

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 ICMA's role and approach to Brexit can be summarised as follows:

ICMA's role is to encourage efficient and integrated capital markets, which are necessary to support economic growth.

ICMA's approach has been to focus on the potential impact of Brexit on international capital markets, particularly the need to address and avoid cliff-edge risks which arise when passporting rights between the EU27 and the UK cease.

ICMA is not lobbying for any particular financial centre. ICMA's members are based in London, the EU27 and more broadly.

ICMA has been discussing capital market preparations for Brexit with members through its main ICMA Market Practice and Regulatory Policy Committees and reporting to the ICMA Board.

ICMA is keeping in contact with the authorities in the UK, the EU27 and the euro area.

ICMA is cooperating with other trade associations by sharing information, wherever possible.

ICMA is keeping members up-to-date on Brexit by giving them regular assessments through the ICMA Quarterly Report and conference calls.

ICMA has posted on its website for members an ICMA Brexit FAQ, focusing on ICMA's own documentation.

ICMA is keeping its Brexit webpage up-to-date, both with its own work, and also with electronic links to key documents published by the authorities in the EU27 and the UK, and with links to the webpages of law firms and others.

The transition to risk-free rates

2 ICMA participates 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. A more detailed account of ICMA's work is given in the Quarterly Assessment on *The Transition to Risk-Free Rates in the Bond Market*.

Primary markets

- 3 *Public sector issuers*: The Public Sector Issuer Forum (PSIF) met at the EBRD in London on 17 June to discuss the European Distribution of Debt Instruments (EDDI) initiative, introduced by the ECB and the ESM.
- 4 *Corporate and financial institution issuers*: The Corporate Issuer Forum (CIF) and Financial Institution Issuer Forum (FIIF) held a joint meeting on 16 May in the margins of the ICMA AGM and Conference in Stockholm, hosted by Telia Company (a CIF member). There were presentations at the meeting on sustainability and green financing as well discussions on other market practice issues.
- 5 *MiFID II/R*: ICMA is helping members with initial regulatory feedback on the implementation of MiFID II/R in the primary markets.
- 6 *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. ICMA has also continued to engage informally with the European Commission.
- 7 *Deal announcements*: ICMA is facilitating industry discussions on the format of deal announcements and, in the Asia-Pacific area, on new issue processes.
- 8 *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 (CMH-TF) consultation on corporate action harmonisation; and potential reforms to the ICSD syndicated closing process following CSDR implementation.
- 8 *Russian market practices*: ICMA has been contributing to a comparative review of Russian domestic and international issuance practices.
- 9 *Primary markets technology mapping directory*: To increase ICMA's coverage of the evolving FinTech landscape, ICMA published a mapping of existing and emerging platforms and technology solutions in primary markets. The purpose is to help inform ICMA members and thereby create greater transparency. The mapping was published on ICMA's website on 18 December and is being kept up-to-date.

Secondary markets

- 10 *ICMA SMR&R*: ICMA is consulting members, on an ongoing basis, 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.
- 11 *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.
- 12 *CSDR settlement discipline*: ICMA has established a dedicated working group focused on the practical challenges of implementing the CSDR settlement discipline provisions, in particular the new mandatory buy-in framework. The CSDR buy-in provisions will come into force in September 2020 and will also apply to non-EU/EEA domiciled trading entities. ICMA is in ongoing discussions with ESMA, including on 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 on the establishment of a pass-on mechanism. In addition, ICMA is seeking to raise awareness of the scope and obligations of the CSDR, particularly among buy-side and non-EU members.
- 13 *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 related to MiFID II/R post-trade data. The objective of the task force is to work with ESMA in improving the existing data structures and systems. The task force met ESMA in April.
- 14 *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.
- 15 *ICMA third corporate bond market study*: ICMA has launched work on its third study into the state and evolution of the European investment grade corporate bond secondary market. The previous study was published in July 2016.
- 18 *Impact of post-crisis regulation*: Working jointly with the GFMA, the ICMA ERCC published a report in 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. Various follow-up discussions are being conducted with official institutions, including the European Commission, the ECB and the FSB.
- 19 *ICMA ERCC Guide*: A revised and updated version of the ICMA ERCC Guide to Best Practice in the European Repo Market was published on ICMA's website on 21 December. Subsequently, an updated version of ICMA's *Frequently Asked Questions on Repo* was also published on the website.
- 20 *Intraday liquidity*: The ERCC continues to analyse the important challenges around intraday liquidity management for the industry. Following a successful cross-industry workshop on the topic held in September, the ERCC is focusing in particular on the need for further alignment and on market practice in relation to shaping and partialling.
- 21 *Technology*: The ERCC is assessing the important impact of technology on Repo Markets and collateral management. In this context, ICMA is working closely with ISDA to assess the possibility to extend ISDA's work on a Common Domain Model (CDM) for derivatives to other asset classes, in particular SFTs. ISDA outlined its CDM project at the latest ERCC AGM in Luxembourg.
- 22 *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

- 16 *SFTR implementation*: ICMA is continuing to help members to implement the EU Securities Financing Transactions Regulation (SFTR), through the ICMA ERCC SFTR Task Force. The current focus on the work is on ESMA's draft Reporting Guidelines, which were published on 27 May. A response to the consultation is being prepared by the SFTR Task Force and will be submitted by the deadline on 29 July.
- 17 *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). In response to a CMH-TF consultation on a set of harmonisation standards in relation to corporate actions, ICMA has submitted informal high-level considerations focusing on primary market-related concerns, based on input from ICMA's Primary Market Practices Committee.
- 23 *Integrating sustainability risks and factors in MiFID II/R*: ICMA responded to this ESMA consultation mainly from the perspective of the Primary Market Practices Committee and Legal & Documentation Committee. The response focused on the need to clarify terminology and references to green labels and standards in the market, while noting the absence of any concerns in the context of ICMA1/ICMA2.
- 24 *Integrating sustainability risks and factors in the UCITS Directive and AIFMD*: ICMA responded through the AMIC Sustainable Finance Contact Group on 19 February to the ESMA consultation on integrating sustainability risks and factors in the UCITS Directive and AIFMD. AMIC agreed overall with ESMA's principles-based approach. However, AMIC has suggested some clarifications to the technical advice, including (i) limiting the coverage to "risks" and not "factors", (ii) strengthening the materiality of sustainability risks and (iii) preferring "sustainability" to "ESG" risks for consistency purposes.

- 25 *Climate change and green finance*: ICMA responded to this FCA discussion paper by aligning with the view that climate change risks are likely to have a significant impact on financial markets and expressing its support for voluntary disclosures as recommended by the Task Force for Climate-related Financial Disclosure (TCFD).
- 26 *Usability of the EU Taxonomy*: ICMA responded to this EU consultation primarily from the perspective of the Green Bond Principles (GBP). Support was expressed for a taxonomy that would determine environmental sustainability and be complementary to the existing GBP project categories and other green taxonomies. Concerns were, however, raised on certain proposed thresholds for sustainability (eg green buildings and energy efficiency) that go significantly beyond current levels for eligible green projects and could impact both existing and future green bond issues.
- 27 *ESMA guidance on CRA disclosure*: ICMA responded to this ESMA consultation primarily from the perspective of the Corporate Issuer Forum. Support was expressed for more and better disclosure on unsolicited ratings in credit rating agencies' press releases, and for efforts to improve the quality and consistency of ESG-related disclosures in credit ratings and outlooks.
- 28 *Sustainable finance in emerging markets*: ICMA responded to the IOSCO consultation on sustainable finance in emerging markets and the role of securities regulators.

Asset management

- 29 *AMIC Executive Committee*: On 26 June, the AMIC Executive Committee held its latest meeting, in Frankfurt. The meeting included a discussion regarding euro area monetary policy; a review of liquidity risks in 2018 and reflection on potential future risks; an update on matters relating to the EU Action Plan on Sustainable Finance; and some consideration regarding the evolution of FinTech in asset management.
- 30 *CBIC Annual Conference*: The ICMA Asset Management and Investors Council's (AMIC's) Covered Bonds Investor Council (CBIC) held its 9th annual Covered Bond Investor Conference, arranged by ICMA in conjunction with The Covered Bond Report, in Frankfurt on 27 June. Topics covered in the conference included implementation of the new EU Covered Bond Directive; investor sentiment in the post-CBPP3 era; novel jurisdictions, structures and assets; and green, sustainable and social bonds.
- 31 *Risk requirements for funds*: Over the past few years, AMIC and EFAMA have published joint reports on the legislative requirements and market-based tools available to manage liquidity risk in investment funds in Europe; leverage in investment funds; and systemic risk in asset management, focusing on liquidity stress testing in investment funds. These have formed the basis for a number of subsequent responses to regulators. The AMIC is continuing to examine the best ways in which to further this process of working to ensure that there is a well-informed debate regarding any potential imposition of additional risk requirements for funds.
- 32 *AMIC conference*: The next AMIC Conference, which will be hosted by BlackRock in London on 27 November, is currently being organised.

FinTech in capital markets

- 33 *FinTech meetings with regulators*: ICMA held meetings with the FSB on 29 April and with FINMA on 30 April to discuss FinTech and related legislative and regulatory developments.
- 34 *ECB FinTech Task Force*: ICMA, through the ERCC Ops FinTech Working Group, is represented on the ECB's Harmonisation Steering Group's FinTech Task Force, a sub-group of the AMI SeCo. ICMA contributes, for example, to the mapping exercise of post-trade technology solutions, as well as discussions on tokenisation of securities.
- 35 *IOSCO FinTech Network*: ICMA, an affiliate member of IOSCO, is represented on the IOSCO FinTech Network, and is participating in two workstreams on distributed ledger technology (DLT) and lessons learnt from innovation. The purpose of the network is to share information and practices with respect to FinTech in an informal manner.
- 36 *ICMA FinTech Forum*: On 25 June in London, ICMA held its inaugural FinTech Forum: *How is Technology Shaping International Fixed Income Markets?* The event brought together a broad range of market participants across the whole value chain of international debt capital markets (including issuers, investors, intermediaries and market infrastructure providers) as well as regulators.

Other meetings with central banks and regulators in Europe

- 37 *ICMA Regulatory Policy Committee (RPC)*: Verena Ross, Executive Director at ESMA, joined the ICMA RPC meeting in Paris on 13 June for a discussion.
- 38 *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; and through Charlotte Bellamy on the Consultative Working Group on ESMA's Corporate Finance Committee.
- 39 An updated draft of the [ICMA regulatory grid](#) is available on a password-protected webpage on the ICMA website.

ICMA Asia-Pacific

- 40 *Membership in Asia-Pacific*: ICMA currently has among its membership 65 firms based in Asia-Pacific (plus a further 22 overseas affiliates of Asia-Pacific firms) making a total of 87 members with direct interests in the region, who are served by the ICMA Asia Pacific office in Hong Kong.
- 41 *Primary markets*
- ICMA's Asia-Pacific office facilitates two debt primary market committees in the region, the [ICMA Asia Pacific Bond Syndicate Forum](#) and the [ICMA Asia Legal & Documentation Forum](#), which allow participants to shape cross-border primary market practices in Asia and provide Asian perspectives on European regulation and practice. Participation from leading Chinese banks and securities houses is now significant. Recent topics of interest include evolving book disclosure and allocation practices, X-accounts, rebates, stabilisation practices in Asia, electronic trading and other FinTech applications, due diligence

practices, MiFID- and PRIIPs- related documentation, and retail distribution.

- ICMA has held two Primary Market Forums in Asia so far in 2019 (Hong Kong and Mumbai) which have sparked renewed interest in similar events in the region, particularly in jurisdictions with robust domestic bond markets and growing cross-border activity.

42 Secondary markets

- In cooperation with the Secondary Market Practices Committee, ICMA published a [report on Asia-Pacific cross-border corporate bond markets](#) which expands upon ICMA's well-regarded studies on European corporate bond liquidity. In 2019 ICMA is deepening research into the state and evolution of the Chinese cross-border markets and opportunities for foreign investors, with a new report scheduled for publication in early 2020.
- The joint ICMA-NAFMII Working Group established under the [UK-China Economic and Financial Dialogue](#) has continued in its fourth year and will soon publish a guide book for international investors on how to access the Chinese interbank bond market.
- NAFMII is separately working with ICMA on issues related to investor protection, given the increased rate of default in the Chinese bond market.

43 Repo and collateral markets

- The joint [ICMA-ASIFMA Guide to Asian Repo](#), based on the European guide and originally published in 2015, is also being revamped and updated to reflect recent evolutionary changes in international repo practices.
- A second Asia repo survey, in cooperation with ASIFMA, is still under way with a renewed effort to reflect a wider dataset than the pilot survey published in 2017.
- Across Asia (particularly Hong Kong, Philippines, Singapore, Indonesia, and Malaysia) ICMA has continued to be active promoting GMRA and international standards through workshops and training sessions with local member firms, securities regulators, and central banks.

44 Sustainable markets

- In partnership with the Japan Securities Dealers Association (JSDA), ICMA will hold the 3rd joint conference on [Developments in Green, Social and Sustainability Bond Markets in Tokyo on 9 October 2019](#).
- In Hong Kong, ICMA acts as co-chair of the Hong Kong Green Finance Association's Green Bond Working Group and plans to publish a Green Bond listing/offering guidebook book in partnership with Hong Kong Exchange.
- In China, ICMA is active in the UNDP committee on SDGs.
- In Southeast Asia, ICMA continues to work closely with the ASEAN Capital Markets Forum and national securities regulators on the development of sustainable finance markets following the publication of [ASEAN Green and Social Bond Standards](#) that are based on and aligned with the Green and Social Bond Principles.

- Under the auspices of the Asia Securities Forum, ICMA is working with JSDA and other national trade associations on a detailed mapping of local sustainable finance markets across Asia-Pacific.

45 FinTech and market electrification

- ICMA's work in Asia on FinTech is guided by the global strategy to focus on areas of direct application to the fixed income securities markets. In Asia, members and other market constituents are particularly interested in DLT applications and practical deal commentary, primary market automation, smart contracts, and emerging regulation in the region.
- Asian market infrastructure providers and technology companies have contributed to the [ICMA primary markets technology mapping directory](#) and [ETP mapping directory](#), and Asia-Pacific issuers and law firms are at the forefront of [new applications](#) of distributed ledger technology (DLT).

46 Global regulatory issues

- Benchmark reform is a key priority of ICMA in Asia. In particular, the transition to risk-free rates in the international bond market, covered elsewhere in this issue, is of interest to Asia-Pacific regulators, issuers, and investors. Asian markets are also following closely developments related to implementation of EU Benchmark Regulation and impact on Asia-Pacific benchmarks across asset classes.
- ICMA is also focused this year on education related to European regulation with potential impact on Asian fixed income markets, particularly [CSDR settlement discipline](#) and [SFTR](#). ICMA is planning member update calls and seminars on both topics for later in 2019, and active in bilateral advisory work to national policy makers in the region.