

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 *Brexit cliff-edge risks:* ICMA made a presentation on *Brexit: Cliff-Edge Risks in International Capital Markets* to the ECB Bond Market Contact Group at the ECB in Frankfurt on 9 October. ICMA, together with ISDA, FIA and AFME, [wrote to the European Commission](#) on 7 December on temporary equivalence for UK CCPs and related matters. Following the publication of the Quarterly Assessment on *Brexit: Cliff-Edge Risks in International Capital Markets* in the ICMA Quarterly Report for the Fourth Quarter, an update is provided in this edition of the ICMA Quarterly Report.
- 2 *ICMA Brexit FAQs:* ICMA has posted [responses to Frequently Asked Questions](#) on the ICMA Brexit webpage. The ICMA Brexit FAQ is available in full for ICMA members.
- 6 *MiFID II/R:* ICMA's report on *MiFID II and the Bond Markets: The First Year*, which contains an assessment of the impact of MiFID II/R in the primary markets, was published on 6 December.
- 7 *US special resolution regimes:* ICMA published on its website a guidance note and set of FAQs on the effects of the rules related to the US special resolution regimes on capital markets documentation for vanilla, non-structured debt securities in primary markets outside the US.
- 8 *Prospectus Regulation:* ICMA provided feedback to the European Commission on its draft Level 2 delegated regulation and disclosure annexes on 21 December.
- 9 *PRIIPs Regulation:* ICMA responded briefly to the ESAs' joint consultation paper concerning amendments to the PRIIPs KID by the deadline of 8 December.
- 10 *Investment Firms Review:* ICMA participated in joint trade association letters to the European Commission, Parliament and Council on the third country firm regime, and has focused in particular on the implications for underwriting and placing.
- 11 *LIBOR fallback language consultation:* On 16 November, ICMA responded to the US Alternative Reference Rates Committee consultation on more robust fallback language for US dollar LIBOR FRNs.
- 12 *ICMA Primary Market Forum:* The 12th ICMA Primary Market Forum, involving issuers, syndicate banks, investors and law firms, took place at Nomura in London on 8 November, with 150 attendees. The forum featured a keynote speech by Edwin Schooling Latter of the FCA, as well as panel discussions on FinTech, RFR transition and other developments in the primary debt capital markets.
- 13 *Mapping of technology solutions in primary markets:* To increase ICMA's coverage of the evolving FinTech landscape, ICMA launched an exercise to map technology solutions in primary markets. The purpose is to help inform ICMA members about existing and emerging platforms and technology solutions, and thereby create greater transparency. As with the ICMA ETP mapping directory and the FinTech mapping directory for repo and cash bond operations, the mapping was published on ICMA's website on 18 December.

Transition to risk-free rates

- 3 *Transition to risk-free rates:* ICMA has continued to work on the transition from LIBOR and other IBORs to near risk-free rates. ICMA is participating in the Sterling Risk-Free Rates Working Group, including chairing the Bond Market Sub-Group, and also participating in the Euro Risk-Free Rates Working Group and the National Working Group on Swiss Franc Reference Rates. There are three articles relating to interest rate benchmarks and the transition to risk-free rates in this edition of the ICMA Quarterly Report.

Primary markets

- 4 *Public sector issuers:* The Public Sector Issuer Forum met on 11 October in the margins of the IMF and World Bank AGM in Bali to discuss the implications of Brexit for international capital markets and progress in the transition from LIBOR and other IBORs to near risk-free rates.
- 5 *ICMA Primary Market Handbook:* Various updates to the ICMA Primary Market Handbook were published in December 2018, including an update to the ICMA Agreement Among Managers version 1 and version 2 in the light of the rules related to the US special resolution regimes.

Secondary markets

- 14 *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.
- 15 *Electronic Trading Council*: The ICMA Electronic Trading Council (ETC), a technical working group under the umbrella of the ICMA Secondary Market Practices Committee, is focusing on electronic trading and the role of technology in the evolving structure of fixed income secondary markets.
- 16 *CSDR settlement discipline*: Following the publication of a discussion paper on *How to Survive in a Mandatory Buy-in World*, ICMA has published an information brochure on CSD Regulation mandatory buy-ins, outlining the scope and regulatory requirements. The CSDR buy-in provisions will come into force in September 2020 and will also apply to non-EU/EEA domiciled trading entities. The brochure is part of ICMA's ongoing work to ensure industry awareness and preparedness in the international cross-border fixed income markets. ICMA is also engaged in discussions with ESMA on a number of related issues, including finding a solution for an anomaly in the CSDR provisions that potentially prohibits the payment of the buy-in or cash compensation price differential from moving in the right direction, and also for the challenge of appointing buy-in agents.
- 17 *MiFID II/R*: ICMA's report on *MiFID II and the Bond Markets: The First Year*, which contains an assessment of the impact of MiFID II/R in the secondary markets, was published on 6 December.
- 18 *MiFID II/R trading suspensions*: ICMA has published a position paper on MiFID II/R trading suspensions from the perspective of fixed income markets. The paper highlights scenarios where a blanket suspension for trading in debt instruments or related derivatives could be damaging to investors' interests and the orderly functioning of the market; and recommends that national competent authorities consider these risks, and possibly also consult market stakeholders, before imposing removals or suspensions of trading under Articles 32 and 52 of the Regulation.
- 19 *MiFID II/R regional workshops*: Following a series of ICMA workshops in the autumn of 2017 on the implications of MiFID II/R for fixed income trading, workshops took place in Brussels in November and Madrid in December 2018 to provide a post-implementation view on how MiFID II/R has "landed". The FCA participated in an ICMA SMPC meeting in November to discuss the first year of MiFID II/R.
- 20 *Asian corporate bond liquidity study*: ICMA has published a report, written by Andy Hill and Mushtaq Kapasi, on the state and evolution of the Asian corporate bond markets, as an extension of its work on the European markets.

Repo and collateral markets

- 21 *SFTR implementation*: ICMA is continuing to help members to implement the EU Securities Financing Transaction Regulation (SFTR), through the ICMA European Repo and Collateral Council (ERCC) SFTR Task Force. The SFTR was one of the main issues on the agenda at the ERCC General Meeting in London on 17 October. The introduction of extensive reporting requirements through the SFTR is one of the major challenges that the industry is currently facing.
- 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 and the related workstreams.
- 23 *Impact of post-crisis regulation*: Working jointly with the GFMA, the ICMA ERCC published a report on 17 December, which assesses the impact of post-crisis regulation on the functioning of the repo and broader securities financing transactions (SFT) markets. The report, which includes some new research in the form of qualitative and quantitative analysis, makes a number of recommendations concerning the need for further review and refinement of the post-crisis regulatory framework.
- 24 *ICMA ERCC Guide*: The ICMA ERCC Guide to Best Practice in the European Repo Market was last updated in December 2017. Since that time there has been continued review of the need for further refinements and a number of changes have now been agreed. Accordingly, a further revised version of the Guide was published on ICMA's website before Christmas 2018.
- 25 *Technology*: The ERCC is following closely how technology is shaping repo and collateral markets and the resulting need for standardisation. On 7 November, ICMA presented the FinTech mapping directory for repo and cash bond operations and ICMA's FinTech work more broadly to the ECB's FinTech Task Force, a technical subgroup of AMI-SeCo.
- 26 *Intraday liquidity*: The ERCC is analysing the important challenges around intraday liquidity management for the industry and assessing the need for further alignment and market practice. The ERCC Ops Group held three workshops on this topic over the summer and a larger cross-industry workshop on intraday liquidity management and shaping was held in September in London.
- 27 *Mandatory buy-ins*: In October, ICMA published a discussion paper on CSDR mandatory buy-ins and securities financing transactions. This is intended to form the basis for possible recommendations to ESMA for Level 3 guidance.