

# Summary of practical initiatives by ICMA

The purpose of this section of the Quarterly Report is to summarise recent and current practical initiatives by ICMA with – and on behalf of – members.

## Primary markets

- 1 *Public debt sustainability:* The Public Sector Issuer Forum met on 15 June 2021, with two main items on the agenda. The first was public debt sustainability, introduced by Carmen Reinhart, Vice President and Chief Economist at the World Bank. The second was the European Commission's debt issuance: sovereign or supra? This was introduced by Niall Bohan, Director, Asset and Financial Risk Management at the European Commission.
- 2 *CMRP/MiFID product governance:* Following adoption of the Capital Markets Recovery Package (CMRP) by the EU, ICMA has been engaging on clarifying the intended scope of the CMRP in the context of apparent inconsistencies in national implementation.
- 3 *New issue processes:* On 7 May 2021, ICMA responded to a Hong Kong Securities and Futures Commission consultation on its potential code on bookbuilding and placing. In Europe, ICMA has been working to help underwriters to transition to a new method for recording allocation justifications in the context of MiFID II/R.
- 4 *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; ECB Debt Issuance Market Contact Group (DIMCG) discussions; and reforms to the ICSD syndicated closing process following CSDR implementation.
- 5 *ESG disclosure in primary markets:* The ICMA Legal & Documentation Committee ESG Working Group has held several detailed discussions on ESG disclosure in bond prospectuses, marketing materials and documentation for green, social and sustainability bonds, as outlined in more detail in the Primary Markets section of this Quarterly Report.
- 6 *Post-Brexit standard language:* ICMA has published for ICMA members and ICMA Primary Market Handbook subscribers further updated items relating to its standard language for the post-Brexit period.
- 7 *UK TCFD consultation response:* ICMA responded on behalf of its Corporate Issuer Forum to the UK TCFD consultation on requiring mandatory climate-related financial

disclosures by publicly quoted companies, large private companies and Limited Liability Partnerships.

- 8 *Corporate Issuer Forum Newsletter:* The second edition of ICMA's Corporate Issuer Forum (CIF) Newsletter was released in May 2021. The CIF Newsletter provides a periodic snapshot of the CIF's key priorities, initiatives and workstreams, including insights into sustainable finance, primary market activities, FinTech, ICMA Commercial Paper Committee, upcoming meetings and events.
- 9 *Primary markets technology directory:* ICMA's directory covers existing and emerging technology solutions in primary markets and was initially launched in December 2018. It is reviewed regularly and the latest amendments were incorporated in May 2021. The aim is to help inform ICMA members and thereby create greater transparency. The directory is available on the ICMA website.

## Secondary markets

- 10 *Consolidated tape for EU bond markets:* Following ICMA's 2020 report into considerations surrounding the establishment of an EU consolidated tape for bond markets, on 20 January 2021 DG FISMA announced that, in conducting a further review of MiFID II/R, this would include plans to design and implement a consolidated tape for corporate bonds. ICMA is currently working with members on a practical proposal for the MiFID II/R bond market transparency regime.
- 11 *MiFID II/R responses:* ICMA's MiFID II/R Working Group (MWG) has responded to the ESMA consultations on: *Obligations to Report Transactions and Reference Data*; and *Functioning of Organised Trading Facilities (OTFs)*. The latter covered a much wider scope than OTFs, including the potential forced authorisation of software and technology providers as trading venues: eg information networks. ICMA's MWG has more recently been working on responses to two further consultations: the ESMA consultation paper on *RTS 2 Annual Review*; and the FCA consultation paper on *Change to the Conduct and Organisational Requirements in UK MiFID for Research and Best Execution*.
- 12 *ICMA Guide to Definitions and Best Practice for Bond Pricing Distribution:* There is keen market interest in how pre-trade bond pricing information is distributed, because it is a vital source of data for bond traders. The way in which information has been distributed is not uniform and has caused concern among buy-side market participants. ICMA's guide to best practice for bond pricing distribution

sets out standards and definitions agreed by ICMA's buy-side, sell-side and trading venue members in the hope that the guide will be adopted by the market.

- 13 *CSDR mandatory buy-ins*: In February 2021, ICMA submitted its response to the European Commission's targeted consultation on CSDR. ICMA's response focused primarily on the mandatory buy-in element and argued that this should not be implemented as currently designed and scheduled before undertaking a detailed market impact analysis. ICMA also held the pen for a cross-association letter to the European Commission further outlining concerns about the current implementation schedule in light of its CSDR Review. Currently, ICMA is working with members and other associations on finding contractual solutions to support compliance by the expected go-live date of February 2022.
- 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 has been put on hold pending the CSDR Review.
- 15 *Bond market transparency directory*: ICMA has expanded its bond market transparency directory to include pre-trade reporting obligations, in addition to post-trade obligations, across multiple jurisdictions from Europe, the Americas and Asia-Pacific. The purpose of the mapping is to provide a consolidated view to compare both regulatory rules and best practice guidance on bond trade reporting transparency regimes, as well as details on reporting fields and exceptions.
- 16 *ETP directory*: ICMA's directory of electronic trading platforms (ETPs) lists electronic trading venues, execution and order management systems (EMS/OMS) and information networks available for cash bonds. It is intended to help market participants compare the capabilities of different solutions to determine which platforms best suit their investment and/or trading strategies. The latest amendments were published in May 2021 and are available on ICMA's website.
- 17 *Asian international bond markets: development and trends*: In March 2021, ICMA published a report that examines the growth and development of the Asia cross-border corporate bond market. The report was produced in collaboration with the Hong Kong Monetary Authority, who approached ICMA with the initiative.
- 18 *IOSCO-AMCC Bond Market Liquidity Working Party*: ICMA has proposed and is now chairing a Bond Market Liquidity Working Party consisting of members of the IOSCO Affiliate Members Consultative Committee. The purpose of the Working Party is to support and complement the work being undertaken by IOSCO, in coordination with the FSB, on global bond market structures. This is part of the

broader IOSCO-FSB workstream on non-bank financial intermediaries (NBFIs) following the 2020 COVID-19 market turmoil. The first deliverable of the Working Party is a compendium of AMCC member research covering how COVID-19 impacted global corporate bond markets in March-April 2020. This was submitted to IOSCO in May 2021.

## *Repo and collateral markets*

- 19 *ERCC General Meeting*: The ERCC held its Annual General Meeting on 30 March 2021 as a virtual live-streamed event hosted with the support of LCH SA. The event included two panel discussions on relevant repo market developments, as well as a keynote address by Fiona van Echelpoel (ECB). The next ERCC General Meeting will be held on 13 October, supported by Pirum.
- 20 *Repo and sustainability*: On 22 April 2021, the ERCC published a consultation paper on the role of repo in green and sustainable finance, exploring the sustainability aspects of repo and collateral as well as assessing the existing opportunities and potential risks in this area. The consultation closed on 4 June. ICMA is currently reviewing the feedback and planning to publish in due course a short summary report.
- 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.
- 22 *SFTR implementation*: Further to the final reporting go-live in January, ICMA continues to work with members of the ERCC's SFTR Task Force to improve the quality of the data and resolve outstanding issues. ICMA maintains a log of the key reporting issues encountered by firms which is regularly shared with ESMA and the FCA. In parallel, ICMA's extensive best practice guide, the *ICMA Recommendations for Reporting under SFTR*, continues to evolve to reflect the discussion as well as new regulatory guidance.
- 23 *SFTR Article 15 information statement*: On 17 May 2021, ICMA, AFME, FIA, ISDA and ISLA jointly published a UK version of the SFTR Article 15 information statement. The statement aims to help market participants comply with requirements under Article 15 of the UK SFTR, informing users of the general risks and consequences that may be involved in consenting to a right of use of collateral provided under a security collateral arrangement or of concluding a title transfer collateral arrangement (for example, the GMRA).
- 24 *SFTR public data*: ICMA continues on a weekly basis to collect, aggregate and publish the SFTR public data released by the trade repositories (TRs), covering both UK SFTR and EU SFTR. The SFTR public data complements existing ICMA publications on repo, such as the semi-annual European repo survey.

- 25 *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).
- 26 *Settlement efficiency*: The ERCC is leading an industry effort to explore ways to improve settlement efficiency in Europe. Further to a targeted update of the ERCC *Guide to Best Practice* released in March 2021, ERCC members have agreed a set of more ambitious principles to support settlement efficiency, focusing in particular on the use of partial settlement and auto-partialling, shaping of settlement instructions and auto-borrowing functionality. Focused workshops are being held to discuss in turn the implementation of each of these additional best practices.
- 27 *Financial Collateral Directive*: On 7 May 2021, ICMA submitted a letter to the European Commission to express support for ISLA's response to the targeted consultation on the review of the EU's Financial Collateral Directive (FCD).
- 28 *FinTech mapping directory for repo and cash bonds*: ICMA periodically reviews the directory, which currently lists over 170 solutions across 10 categories comprising collateral management, corporate actions, exposure agreement, intraday liquidity monitoring and reporting, matching, confirmation and allocation, and reconciliations, but also ancillary areas such as static data and SSI workflow and communication and KYC onboarding. The latest version, which includes updates incorporated in March 2021, is available on ICMA's website.
- 29 *Repo trading technology directory*: In light of increasing electronification of repo markets, ICMA periodically reviews its directory of electronic trading solutions for repo. 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, including latest updates in May 2021, is available on ICMA's website.
- 30 *ICMA Asia-Pacific repo market report*: ICMA is preparing a report on developed and emerging repo markets in Asia-Pacific by jurisdiction, with summaries of regulatory landscape, infrastructure, market size and liquidity, and relevant law and regulation.
- 31 *Repo in emerging markets*: ICMA and Frontclear have released a series of webinars on repo market developments in a number of African countries, including Uganda, Nigeria and Ghana. These webinars have been extremely well attended and have provided a great opportunity to showcase to an international audience the success of cross-agency collaboration in promoting regulatory and legislative reform. Future webinars will focus on Kenya and Ethiopia.

## *Short-term markets*

- 32 *ICMA Commercial Paper Committee*: In March 2021, ICMA reconstituted its ECP Committee to include the broader commercial paper market, including financial and corporate issuers, dealers, investors and infrastructures. This initiative follows an ICMA workshop, *The Commercial Paper Market Reimagined*, which was held in November 2020. The ICMA Commercial Paper and Certificates of Deposit Committee (CPC) is due to publish a white paper that maps the current structure of the market and provides recommendations for market development.

## *Sustainable finance*

- 33 *ICMA's response to the ESAs' consultation on taxonomy disclosure for financial products*: On 12 May 2021, AMIC submitted its [response](#) to the ESAs' consultation on taxonomy disclosure for financial products. The EU Taxonomy Regulation requires certain financial products with environmental characteristics/objectives (as defined under the EU Sustainable Finance Disclosure Regulation (SFDR)) to report how their underlying investments align with the recently adopted EU criteria for sustainable activities. The response invites the ESAs and the European Commission to allow for sufficient implementation time, to refine the list of eligible assets to be factored in the Taxonomy KPI, and to simplify information to be disclosed to end-investors.
- 34 *Overview and Recommendations for Sustainable Finance Taxonomies*: On 18 May 2021, ICMA published its paper, [Overview and Recommendations for Sustainable Finance Taxonomies](#). This was released against the background that there have been both market and official sector initiatives to develop taxonomies (ie classification systems) in an effort to provide clear guidance on which activities, assets and/or projects qualify for sustainable finance, and in some cases more widely as sustainable for regulatory or prudential purposes. Progress on the development of the EU Taxonomy in particular has accelerated the discussion about taxonomies globally. ICMA's new publication compares the main features and methodologies of official taxonomies from the EU, China and other national authorities as well as influential market-based systems, including the Green Bond Principles' project categories.
- 35 *Green Bond Principles 2021 Version*: The Annual General Meeting (AGM) of the Principles was held virtually on 10 July 2021 during which the [GBP's 2021 Version](#) was released. It notably features: (i) two key recommendations on the bond frameworks and external reviews designed to increase the transparency alongside the four core components; (ii) a recommendation of heightened transparency for issuer-level sustainability strategies and commitments; (iii) encouragement to supply information, if relevant, on the degree of alignment of projects with

official or market-based taxonomies; (iv) promotion of transparency on issuer processes to identify and manage perceived and known social and/or environmental risks; (v) links and references to the complementary guidance of the *Climate Transition Finance Handbook*, the *Harmonised Framework for Impact Reporting*, the *Guidelines for External Reviews*, which are supplemented by the *Guidance Handbook*. Similar revisions were also made to the SBP and the SGB while a number of other additional deliverables were released during the 2021 AGM.

- 36 *ICMA's response to the US Securities Exchange Commission's Climate Change Disclosures*: On 15 June 2021, ICMA submitted its [response](#) to the US SEC [consultation](#) on climate-related disclosures, in which ICMA supported SIFMA's [letter](#) and emphasised important points relating to a global coordinated approach, principles-based materiality, safe-harbour protection and a handful of other issues.

## Asset management

- 37 *AMIC podcasts*: ICMA has continued to stream a series of monthly podcasts in which Robert Parker, Chair of the ICMA Asset Management and Investors Council (AMIC), has reviewed market events in the context of the recovery from the COVID-19 pandemic, with a specific focus on central bank policy measures, economic data and the impact on investors.
- 38 *AMIC workstream on ESG disclosures for securitised assets*: The lack of ESG transparency for securitised assets has been identified as a key issue by some AMIC members at a time when clients are increasingly conscious about their ESG footprint and as regulators set new transparency requirements for the buy side. AMIC has set up a working group to develop the necessary key performance indicators (KPIs) and has [issued a statement](#) laying down current challenges for this asset class and the buy side followed by a discussion paper on ESG KPIs for auto-loans/leases ABS. The next steps are to identify KPIs for two other sub-asset classes (RMBS and CLOs) and to engage with other market participants and regulators to promote the usage of KPIs which have been identified.
- 39 *AMIC response to IOSCO consultation on fund liquidity management by open-ended funds*: The AMIC response highlights how industry practices and existing regulatory provisions in Europe are well aligned with the Liquidity Risk Management (LRM) recommendations issued by IOSCO in 2018. The response acknowledges the positive impact of the LRM recommendations, as they have incentivised national supervisors to encourage and facilitate the use of LMTs, which are now available in most European jurisdictions and in all main fund domicile centres, covering almost all assets under management by UCITS and AIFs.
- 40 *AMIC SFDR Taskforce*: An AMIC SFDR Taskforce has been set up to support AMIC members SFDR implementation ahead of 1 January 2022 when SFDR goes live. In the first instance, the taskforce has sent a letter to the European Commission summarising three main implementation challenges and solutions to be considered when finalising the RTS and other legislative initiatives. The taskforce is now scoping out the content of an SFDR implementation guide which is due to be published by the end of Q3 2021.

## FinTech in capital markets

- 41 *Common Domain Model (CDM) for repo and bonds*: ICMA, its CDM Steering Committee and Regnosys have continued to develop a model for standard fixed-term repo transactions, including trade execution, clearing and settlement (and outright bond transactions). The duration of the initial phase is 18 weeks, including a showcase event to demonstrate implementation of the CDM and its benefits on 21 July.
- 42 *FinTech Advisory Committee (FinAC)*: Strategic priorities for 2021 are twofold: (i) promote common data standards to enable process automation along the securities lifecycle, and (ii) tokenisation of bonds and digital currency, understanding the implications for market practice and adoption challenges. The third meeting was held on 27 May and featured presentations by the FSB on FinTech priorities and related developments as well as by the EIB on its recent issuance of a digital bond on the Ethereum blockchain.
- 43 *ECB FinTech Task Force*: The Task Force, a sub-group of the AMI-Pay and AMI-SeCo, published the report [The Use of DLT in Post-Trade Processes](#) in April 2021, to which ICMA contributed. The report concludes that, while there is no clear business case for the use of DLT, interoperability and sound governance are key to realise the benefits of DLT and avoid the risk of further fragmentation. The ECB FinTech Task Force ceased its activities following the publication of the report.
- 44 *IOSCO FinTech Network*: ICMA continues to participate in the IOSCO FinTech Network. However, membership of the new Decentralised Finance (DeFi) workstream is limited to regulators only. ICMA expects to participate through AMCC stakeholder engagement.
- 45 *ICMA virtual roundtable on data standards in primary markets*: A key take-away from the roundtable held in December 2020 with relevant stakeholders was that a “common data dictionary” or common language would lay the foundation for interoperability, facilitate on-boarding and communication, whilst promoting competition in primary bond markets. ICMA held a follow-up roundtable on 30 March 2021 with relevant law firms to discuss the potential scope of such a “common data dictionary”, current market initiatives, and implementation considerations.

- 46 *ICMA virtual roundtable on FinTech and sustainable bond markets*: Following a roundtable held in December 2020, including issuers, investors, underwriters and technology/data providers, ICMA published an article in the Quarterly Report Q1 2021 which explores how technology can be leveraged to further sustainability in bond markets, key trends and drivers, but also challenges and opportunities.
- 47 *DLT regulatory directory*: ICMA's DLT regulatory directory covers 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 developments in selected jurisdictions across Europe, North America, and Asia-Pacific. Latest updates were included in May 2021 and are available on ICMA's website.
- 48 *FinTech Newsletter*: ICMA's FinTech Newsletter, launched in June 2020, 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 published on a 4-6 weekly basis.
- 49 *FinTech regulatory roadmap*: ICMA has updated its FinTech regulatory roadmap, a compilation of key regulatory, legislative and innovation initiatives relevant to debt capital markets at global, EU and national level. The latest version includes updates from May 2021 and is available on ICMA's website.
- 50 *FinTech and sustainable finance library*: ICMA has compiled a non-exhaustive list of recent publications on FinTech and sustainable finance, with a focus on bond markets. The library intends to complement ICMA members' resources and help inform broader discussions on this topic. The library aims to highlight the current views from academic, market, and official sector studies on the potential of FinTech to further sustainable debt capital markets. It can be found on ICMA's website.
- 51 *Tough legacy proposals*: ICMA has continued to engage with various official sector contacts and members in relation to the "tough legacy" proposals put forward by authorities in the US, the EU and the UK. On 16 June, ICMA responded to the UK FCA consultation on the exercise of its new powers related to use of critical benchmarks.
- 52 *Communication with members*: ICMA continues to keep members up to date on its work on the transition to risk-free rates via a [dedicated webpage](#), the ICMA Quarterly Report, regular ICMA committee and working group meetings and e-mails to the ICMA Benchmark Group.
- 53 *ICMA Bloomberg Guide to Tough Legacy Bonds in Asia-Pacific*: ICMA and Bloomberg produced a Guide in May featuring statistics on current exposures in LIBOR-referenced FRNs across the Asia-Pacific region provided by Bloomberg, including high-level commentary by ICMA on issuer type, currency, governing law, applicable fallbacks and potential solutions. The launch of the Guide was accompanied by a virtual event, comprising keynote speeches and a panel session.
- 54 *Official sector RFR panel*: ICMA moderated an official sector panel on the transition from LIBOR to risk-free rates launched by ICMA on 2 June and involving senior representatives from the UK FCA, the Federal Reserve Bank of New York, the Swiss National Bank and the European Central Bank.
- 55 *Coordination with other trade associations*: ICMA continues to participate in regular calls of the Joint Trade Association LIBOR Working Party established by the LMA, as well as regular calls of the APAC Benchmark Working Group established jointly by ICMA, ASIFMA, ISDA and APLMA.

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

### *Transition from LIBOR to risk-free rates*

- 56 *ICMA Regulatory Policy Committee (RPC)*: Jean-Paul Servais, Vice-Chair of IOSCO, joined the virtual meeting of RPC on 3 June for a discussion with members.
- 57 *Other official groups in Europe*: 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 Platform on Sustainable Finance; through Lee Goss on the ECB Debt Issuance Market Contact Group (DIMCG); through Charlotte Bellamy on the Consultative Working Group on ESMA's Corporate Finance Committee; and through Alexander Westphal on the Consultative Working Group of ESMA's Post-Trading Steering Committee.
- 58 *Official sector sponsored working groups*: ICMA continues to participate in the Working Group on Sterling Risk-Free Reference Rates (and to chair the Bond Market Sub-Group), the Working Group on Euro Risk-Free Rates (as an observer) and the National Working Group on Swiss Franc Reference Rates. ICMA is also in regular contact with the ARRC FRN Group in the US and national working groups in Asia.