

# Summary of practical initiatives by ICMA

## Introduction

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

## Market impact of coronavirus (COVID-19) pandemic

- 1 ICMA has set up on its website a [COVID-19 resource page](#) on the market impact of the coronavirus (COVID-19) pandemic and the response.

## Post-Brexit

- 2 The Quarterly Assessment in this Quarterly Report provides an update for ICMA members on the post-Brexit negotiations between the EU and the UK under the heading: *Post-Brexit: Should the Transition Period be Extended?*

## Transition to risk-free rates

- 3 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 addition, on 27 February, ICMA published a [Quick Guide to the Transition to Risk-Free Rates in the International Bond Market](#). There is a summary in this Quarterly Report.

## Primary markets

- 4 *MiFID II/R*: ICMA is working 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.
- 5 *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 ESG and has responded to a European Commission consultation on a framework for markets in crypto-assets, which included questions related to the Prospectus Regulation.

- 6 *IOSCO*: On 14 February, ICMA responded to the IOSCO consultation on debt capital raising.
- 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.
- 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 potential reforms to the ICSD syndicated closing process following CSDR implementation.
- 9 *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 in September 2019 and updated in February 2020. The purpose is to help inform ICMA members and thereby create greater transparency.
- 10 *Primary markets and Brexit*: ICMA has updated its Primary Market Handbook to reflect the UK's departure from the EU.

## Secondary markets

- 11 *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 now to come into force in February 2021. 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. ICMA is currently working with members to update its Secondary Market Rules & Recommendations, as well as drafting an Annex to the GMRA to help support implementation of the regulatory requirements in the international bond and repo markets.

- 12 *Corporate bond secondary market*: ICMA published its third study into the state and evolution of the European IG corporate bond secondary market on 4 March. This updates the seminal 2016 report, and addresses 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? The report also builds on the work of the European Commission's Expert Group on Corporate Bond Markets.
- 13 *ESMA SI pre-trade transparency*: ICMA responded to ESMA's consultation on systematic internaliser (SI) pre-trade transparency on 6 March.
- 14 *European Commission MiFID II/R review*: ICMA is coordinating with members its response to the European Commission's consultation on the MiFID II/R review. However, ICMA - along with other trade associations - has submitted a request for an extension to 1 July, owing to COVID-19.
- 15 *An EU bond consolidated tape*: In response to a request from the European Commission, ICMA submitted an interim report to the Commission on 13 December on an EU bond consolidated tape. Following further discussions with the Commission, ICMA is working with members on a final report for submission before the end of March.
- 16 *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.
- 17 *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**
- 18 *ERCC elections*: On 6 February, ICMA announced the results of the 2020 elections to the ERCC Committee. 19 candidates have been elected to form the new Committee for a term of office of around one year. The new Committee held its first meeting on 26 February in London.
- 19 *SFTR implementation*: Helping members to implement the extensive reporting requirements under the EU's SFT 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 150 firms across the whole market spectrum to coordinate the industry's implementation effort in relation to repos and buy/sell-backs.
- 20 *ICMA Guide on SFTR implementation*: On 26 February, ICMA published its SFTR Guide with detailed best practice recommendations in relation to SFTR reporting. The 202 page guide, which has been agreed by the ERCC SFTR Task Force, was published alongside two other best practice documents, a set of 35 SFTR sample reports covering various repo scenarios and an overview of repo lifecycle event reporting.
- 21 *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. Three CDM Repo Workshops were held in January, February and March to model and demonstrate a real-time implementation of open repos, repo interest payments as well as cash and collateral legs.
- 22 *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).
- 23 *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.
- 24 *FinTech mapping directory for repo and cash bonds*: The directory is periodically reviewed by the FinTech Working Group of the ERCC to ensure it is up-to-date. The revised mapping is available on ICMA's website.

25 *Repo Trading Technology Directory*: In light of increasing electrification of repo markets, ICMA has conducted a mapping exercise of electronic trading platforms. The directory is intended to help market participants understand what execution venues are available for repo trading (D2D or D2C, for instance), product scope, as well as differences in trading protocols, clearing and collateral configurations. The directory is available on ICMA's website.

### **Green, social and sustainability bond markets**

26 *Climate Transition Finance Working Group*: In October 2019, the GBP SBP Executive Committee decided in Washington to set up a Climate Transition Finance Working Group with the mandate to understand why corporate issuers from carbon intensive industries have been largely absent from the green bond market thus far and to consider providing guidance for potential future issuances.

27 *Sustainability/KPI-linked Bonds Working Group*: In January 2020, GBP SBP ExCom decided to establish a working group on [Sustainability/KPI-linked bonds](#). These are an emerging product where the coupons of general corporate purpose bonds can vary depending on the achievement by the issuer of environmental, social or governance (ESG) related key performance indicators (KPIs), providing a new way for issuers to underline their commitment to sustainability. The remit of this working group will be to: (i) take stock of recent and ongoing developments in the market for sustainability/KPI-linked bond products; (ii) establish their main characteristics including by using what has been developed in the sustainability-linked loan market; (iii) examine any concerns; and (iv) consider and potentially propose market guidance.

28 *SFC meeting*: In January 2020, ICMA Sustainable Finance Committee (SFC) held its second meeting following its establishment in September 2019. The meeting focused on the EU's recent legislative/regulatory actions in the sustainable finance field with the presentations from the European Commission on the EU Taxonomy and the Disclosure Regulation and from ICMA AMIC Sustainable Finance WG on the EU Ecolabel for sustainable funds. The GBP SBP Steering Committee also updated participants on the emerging sustainable bond products and the establishment of the Advisory Council.

29 *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**

30 *Fund liquidity*: The ICMA Asset Management and Investors Council (AMIC) published with EFAMA their updated joint fund liquidity report on 22 January. 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 certain regulatory provisions on market liquidity (eg mandatory buy-ins under CSDR). The report has been well received by securities regulators, including ESMA.

31 *PRIIPs*: On 13 January, AMIC submitted its response to the ESAs' consultation on the review of the regulatory technical standards (RTS) relating to the Key Information Document (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs). In its response, AMIC argued for a review of the transaction cost methodology (spread instead of slippage) which currently produces misleading results for retail investors (negative or inflated transaction costs).

32 *ELTIFs*: On 17 January, AMIC published a discussion paper on the review of the European Long Term Investment Fund (ELTIF) Regulation, which highlights four areas for improvement: (i) widening the list of eligible assets; (ii) aligning the encumbrances limit with market practice; (iii) simplifying requirements regarding eligible investors; and (iv) tackling tax treatment issues.

33 *CSDR implementation*: The AMIC and the IA wrote to the Commission, on 30 January, expressing concerns about the potential bond market impacts of the CSDR mandatory buy-in provisions (due to come into force in early 2021) and encouraging the Commission to undertake a robust market impact assessment of these provisions before attempting implementation, or, as a minimum, to adopt a cautious, phased-in approach to minimize potential disruption.

34 *AMIC Review*: On 10 March, the AMIC published its first 2020 bi-annual review, featuring articles on sustainable finance, fund liquidity and primary markets. This publication highlights the role of the buy-side community within ICMA, reminds readers of AMIC's objectives and priorities and outlines the activities of its working groups, alongside some enduring AMIC topics.

35 *Cyber-resilience*: Based on the ESAs' opinion issued in April 2019, the Commission is considering introducing changes to the sectorial legislation (eg UCITS, AIFMD) to enhance cyber-resilience. On 19 March, the AMIC responded, arguing that the regulatory framework already allows us to address cyber-risk in the asset management industry to be addressed.

### **FinTech in capital markets**

36 *FinTech Advisory Committee (FinAC)*: ICMA's FinAC held its inaugural meeting on 21 January, bringing together front office, middle/back office, legal and technology expertise across ICMA's core areas. In line with ICMA's mission statement to promote resilient and well-functioning international debt capital markets, the purpose of the ICMA FinAC is to provide guidance on ICMA's engagement on FinTech across primary, secondary, repo and collateral markets, as well as sustainable finance. The second (virtual) meeting was held on 24 March.

37 *FinTech meetings with regulators*: ICMA held a call with the AFM on 4 March to discuss FinTech and related legislative and regulatory developments.

38 *ECB FinTech Task Force*: ICMA, through the ERCC Ops FinTech Working 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.

39 *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.

40 *DLT Regulatory Directory*: ICMA has published a Distributed Ledger Technology (DLT) Regulatory Directory which 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. The directory is available on ICMA's website and will be kept up-to-date.

41 *European Commission consultation on a framework for markets in crypto-assets*: ICMA has responded to this consultation, focusing on the application of existing regulatory regimes to security tokens: ie crypto-assets issued on DLT that qualify as financial instruments under MiFID II/R. ICMA notes that there does not appear to be a need for exemptions or alleviations for security tokens compared with traditional securities.

### **Other meetings with central banks and regulators**

42 *ICMA Regulatory Policy Committee (RPC)*: Tom Duggan and Mark Griffin, HM Treasury, joined the ICMA RPC meeting in London on 12 March for a discussion.

43 *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).

44 A draft of the [ICMA regulatory grid](#) is available on a password-protected webpage on the ICMA website.