on corporate action harmonisation; and reforms to the ICSD syndicated closing process following CSDR implementation.
- 9 *Primary markets technology mapping directory*: ICMA's directory covers existing and emerging platforms and technology solutions in primary markets and was initially launched in December 2018. The latest version was published in September 2019 and updated in February 2020. The purpose is to help inform ICMA members and thereby create greater transparency. The directory is available on ICMA's website.
- 10 *Primary markets and Brexit*: ICMA has updated its Primary Market Handbook to reflect the transitional phase of the UK's departure from the EU.

Secondary markets

- 11 *The European Investment Grade Corporate Bond Secondary Market and the COVID-19 Crisis*: On 28 May, ICMA published this report, prepared by Andy Hill with the ICMA Secondary Market Practices Committee, on how the European investment grade corporate bond secondary market performed during the COVID-19 crisis. The report has been shared with a broad range of regulators, who have responded with keen interest.
- 12 *CSDR mandatory buy-ins*: ICMA has written to the European Commission and ESMA outlining industry concerns relating to timely implementation of the CSDR mandatory buy-in provisions. The letter highlights the ongoing lack of regulatory clarification required by the industry to facilitate successful implementation, as well as asking the authorities to review the design and application of the buy-in framework in the light of recent market events.
- 13 *CSDR cash compensation*: A briefing note outlining the deficiencies identified in the CSDR provisions for cash compensation in the case of bond markets, as well as highlighting some of the potential market solutions

under discussion, including the significant challenges associated with these, has been produced in conjunction with the ICMA dedicated CSDR Cash Compensation Workstream, part of ICMA's CSDR Settlement Discipline Working Group.

- 14 *ICMA Secondary Market Rules & Recommendations (SMR&Rs)*: ICMA is in the process of finalising a member consultation framework for updating its Buy-in and Sell-out Rules (part of the ICMA SMR&Rs) to align with and support implementation of the CSDR mandatory buy-in provisions. The consultation is expected to be launched this summer. The revised Rules will become effective from the launch of CSDR mandatory buy-ins, expected to be in February 2021.
- 15 *Consolidated tape for EU bond markets*: ICMA has published a report into considerations surrounding the establishment of an EU consolidated tape for bond markets. This report was prepared in response to a request from DG FISMA in the European Commission for a bespoke study assessing the feasibility of implementing a consolidated tape for EU post-trade raw bond data.
- 16 *European Commission MiFID II/R review*: On 15 May, ICMA responded to the European Commission's consultation on the review of the MiFID II/MiFIR regulatory framework; and on 12 June, ICMA responded to ESMA's consultation on the transparency regime for non-equities. ICMA is also monitoring the phasing of the MiFID II/R review, and in particular "quick fixes".
- 17 *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.
- 18 *Bond market transparency directory*: A new overview of current reporting obligations across multiple jurisdictions from Europe, the Americas and Asia Pacific, provides a consolidated view to compare both regulatory rules and best practice guidance on bond transparency regimes, as well as details on reporting fields and exceptions.
- 19 *ETP mapping directory*: ICMA's mapping directory of Electronic Trading Platforms (ETPs) currently 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.
- 20 *ERCC Guide to Best Practice*: ICMA is in the process of updating the *ERCC Guide to Best Practice in the European Repo Market*. The new Guide is expected to be published in Q3 2020. It was last updated in December 2018.
- 21 *GMRA and CSDR mandatory buy-ins*: ICMA is in the process of developing an Annex to the GMRA to support implementation of the CSDR mandatory buy-in provisions, which are expected to come into force from February 2021.
- 22 *ESMA consultation on Clearing Solutions for Pension Scheme Arrangements*: The ICMA European Repo and Collateral Council (ERCC) responded to the ESMA consultation on clearing solutions for PSAs in June 2020. The ERCC is also represented in the European Commission's Expert Group on Pension Scheme Arrangements.
- 23 *ICMA proposals for reporting of central bank repos under MiFIR*: ESMA has provided some long-awaited clarification on the reporting of repos transacted with EU central banks, confirming some detailed proposals developed by ICMA's SFTR Task Force and submitted to ESMA in November 2019. Under SFTR, SFTs transacted with one of the 27 EU central banks that are part of the European System of Central Banks are exempted from the reporting obligation. However, these trades have in turn been included in the scope of MiFIR transaction reporting.
- 24 *Updated version of ICMA's SFTR recommendations*: On 30 June, ICMA's ERCC published a second update to the *ICMA Recommendations for Reporting under SFTR*. This detailed ICMA guide has been developed by the ERCC's SFTR Task Force over a considerable period of time and was initially published on 24 February. The document aims to help members interpret the regulatory reporting framework specified by ESMA and sets out complementary best practice recommendations to provide additional clarity and address ambiguities in the official guidance. The document continues to evolve to reflect the ongoing discussions ahead of the reporting "go-live" on 13 July.
- 25 *ICMA repo survey*: The 38th ICMA survey measured outstandings in the European repo market on 11 December 2019 based on the returns of 58 financial institutions. The baseline figure for the size of the repo market was a record €8,210.3 billion, compared with the total for June 2019, which was €7,761.4 billion, an increase of 7.1% and year-on-year rise of 5.9%.
- 26 *Report on market conditions during the COVID-19 pandemic*: This ICMA report concluded that, while the market performed relatively well, demand for repo

increased significantly during the height of the crisis in February/March and dealers' capacity to intermediate that demand was relatively constrained, limiting access to many firms that needed it.

- 27 *ICMA GMRA 2020 legal opinions*: The 2020 ICMA GMRA legal opinions which support the Global Master Repurchase Agreement (GMRA), the standard agreement for international repo transactions, were published on 16 April. They include a new opinion for Argentina.
- 28 *ERCC webinars on key repo and collateral market issues*: The webinars include presentations on the two important regulatory initiatives that are set to reshape the market, the EU SFT Regulation and CSDR mandatory buy-ins, a legal update highlighting developments in relation to repo documentation and the ICMA GMRA legal opinions, the results of the latest European repo survey, and a discussion on ICMA's ongoing collaboration with ISDA to extend the Common Domain Model (CDM) to SFTs, building a standardised digital representation of repos.
- 29 *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).
- 30 *CDM for repos and bonds*: ICMA is cooperating with ISDA to extend the development of the Common Domain Model (CDM) to include repo and, by extension, outright bond transactions. Further information, including supporting materials from workshops and a link to a recent webinar can be found on ICMA's website.
- 31 *FinTech mapping directory for repo and cash bonds*: ICMA has conducted a review of the directory which currently lists over 160 solutions across 10 categories comprising collateral management, corporate actions, exposure agreement, intraday liquidity monitoring and reporting, matching, confirmation and allocation, reconciliations but also ancillary areas such as static data and SSI, workflow and communication and KYC onboarding. The directory is available on ICMA's website.
- 32 *Repo trading technology directory*: In light of increasing electrification of repo markets, ICMA has conducted a mapping exercise of electronic trading platforms. In its latest revision, the scope has been extended to include all technology solutions for repo trading such as order management systems. The directory is intended to help market participants understand what execution venues and other technology solutions are available for repo trading, product scope, as well as differences in trading protocols, clearing and collateral configurations. The directory is available on ICMA's website.

Sustainable finance

- 33 *High-level definitions for sustainable finance*: ICMA is proposing high-level definitions, building on current market usage and existing official sector terminology, for the most commonly used terms in the sustainable finance field: for example, climate finance, impact finance, green finance and social finance. The objective is to ensure that all participants and stakeholders are using a common and transparent vocabulary.
- 34 *The EU's sustainability disclosure regime*: New and amended EU legislation is introducing significant sustainability and ESG-related disclosure requirements that will impact all participants in the European capital markets, and arguably will lead to an "EU sustainability disclosure regime". This ICMA publication seeks to provide the market with an initial comprehensive and practical overview of these developments.

Asset management

- 35 *AMIC regulatory grid on the response to COVID-19*: ICMA's Asset Management and Investors Council (AMIC) has published a COVID-19 regulatory grid, which provides an overview of policy measures related to the buy side taken by several European securities regulators in response to the COVID-19 pandemic. The document is kept up-to-date regularly.
- 36 *AMIC podcasts on the response to COVID-19*: ICMA has streamed a series of weekly podcasts in which Robert Parker, Chair of AMIC, has reviewed market events in context of the COVID-19 pandemic, with a specific focus on central bank policy measures, economic data and the impact on investors.
- 37 *AMIC virtual event on lessons from COVID-19*: AMIC held on 18 June a virtual event on *First Lessons of the COVID-19 Crisis for the Asset Management Industry*.
- 38 *Non-Financial Reporting Directive Review (NFRD) consultation*: ICMA's AMIC and Corporate Issuer Forum (CIF) published on 11 June a common response supporting the review of NFRD in order to achieve a greater level of standardisation of reporting, provided that this is done at sectorial level and based on most commonly used standards. The response also highlights the potential practical and liability challenges arising from the European Commission's suggestion to combine NFR with annual reports.
- 39 *EU Ecolabel*: ICMA's AMIC has published its response to the EU consultation on the EU Ecolabel for financial products. While the AMIC supports the idea of a quality stamp for ESG retail investment funds, it also warns that some important changes are required to ensure the success of this new label. In particular, the AMIC recommends broadening the list of eligible assets for

diversification purposes, and also to further support companies transitioning to a lower-carbon business model.

FinTech in capital markets

- 40 *FinTech Advisory Committee (FinAC)*: ICMA's FinAC held its third meeting on 26 May, bringing together front office, middle/back office, legal and technology expertise across ICMA's core areas. On the agenda were an update by the FSB on its current priorities in relation to FinTech, as well as member-led discussions on trends, new initiatives and electronification in primary bond markets and repo markets, amongst other points.
- 41 *ECB FinTech Task Force*: ICMA, through the ERCC Ops Group, continues to be represented on the ECB's FinTech Task Force, a sub-group of the AMI-Pay and AMI-SeCo, following the renewal of its mandate and extension to payments. ICMA contributes, for example, to the mapping exercise of post-trade technology solutions, as well as the report on tokenisation of securities in a DLT environment.
- 42 *FinTech (virtual) meetings or calls with regulators*: ICMA held calls with the Swiss National Bank on 8 April to discuss FinTech and the Bank of England on 5 May to discuss the consultation on transforming data collection from the UK financial sector. ICMA has subsequently been invited by the Bank of England to join the newly established Data Collection Review Wholesale Working Group, which is due to hold its first meeting in July.
- 43 *DLT regulatory directory*: ICMA has updated its DLT regulatory directory with several new regulatory and legislative developments, national blockchain initiatives, publications and consultation papers. The directory was initially published in December 2019 and seeks to provide a non-exhaustive overview of recent DLT regulatory guidance, legislative initiatives, as well as related strategy papers and publications in selected jurisdictions across Europe, North America, and Asia-Pacific.
- 44 *European Commission consultation*: ICMA submitted by the deadline of 26 June its response to selected aspects of the European Commission's consultation on a new digital finance strategy for Europe/FinTech Action Plan.
- 45 *FinTech Newsletter*: ICMA has launched a new *FinTech Newsletter* which provides a quick summary of ICMA's cross-cutting technology initiatives across its key market areas. It also provides insights into regulatory updates, consultation papers, news and other publications, and upcoming meetings and events. It is to be published on a 4-6 weekly basis, depending on content load.

Other meetings with central banks and regulators

- 46 *ESMA/ICMA Regulatory Policy Committee (RPC)*: Verena Ross, Executive Director, ESMA, joined the ICMA RPC virtual meeting on 11 June for a discussion.
- 47 *ECB/ICMA Secondary Market Practices Committee (SMPC)*: The ECB joined the virtual meeting of the SMPC on 16 June 2020 to discuss the impacts on the corporate bond secondary market of its CSPP and corporate bond purchases under the PEPP.
- 48 *Bundesbank/ICMA*: A small group of ICMA Board and Committee Chairs held another meeting with Dr. Sabine Mauderer, Executive Board member of the Bundesbank, and colleagues, on 29 June.
- 49 *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-Pay AMI-SeCo Joint Task Force on Innovation and FinTech (FinTech-TF) and the newly established Bank of England Data Collection Review Wholesale Working Group.