9 July 2025 | Third Quarter | Issue 78

ICMA Quarterly Report

Inside this issue:

Eurobonds, a safe haven in the international capital markets

Navigating complexity, advancing resilience: ICMA's role and priorities in the international capital markets

Building a stronger European integrated market: ICMA's vision for the Savings and Investment Union

Unlocking Europe's competitiveness: why a stronger Savings and Investment Union matters

The evolution of the global digital bond ecosystem

The role of sustainability in European commercial paper markets

Ensuring financial stability in a time of tariffs

Primary, secondary and repo and collateral markets

Asset management

Sustainable finance

FinTech and digitalisation

Emerging capital markets

ICMA
International Capital Market Association

The mission of ICMA is to promote resilient and well-functioning international and globally integrated cross-border debt securities markets, which are essential to fund sustainable economic growth and development.

ICMA is a membership association, headquartered in Switzerland, committed to serving the needs of its wide range of members. These include public and private sector issuers, financial intermediaries, asset managers and other investors, capital market infrastructure providers, central banks, law firms and others worldwide.

ICMA currently has over 620 members in 70 jurisdictions worldwide. ICMA brings together members from all segments of the wholesale and retail debt securities markets, through regional and sectoral member committees, and focuses on a comprehensive range of market practice and regulatory issues which impact all aspects of international market functioning. ICMA prioritises three core areas – primary markets, secondary markets, repo and collateral: with two cross-cutting themes of sustainable finance and FinTech.

Published by: Corporate Communications, International Capital Market Association Limited, 110 Cannon Street, London EC4N 6EU
Phone: +44 207 213 0310 info@icmagroup.org

Contents

04 FOREWORD
04 Eurobonds, a safe haven in the international capital markets

06 THOUGHT LEADERSHIP IN INTERNATIONAL CAPITAL MARKETS
06 Navigating complexity, advancing resilience: ICMA's role and priorities in the international capital markets
08 Building a stronger European integrated market: ICMA's vision for the Savings and Investment Union
11 Unlocking Europe's competitiveness: why a stronger Savings and Investment Union matters
13 F The evolution of the global digital bond ecosystem
16 S The role of sustainability in European commercial paper markets
18 Ensuring financial stability in a time of tariffs

22 SUMMARY OF PRACTICAL INITIATIVES BY ICMA
22 Summary of practical initiatives by ICMA
26 Reflections from the 57th ICMA AGM & Conference: unity, innovation and Europe's moment

28 PRIMARY MARKETS
28 ICMA Primary Market Innovation Project
29 EU Savings and Investment Union: issuance aspects (including PRIIPs)
30 EU Savings and Investment Union: securitisation aspects
32 EU Listing Act: ESMA draft "new type" of securities guidelines
32 The EU follow-on prospectus
32 UK consumer composite investments: interest rate steps
33 The value of the ICMA issuer forums

34 SECONDARY MARKETS
34 EU/UK MiFID: update and timeline
34 Sovereign bond deferrals: a comparison of the UK and the EU by country
37 Secondary bond market data report: analysis of distribution channels
39 T+1: EU and UK update
39 ICMA's Electronic Trading Working Group
40 Pre-hedging: IOSCO roundtable
40 ICMA BMLT: the European investment grade corporate bond market

41 REPO AND COLLATERAL MARKETS
41 ICMA's ERCC and GRCF
41 T+1 and SFTs
43 Treatment of reverse repos under NSFR
43 LCR and open reverse repos
43 NBFI and repos
43 The EU's Simplification and Burden Reduction agenda: SFTR proposals
44 ERCC initiative on repo manufactured payments
44 ICMA GMRA legal updates
44 SEC US Treasury clearing mandate

46 ASSET MANAGEMENT
46 ICMA NBFI position paper
47 IOSCO Investment Funds Statistics Dashboard

48 SUSTAINABLE FINANCE
48 S Sustainable bond market update
49 S AGM of the Principles and new best practice guidance
50 S AGM of the Principles hosted by EBRD in London
51 S New Practitioner's Guide published during AGM of the Principles
52 S Regulatory developments
53 S Update and commentary on the EU Omnibus-related developments

55 FINTECH AND DIGITALISATION
55 F FinTech Advisory Committee
55 F MAS Guardian Fixed Income workstream
56 F EU Savings and Investment Union: innovation and tokenisation
56 F Green bonds, reporting and tokenisation
56 F Incorporating the Bond Data Taxonomy into ISO 20022
57 F ICMA AICM Working Group response to IOSCO consultation on AI in capital markets
57 F AI regulatory developments
58 F Other FinTech regulatory developments

61 EMERGING CAPITAL MARKETS
61 A China's offshore bonds: moderating growth with structural highlights in H1 2025
64 A Enhancing global access to Korea's Government bond market

66 ICMA CAPITAL MARKET RESEARCH

67 ICMA MEMBERSHIP

69 ICMA EVENTS, EDUCATION AND TRAINING

73 GLOSSARY

S Sustainable Finance F FinTech A Asia

Speechify, the text to speech platform, is being used in this edition of the QR. Articles which are available in audio format can be identified by this icon. Click on the icon to hear the article read out.

Eurobonds, a safe haven in the international capital markets

by **Isabelle Delorme,** Euroclear

As Eurobonds recently celebrated their 62nd anniversary, it is an opportune time to reflect on their past, their evolving future and their pivotal role in the international capital markets.

Eurobonds started in 1963 with the inaugural issuance by Autostrade per l'Italia, raising USD15 million in a European transaction denominated in a foreign currency. This successful transaction spurred companies and governments worldwide to increasingly explore Eurobonds to finance themselves outside their home market and local currency. This ever-increasing adoption, coupled with the continued evolution of the asset class, has turned Eurobonds into the truly global success story they are today.

With over €14.6 trillion outstanding, the Eurobond market is the third biggest debt market, reaching 12,000 issuers across 130 countries worldwide. Since 2018, the growth of the Eurobond market has outpaced the global debt securities market by more than 11%. The Eurobond market is also home to the Green, Social, Sustainability and Sustainability-Linked (GSSS) bonds. At Euroclear, we believe finance should fuel progress – and the numbers speak for themselves: over €1.5 trillion of GSSS bonds are now under Euroclear Bank's custody. In 2024, €369 billion in GSSS bonds were issued via Euroclear Bank, marking a 35% year-on-year increase.

Eurobonds quickly gained prominence for their unique characteristics: not bound to a single jurisdiction, with flexibility in terms of available currencies and covering a range of asset classes and instrument types. Eurobonds can be issued in up to 100 currencies and under 55 governing legal jurisdictions. This flexibility enables issuers to leverage global interest rate differentials and tap into the largest sources of liquidity, ultimately reducing borrowing costs. Additionally, Eurobonds are issued in a unique model with two International Central Securities Depositories (ICSDs) acting jointly as issuer CSD. As such, issuers have access to a truly global investor pool whilst investors have options in the choice of their service providers. Lastly, Eurobonds are supported by a well-established and trusted ecosystem of issuance related agents, advisors and depositories.

Market evolution, developing user demand and capital market globalisation have driven continuous innovation. Eurobonds have evolved from traditional bonds and money market instruments to supporting many innovative funding products from convertible/reverse bonds, securitisation products, equity-linked and risk-linked bonds, including the GSSS and digital bonds we see being used in the capital markets today.

The Eurobond market is not just a European success story. Used by all types of issuer, it offers integrated access to the global ecosystem. The ICSDs provide a secure, trusted and neutral platform for issuers and their agents to meet their borrowing needs in an efficient and low-risk manner, with a robust legal and operational framework and prudential regulation in the EU. The Eurobond market allows global issuers to access a vast investor community without having to seek financing in a third country. Eurobonds are therefore a true European champion in the international capital markets.

To ensure Eurobonds maintain their pivotal role in the capital markets of the future, the model of course continues to evolve and modernise. The ICSDs have embarked on a journey towards this modernisation with the issuance ecosystem. Dematerialised issuance will remove the physical global certificate from the issuance process. This will result in faster issuance, creating end-to-end processing efficiencies, and reducing risk and lowering cost across the ecosystem. Implementation of a harmonised data standard that supports legal documentation with a standardised language of key economic terms and enables electronic communication across all stages of the lifecycle of a security will lay the foundation for the modernisation and digitalisation of the Eurobond market process flows.

Bringing together a variety of market participants, and with deep expertise in the international capital markets, ICMA plays a critical role in the modernisation of the Eurobond market. The expertise and support of the ICMA membership have been and continue to be key for the adoption of the new, dematerialised Eurobond issuance model. Evolving the market standard established in the ICMA Bond Data Taxonomy (BDT) into a single standard to support end-to-end electronic communication is fundamental for the digitalisation of the full security lifecycle. And as the commitment to funding the green transition remains stronger than ever in Europe and among supranational entities, despite some headwinds, the ICMA GSSS Principles will continue to provide robust standards and guidance to issuers and their ecosystem.

Isabelle Delorme is Global Head of Product Strategy and Innovation, Euroclear, Brussels, and a member of the ICMA Board.

Navigating complexity, advancing resilience: ICMA's role and priorities in the international capital markets

by **Bryan Pascoe**

Extracts from the Chief Executive's speech at the ICMA AGM in Frankfurt, 4 June 2025

The global capital markets continue to operate under a complex canopy of geopolitical, macroeconomic and structural change. Market participants have become all too accustomed to navigating persistent volatility and policy uncertainty – and the first half of 2025 has provided little relief, with heightened political tensions and unpredictability. From elevated sovereign issuance programmes to the recalibration of international regulatory regimes, the demands on capital markets are evolving rapidly, and with increasing intricacy.

In this environment, ICMA's role – convening our members, promoting efficiency and leveraging the digitalisation agenda, advocating for proportionate regulation and supporting sound market development – has never been more vital.

An inflection point for Europe's capital markets

In Europe, the political and regulatory backdrop is shifting. With the new European Commission now in full stride, we are entering a critical period of shaping the direction of the Capital Markets Union. The refocus on competitiveness, simplicity, and growth – most recently captured under the Savings and Investment Union (SIU) umbrella – presents a real opportunity, but we must be mindful that efforts to simplify regulation do not inadvertently weaken the functioning of well-developed market structures.

ICMA continues to advocate strongly for efficient, globally connected bond and repo markets. We remain particularly focused on regulatory initiatives such as T+1 settlement – now slated for October 2027 across Europe – as well as market transparency frameworks and intensifying discussions on central clearing proposals. With the US mandating central clearing for US Treasuries cash and repo, and the UK set to consult on its own market reforms, it is crucial that Europe strikes the right balance for itself. ICMA has consistently maintained that while central clearing can enhance market access and efficiency, it should not be imposed through blunt mandates. Our work with members, regulators and CCPs across jurisdictions is central to shaping an optimal way forward.

The growing significance of non-bank market participants

Across all geographies, a notable evolution in market structure is underway. While now not necessarily a new phenomenon, the growing prevalence of non-bank financial intermediaries (NBFIs) is reshaping the dynamics of market liquidity across fixed income asset classes. Recent market stress – such as that observed in April, when levels of the VIX index reached their highest since the pandemic – has sharpened the regulatory focus on leverage, liquidity, interconnectivity and transmission channels across the broader financial ecosystem. System-wide stress tests, as pioneered by the Bank of England on the UK markets, may well provide the blueprint for much of this regulatory focus going forward. At the same time, private credit is increasingly coming into play, and its interface with more mainstream wholesale markets will require additional focus.

ICMA is actively engaged in consultations with the Financial Stability Board and European Commission to ensure that macroprudential responses to NBFI activity are measured, data-informed and do not undermine critical sources of market-based financing. Our cross-committee approach – notably involving our buy-side and repo constituencies – ensures a well-rounded and practical industry perspective.

Sustainable finance: staying the course while simplifying

In sustainable finance, the EU Omnibus Package has signalled a pivot from expansion to consolidation, reducing complexity in disclosure and labelling frameworks. This simplification is welcome in principle – but it brings its own set of implementation challenges. ICMA is supporting members through this transition while continuing to provide global leadership through the Principles – with new guidance just released – and our engagement with global standard setters and jurisdictions, from Hong Kong to the GCC.

We also continue to respond to increasing demand for rigour and harmonisation in ESG ratings and data. ICMA's advisory role in the development of voluntary codes and regulatory frameworks helps ensure that ESG-related information remains credible and decision-useful for market participants.

Building capacity and shaping future talent

Beyond policy and market structure, ICMA remains committed to strengthening the human capital that underpins well-functioning markets. Our work in capacity building – across jurisdictions such as Saudi Arabia, the Philippines, China and West Africa – is a core part of our mission to support market development globally. From bilateral training programmes to multilateral partnerships with organisations such as IOSCO, this work helps build depth and resilience in emerging markets.

Meanwhile, our education and training programmes continue to expand in scale and impact. Following our recent accreditation by the UK Financial Conduct Authority, we are launching the ICMA-Certified series of qualifications, combining applied expertise with industry-recognised credentials. The aim is simple: to equip professionals at every level with the tools they need to navigate modern capital markets with confidence and credibility.

Looking ahead

The coming months will test the agility, resilience and collaborative instincts of our industry. At ICMA, we remain focused on delivering practical solutions, bridging policy and practice, and championing international standards that support well-functioning, integrated markets.

Our commitment to members is unwavering. Whether through advocacy, standard setting, education or community building, we will continue to work alongside you to ensure the global capital markets remain a cornerstone of economic resilience and sustainable growth.

@ **Bryan Pascoe**
bryan.pascoe@icmagroup.org

Bryan Pascoe is Chief Executive of ICMA.

Building a stronger European integrated market: ICMA's vision for the Savings and Investment Union

by **Natalie Westerbarkey**

ICMA has welcomed and actively supported the European Union's drive to establish a *Savings and Investment Union (SIU)*. This initiative represents a critical step toward integrating EU banking and capital markets, enhancing competitiveness, and creating more robust financial systems across EU Member States.

This article outlines ICMA's response to the European Commission's consultation on EU capital markets integration[1], offering insights into key challenges and strategic recommendations across six key areas: simplification, trading, post-trading, horizontal barriers, asset management, and supervision.

The existing entrenched regulatory frameworks and local market practices are core barriers to integration as well as the inconsistent implementation of rules through Directives at Member State level. The SIU should therefore focus on addressing these as a priority.

EU financial market integration and competitiveness

ICMA has consistently championed EU financial market integration, as detailed in its previous response to the European Commission's Savings and Investment Union Call for Evidence (February-March 2025)[2]. In that publication, ICMA highlighted that if regulatory complexity continues to grow, there is a risk that the market environment could increasingly benefit larger players, potentially making it more difficult to achieve the SIU's goals of inclusiveness and resilience. ICMA also showcased how fragmented rule implementation across Member States – eg due to gold plating of EU Directives – continues to create inefficiencies and barriers to cross-border activity. This fragmentation results in higher operational costs, misaligned compliance strategies, and a diminished ability to deliver standardised products and services throughout the EU Single Market. The paper underscored the need to pursue true regulatory convergence through more uniform legal instruments and consistent supervisory practices. ICMA therefore recommends that the regulatory design process should *integrate competitiveness as a core policy objective*, not just a by-product, and we make a strong case for embedding competitiveness impact assessments into the EU's legislative process.

Simplification: reducing complexity and promoting proportionality

A central theme in ICMA's response is the need for *simplification* in EU financial regulation. The current framework often applies a *"one-size-fits-all"* model, imposing

1. European Commission: Targeted consultation on integration of EU capital markets (SIU), 15 April 2025

2. ICMA-response-to-European-Commission-Savings-and-Investment-Union-SIU-call-for-evidence-from-3-February-2025-March-2025-070525.pdf

equal burdens on both large and small institutions. This has proven especially problematic for smaller players, who may lack the resources to comply with complex regulations – effectively discouraging their participation in capital markets.

ICMA argues for a more meaningful application of the *principle of proportionality* as outlined in Article 5 of the Treaty on European Union (TEU). Regulation should be tailored based on activity type – such as wholesale versus retail – rather than the size of the entity. This would create a more equitable regulatory environment and encourage broader participation in EU markets.

Additionally, ICMA supports a *"less is more"* approach to regulation. Over time, a large volume of detailed rules and technical standards have led to increased compliance costs and legal uncertainty. ICMA recommends scaling back reliance on Level 2 and 3 legislative measures (which are delegated to regulators) and improving the clarity and completeness of Level 1 laws. This would enhance transparency, reduce interpretation discrepancies, and cut unnecessary bureaucracy.

A shift from Directives to Regulations is also proposed going forward. Unlike Directives, which require national transposition and often result in inconsistent laws across 27 Member States, Regulations are directly applicable and ensure uniformity. Such legal uniformity is essential for building a truly integrated single capital market. However, ICMA also cautions against blanket conversions of all Directives into Regulations, urging a more case-by-case approach, particularly when costs and complexity may outweigh the benefits.

Finally, ICMA calls for the elimination of overlapping regulations. For instance, MiFID and asset management rules both address product governance and disclosure, causing confusion. Streamlining these regimes would lead to more efficient market operations.

Trading: recognising differences between bond and equity markets

ICMA highlights a major concern in the regulatory approach to *trading,* especially regarding assumptions made about different asset classes. The equity and bond markets have *fundamentally different structures and liquidity patterns,* yet they are often treated similarly under EU rules like MiFIR.

In bond markets – especially in wholesale and repo trading – there is less risk of fragmentation. The market is already functioning efficiently, thanks to a combination of competitive trading venues, electronic platforms, and innovation. Most trading in bonds happens over the counter (OTC), with principal market makers playing a central role. This dynamic is distinct from equity markets, which rely more on centralised exchanges and have more country-specific features.

ICMA urges EU policy makers to avoid applying equity-focused regulations to bond markets and emphasises the need for tailored approaches that reflect each market's unique characteristics.

Post-trading: addressing fragmentation and preparing for T+1

While trading conditions in the bond market are generally effective, *post-trading* remains more fragmented, preventing the creation of an integrated post-trading capital market.

Legacy issues, such as the well-known *Giovannini barriers*, continue to hinder cross-border efficiency in clearing, settlement, and custody processes. ICMA is actively involved in efforts to modernise the post-trade ecosystem, including preparations for the shift to *T+1 settlement* – settling trades one business day after the transaction date. Though T+1 alone will not solve all problems, it forms part of a broader strategy that includes automation, interoperability, and harmonisation.

Another important initiative is the work of the AMI-SeCo Securities Group, which is developing a comprehensive set of recommendations to eliminate post-trade barriers. ICMA encourages the European Commission to be aware of this upcoming report, which could be instrumental in guiding further integration efforts.

Horizontal barriers: embracing technology and clarifying DLT rules

A number of *horizontal issues* – affecting both trading and post-trading – must also be tackled for the SIU to succeed. One example is the EU's *Distributed Ledger Technology (DLT) Pilot Regime*, which allows market participants to test blockchain-based securities trading in a controlled environment.

Currently, the DLT Pilot Regime is seen as too restrictive. Low transaction limits, short timeframes, and regulatory uncertainty are *discouraging investment*. ICMA recommends a more flexible and market-responsive approach – raising thresholds, extending durations, and gradually incorporating DLT into mainstream financial regulation instead of treating it as an exception.

To support these goals, ICMA has developed the *Bond Data Taxonomy (BDT)* – a machine-readable framework that standardises key bond terms and can be used for both traditional and DLT-based securities. By promoting common language and interoperability, the BDT helps advance automation and operational efficiency.

On the prudential side, ICMA aligns with calls for a *risk-based regulatory approach* to DLT-based debt securities. Applying the same standards used for volatile crypto assets to low-risk tokenised bonds could hinder innovation and capital formation. Regulators like the Basel Committee on

Banking Supervision (BCBS) are encouraged to refine their frameworks accordingly.

Asset management: rethinking rules for securitisation

In the *asset management and funds* space, ICMA draws attention to an outdated rule in the UCITS Directive that limits fund exposure to more than 10% in securities issued by a single entity. This rule was designed in the 1980s to prevent undue influence over corporate issuers. However, securitisation vehicles are fundamentally different. They are *pass-through structures* with no ongoing corporate strategies or governance control. Thus, applying the 10% limit to these entities is both illogical and restrictive.

ICMA acknowledges that fully reopening the UCITS Directive could be complex and risky. Instead, ICMA highlights two simpler alternatives for consideration:

(i) Amending the EU Securitisation Regulation to explicitly exclude securitisations from the 10% limit.

(ii) Clarifying, through regulatory guidance (Level 3 Q&A), that the 10% rule does not apply to securitisation vehicles.

Either option would resolve the issue without triggering a broader regulatory overhaul.

Supervision: enhancing coordination while respecting local expertise

Finally, ICMA's buy-side members emphasise the importance of *preserving the current supervisory model* in asset management while improving coordination among national regulators. National Competent Authorities (NCAs) possess deep, sector-specific local expertise and strong relationships with market participants – especially in investment management and fund regulation. Rather than replacing local supervision with centralised structures, ICMA advocates for *better data sharing and collaboration* between regulators. This approach would maintain the benefits of localised oversight while addressing cross-border risks and supporting EU-wide goals.

Conclusion: a balanced, forward-looking path

ICMA's response underscores the importance of *practical, well-calibrated regulation* in shaping the future of EU capital markets. As the EU builds its Savings and Investment Union, it must balance simplification with precision, harmonisation with flexibility, and innovation with stability.

If implemented effectively, the recommendations laid out by ICMA will support a more competitive, inclusive, and resilient European capital market – one that meets the investment needs of tomorrow without stifling today's innovation.

Contact: Natalie Westerbarkey
natalie.westerbarkey@icmagroup.org

Natalie Westerbarkey is Managing Director and Co-Head of Market Practice and Regulatory Policy, ICMA.

Unlocking Europe's competitiveness: why a stronger Savings and Investment Union matters

by **Roland Chai,** Nasdaq

To compete globally, particularly with the capital market depth of the US and the pace of innovation in Asia, the EU must urgently unlock more productive investment capital. A fully-fledged Savings and Investment Union is not just a financial policy goal – it is an economic imperative.

At the heart of this transformation lies the need for deeper, more integrated capital markets. Europe is rich in savings, yet too often these funds are trapped in low-yielding accounts. To boost competitiveness, the EU must channel more of its dormant capital – particularly long-term, risk-willing capital – into productive investments that fuel innovation, growth and security. The route towards a more unified EU capital market is to further advance market development locally and regionally, and to add initiatives by EU institutions which can amplify Member States' own efforts to develop their financial markets.

Capital markets as the engine of European investment

Capital markets will play a critical role in achieving this vision. Today, continental Europe's reliance on bank financing still overshadows the more diverse and dynamic investment environment seen in the US and the Nordics and Baltics, where pension funds, venture capital, and equity markets play a more prominent role and a driving force for social and economic prosperity. Unlocking similar sources of funding in continental Europe would mean:

- Mobilising long-term capital, such as that held by pension funds and insurance companies, to support innovation, green transition, and strategic industries.
- Empowering retail investors to participate in capital markets through easier access, better protection, and stronger incentives.
- Harmonising financial regulation, reducing red tape and inconsistencies that fragment the market and deter cross-border investment.
- Simplifying post-trade systems, cutting the cost and complexity of clearing, settlement, and custody to make Europe a more attractive destination for issuers and investors alike.
- Boosting financial literacy, ensuring individuals and SMEs understand and trust the financial tools that could support their long-term growth and security.

Supervision is key

Creating a better functioning supervisory structure to achieve supervisory support for consolidation, scale, and efficiency is essential. Supervision is, and will remain, a competitive factor in financial markets, not least since financial institutions cannot innovate without efficient supervisors. The internal market and the level playing field can therefore only be ensured with high quality and consistent supervision. At the same time, EU supervision is a balancing act as all markets have their own characteristics and market practices.

Learning from the Nordics and Baltics

To be competitive, Europe must make a commitment to remove the legacy national, legal, and regulatory barriers that prevent companies from accessing capital domestically and our investors from allocating efficiently to EU investments. Europe must allow simple interoperability between markets. Cross-border differences within EU Member States fundamentally impact the ability of corporates to raise capital and finance. Both primary and secondary listings are materially impacted by the cost of asset servicing and the operational complexity in managing custody and securities processing across 27 different EU Member States with different legislation.

The CSDR has enabled consolidation of the CSDs across the EU Member States. However, it has been largely ineffective in creating competition or driving down the settlement costs of investors, primarily due to substantial investments required by a CSD and the market, and the national differences in company, securities, and tax laws.

At Nasdaq, we have taken a holistic approach to leveraging technology platforms and operational efficiencies, to develop harmonised post-trade services that deliver cross-border efficiencies and lower costs to investors and corporates. Thanks to the merger of the three Baltic CSDs and Icelandic CSD into the Nasdaq CSD, shared trading, settlement platforms, and common rulebooks, the Baltic markets have achieved the highest degree of regional integration among the EU markets, benefiting participants and investors.

This demonstrates that there are material harmonisation steps that can be taken to create cross-border integration. The key obstacle in that cross-border integration is the commercial incentives of CSD owners to subscribe to harmonised, open access platform principles.

Time for action

The roadmap is clear. Now is the time for Europe to act. By aligning behind a more unified, inclusive, and efficient capital market, Europe can unleash its full economic potential and secure its place on the global stage.

The capital is there. The ambition is there. With the right reforms, so is the opportunity.

Roland Chai is President of European Markets, EVP, Nasdaq.

The evolution of the global digital bond ecosystem

by **Georgina Jarratt** and **Gabriel Callsen**

Summary

The global digital bond ecosystem is rapidly evolving, driven by the adoption of distributed ledger technology (DLT) in capital markets. Digital bonds, issued and managed via blockchain, offer enhanced transparency, reduced settlement times, and lower operational costs. Since 2017, issuance has grown significantly, with over 200 DLT-based transactions processed by the Eurosystem in 2024 alone. Key institutions–including the World Bank, EIB, KfW, and Hong Kong SAR–have led landmark issuances, while platforms like SDX and HSBC's Orion are integrating DLT into traditional infrastructure.

Despite progress, challenges remain: legal and regulatory complexities, custody issues, and the need for interoperable standards. Central banks are exploring wholesale CBDCs to support on-chain settlement, and regulatory frameworks are gradually adapting. ICMA plays a central role through its working groups, regulatory directories, and global collaborations, including with the ECB and MAS.

Looking ahead, regulatory clarity, technological maturity, and market demand are expected to drive further adoption. By 2030, digital bonds are projected to become a mainstream funding tool, reshaping global capital markets.

The global capital market has been undergoing a profound transformation over the past decade with significant developments in the issuance of DLT-based bonds, sometimes referred to as "digital bonds", around the world. Digital bonds are securities that are issued and managed using blockchain and distributed ledger technology (DLT). These instruments have been reshaping the capital market, enhancing transparency, reducing settlement times and significantly lowering operational costs, though the investment in the infrastructure required to enable this evolution is significant.

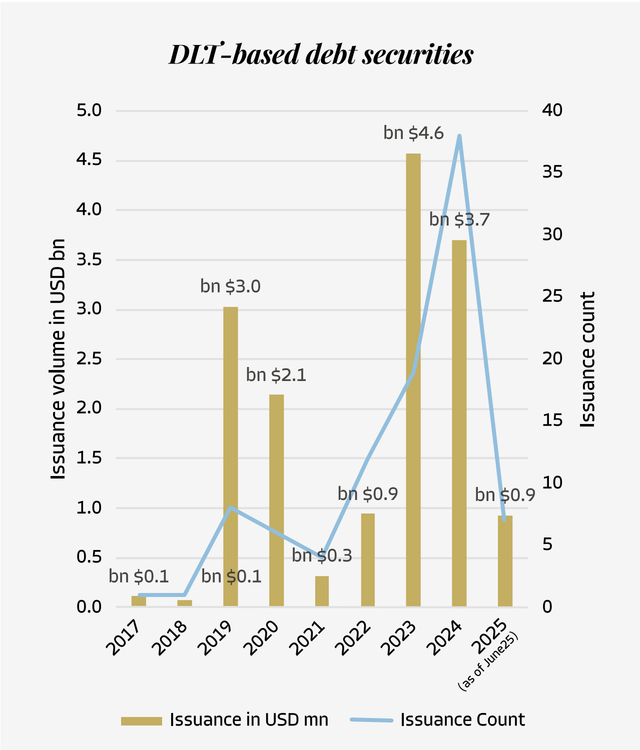
From early experimentation cases that we saw back in 2017, many more full-scale implementations have been happening around the world over the past few years, and the ecosystem is evolving at a rapid pace, showing no signs of slowing down.

Key platforms are now operating in production leveraging DLT in different ways to streamline issuance, trading, and settlement processes, offering real-time visibility and facilitating funding both for the public sector and private sector.

At ICMA we have been tracking the issuance of digital bonds since 2017. Each transaction has different nuances in terms of how the technology is being used, but patterns and commonalities are beginning to emerge as the technology is further embedded across the industry.

Native digital (DLT-based) debt issuance globally has been increasing in "waves". In 2024 alone, the Eurosystem processed over 200 DLT-based transactions amounting to a total value of €1.59 billion as part of its "trials and experiments". While the number of investors remained limited in initial deals, it has increased with repeat issuances. However, wider participation depends on a range of variables, including the jurisdiction, an instrument's governing law, the different DLT platforms being used, as well as custody and settlement arrangements, amongst other factors.

Separately, DLT has been adopted at scale for intraday securities financing, facilitated by ICMA's GMRA Digital Assets Annex (published in August 2024). DLT repo platforms include Kinexys by JPMorgan, Broadridge Distributed Ledger Repo (DLR) and HQLAx.



Source: Moody's Ratings, ICMA's tracker

Since 2021, more than 150 DLT-based securities (including more than 30 in H1 2025) have been issued under German law, also referred to as "crypto securities". Due to limited availability of data, not all DLT-based debt securities have been included in the above graph.

Several landmark transactions have illustrated the true viability and benefits of issuing digital bonds, and some critical SSA issuers have led the way:

- *Bond-I:* In 2018, the World Bank issued AUD110 million, the first global blockchain bond.
- *EIB:* Between 2021 and 2024, the EIB issued six DLT-based bonds in EUR, GBP and SEK, which were settled on a public blockchain (Ethereum) as well as private DLT networks.
- *KfW:* Germany's KfW issued over €170 million split across three issuances in 2024, under the country's new eWpG legislation supporting DLT-based securities.
- *Hong Kong SAR:* First syndicated, multicurrency digital green bond ($780 million equivalent) issued in 2024, adopting ICMA's Bond Data Taxonomy, following a digital bond issuance in 2023.
- *Switzerland:* Repeat issuances on SIX Digital Exchange between 2021 and 2025, totalling around €2 billion, settled in wholesale CBDC since December 2023.

Policy makers across the globe are passing new laws and amending regulatory frameworks to encourage and support this important evolution. We track all of these in our DLT Regulatory Directory.

A major trend has been the integration of digital bonds with the existing financial services infrastructure. Institutions and regulators are no longer viewing DLT as a parallel system but as a complementary layer that enhances efficiency in the traditional markets – however, working out how the "traditional" world and the newly evolving digital world can interoperate is complex and requires careful attention. For example, SDX (SIX Digital Exchange) in Switzerland was the first regulated market infrastructure based on blockchain-based systems, enabling seamless interoperability, and Hong Kong's Central Moneymarkets Unit (CMT) clearing system integrated HSBC's Orion platform.

An on-chain settlement asset is critical to fully unlock the benefits of tokenisation. Central banks have explored how to facilitate settlement of DLT-based instruments in central bank money. While the Swiss National Bank launched a wholesale CBDC in late 2023, other prominent examples include Banque de France's DL3S DLT platform and the Bundesbank "trigger solution", which supported the ECB's DLT trials and experiments in 2024. The BIS Innovation Hub has launched a growing number of projects in recent years, exploring cross-border use cases in securities, payments, FX and other market segments.

In reality, though, there are still significant challenges and obstacles to overcome to truly enable the market to scale:

- *Custody and trading:* This is a major challenge to wider investor participation due to legal, regulatory, and operational complexities, and it is also the focus of MAS Project Guardian Fixed Income workstream, chaired by ICMA.
- *"Cash on chain":* This is critical to fully unlock the benefits of tokenisation. ICMA members have consistently highlighted the need for a wholesale digital euro (wCBDC) and welcomed the ECB's announcements on 20 February and 1 July 2025.
- *Regulatory treatment:*
  - EU regulation (eg CSDR, MiFID II/R) and BCBS prudential treatment (SCO60) impact listing, trading, portfolio management and (re)use as collateral.
  - EU DLT Pilot Regime: Flexible limits, clarity on duration and "exit process" are required for commercial viability.
- *Market fragmentation* in response to diverging national securities laws in EU Member States.
- *Standardisation and interoperability:* They are critical to scale DLT-based bond markets and avoid market fragmentation, ICMA's focus being on technical standards (Bond Data Taxonomy) and legal standards (GMRA Digital Assets Annex).
- *Cost-benefit considerations,* such as short term versus long term; type of instruments; size; and funding requirements.

ICMA's work on DLT bonds

ICMA's FinTech and Digitalisation team has continued to focus on this topic since its inception in 2017. In 2022 we set up the DLT Bonds Working Group, which now has over 300 members representing over 100 of our member firms, including public sector and private sector issuers, investors, banks, market infrastructures, central banks, law firms, data providers and technology vendors. Since its inception the Working Group has issued FAQs, an analysis of DLT-related risk factors in bond documentation, a DLT Bond Reference Guide, and it has also responded to multiple regulatory consultations. All of these can be found on ICMA's website. Christoph Hock (Union Investment), who is also a member of the ICMA Board, has been Chair of this Working Group since 2024 and helps to guide much of our work.

Digital bonds have been a continuing theme at all of our events, and we also offer a specific training course on the topic. Our flagship event in London later this year will progress these discussions further with our deep network of market experts on the topic.

We have also developed a DLT Regulatory Directory and a Tracker of New FinTech Applications in Bond Markets, which provide a comprehensive overview of legal and regulatory developments across jurisdictions, identifying important case studies and updates on digital bond issuances around the world.

We continue actively to collaborate with market participants beyond the issuer community, the buy side, the sell side, the regulators and the law makers, and our work extends to engagement with exchanges, custodians, and technology providers promoting our standards and best practices for digital bond issuance and lifecycle management. This includes exploring how smart contracts can automate post-trade processes and reduce operational risks. We have formed important collaborations – for example, with the ECB on new technologies and wholesale settlement in central bank money, as well as with the Monetary Authority of Singapore (MAS) where we lead the Guardian Fixed Income workstream.

Outlook for the future

The digital bond ecosystem is poised for significant further growth. Key drivers include:

- *Regulatory clarity:* As more jurisdictions establish legal frameworks, institutional confidence will grow.
- *Technological maturity:* Enhanced scalability, interoperability, and security will support broader adoption.
- *Market demand:* Investors and issuers alike are seeking faster, cheaper, and more transparent alternatives to traditional bonds.

The shift in US policy regarding crypto-assets is expected to have a significant effect on the capital markets and will drive the growth of tokenisation in bond markets and other asset classes. Issuers of USD-pegged stablecoins are expected to further increase US Treasury holdings and create interdependencies (see for example, Yadav, Y. and Malone, B., *Stablecoins and the US Treasury Market,* 5 June 2025. Vanderbilt Law Research Paper).

The ECB's announcement in February 2025 to expand its initiative to settle DLT-based transactions in central bank money is also expected significantly to accelerate market activity.

In the UK, a Digital Gilt (DIGIT) is expected to be issued through the UK's Digital Securities Sandbox following a market consultation in March 2025.

Equivalent prudential, legal, and regulatory treatment of DLT-based bonds and traditional debt securities is required.

Ongoing international collaboration, including MAS Project Guardian, BdF/MAS Les Gardiennes, BIS Project Agora, amongst others, continues to lay incremental groundwork.

There is a continued proliferation of interoperability initiatives, but there are also diverging regional dynamics here.

By 2030, digital bonds will undoubtedly be an important additional source of funding for sovereign and corporate debt, fundamentally altering how capital markets operate. ICMA will continue to collaborate with industry stakeholders and regulators around the world to advance the development of this important ecosystem.

@ **Contacts: Georgina Jarratt and Gabriel Callsen**
georgina.jarratt@icmagroup.org
gabriel.callsen@icmagroup.org

Georgina Jarratt is Managing Director, and Gabriel Callsen is Senior Director, FinTech and Digitalisation, ICMA

The role of sustainability in European commercial paper markets

by **Katie Kelly**

Sustainable commercial paper is a fundamental component of global capital markets, offering flexible and cost-efficient short-term funding for daily treasury operations and broader financial strategies to a wide range of issuers.

The commercial paper market in Europe consists of several distinct segments, the largest of which are the Euro Commercial Paper market and the Negotiable European Commercial Paper (NEU CP) market. Overall, the European commercial paper market is valued at approximately €1.2 trillion[1].

While this represents a healthy cruising altitude, ICMA has engaged with a broad range of commercial paper market participants, including issuers, investors and dealers, with a view to exploring ways to support the growth of the commercial paper market in general, including the potential role of sustainable commercial paper.

Supportive innovations

While conventional commercial paper does not intuitively align with sustainability (principally given the mismatch between the short-term nature of commercial paper and the typically longer-term nature of sustainability targets and strategies), the commercial paper market has developed pragmatic ways to integrate commercial paper to support and/or contribute to an issuer's sustainability strategy (so-called sustainable commercial paper).

Reflecting this growing recognition of sustainable commercial paper's potential role, in October 2024 ICMA released a paper on *The Role of Commercial Paper in the Sustainable Finance Market*. The paper sets out best practice initial and preliminary recommendations for use of proceeds commercial paper[2], and observations relating to sustainability-linked commercial paper[3], in each case informed by current market practice and inputs of a dedicated taskforce. As at the end of February 2025, there were approximately 24 use of proceeds commercial paper programmes and 12 sustainability-linked commercial paper programmes[4].

Elsewhere, a NEU CP Working Group[5] has helpfully published an information memorandum template and has recently released an accompanying set of FAQs relating to NEU CP in sustainable format. The NEU CP portal has also been adapted to allow issuers to create programmes with distinct "compartments" (one for conventional issuance, one for sustainable issuance). Each compartment and its associated issuances are clearly identified, ensuring full transparency for investors.

1. As at end January 2025. Source: CMD Portal.

2. Where the net proceeds (or an equivalent amount) are exclusively applied towards financing or refinancing eligible green, social or sustainable projects or activities, as defined in, and in alignment with, an issuer's sustainable financing framework.

3. Linked to an issuer's performance based on sustainability Key Performance Indicators or ESG ratings/scores which are consistent with the issuer's sustainability-linked financing framework or sustainability strategy.

4. Source: NatWest Markets.

5. Set up by ACI France, AFTB, the Association of French Treasurers and the French Financial Management Association, with the participation of the Banque de France.

Issuer awareness

While many issuers view sustainability as aligning more to the longer tenor instruments such as bonds and loans, there is increasing interest in the role of sustainable commercial paper as an emerging opportunity in their overall sustainability strategy.

For some issuers with already well-established sustainable finance programmes, the addition of sustainable commercial paper is viewed as a next step but one which must be introduced without adding complexity. Issuers who are already active in sustainable commercial paper have not yet observed discernible advantages in pricing relative to conventional commercial paper. But it is expected that more familiarity and further issuance could not only lead to greater depth of liquidity, but also possibly support pricing in the future.

Coupled with this, in the case of sustainability-linked commercial paper, concerns around greenwashing and the potential reputational damage and its effect on future liquidity and pricing on losing the sustainability label persist. On the other hand, the potential for issuers to signal ESG commitment across all funding tools is important. Some issuers are noting fewer conversations around sustainability-linked bonds generally, which may have a ripple effect on the sustainability-linked commercial paper market.

Investor perspectives

The broader investor community remains largely agnostic about sustainable commercial paper, but many investors are increasingly recognising the value of integrating ESG into money market funds, demonstrating potential demand for sustainable commercial paper as a compelling anchor holding. Its short-dated nature also allows investors to manage ESG risks dynamically and recalibrate allocations frequently, reinforcing its appeal in actively managed portfolios.

But at present, demand from investors for sustainable commercial paper is modest, which may explain why some issuers are taking a more measured approach to adoption. This may also be due to a lack of understanding of sustainable commercial paper, and the prioritisation of other, more established sustainable finance instruments which are more easily understood in terms of broader familiarity, transparency and standardisation.

Market infrastructure

The ability to clearly identify sustainable commercial paper over conventional commercial paper, to distinguish between use of proceeds and sustainability-linked commercial paper and assess alignment with sustainability goals and projects is not yet well developed by current market infrastructure. Data on sustainable commercial paper can be hard to find in the first place, often requiring time-consuming manual analysis, and is not standardised, reflective of the situation across the European commercial paper market more generally. However, for NEU CP, the Banque de France has helpfully added an ESG field in its list of NEU CP-compliant programmes, which will enable sustainable commercial paper programmes to be better identified by market participants[6], and weekly and monthly statistics have been enhanced to make it easier to monitor sustainable issues and outstandings.

Conclusion

An improvement in market infrastructure and data collection, coupled with issuer-investor dialogue should result in more awareness and understanding around sustainable commercial paper and its role in the sustainable finance ecosystem. ICMA's paper represents an important step in framing the conversation and providing initial guidance.

@ **Contact: Katie Kelly**
katie.kelly@icmagroup.org

Katie Kelly is Senior Director, Market Practice and Regulatory Policy, ICMA

6. Liste des émetteurs

Ensuring financial stability in a time of tariffs

by **Paul Richards**

Summary

This article considers the international authorities' assessment of the financial stability risks arising from the US Administration's policy of reciprocal tariffs and the impact on capital markets, and the steps which the international authorities are taking in order to address these risks, as well as their assessment of the potential implications for the international financial system in the longer term. A common theme is that financial and market stability in the US and Europe, underpinned by central bank operational independence and proportionate regulation, is a necessary condition for sustainable economic growth.[1]

Introduction

1 The US Administration's policy of "reciprocal tariffs", originally announced on 2 April 2025, has a direct impact on the international trade in goods.[2] It is also widely expected to have an indirect impact on the international economy by reducing economic growth while adding pressure on inflation.[3] This poses a dilemma for central banks in the US and Europe: whether to relax monetary policy by reducing short-term interest rates to counter the risk of recession, or to maintain short-term rates at or near their current level to counter the risk of inflation.

The financial stability risks

2 Aside from the impact of reciprocal tariffs on the monetary policy role of central banks, there may also be a potential impact on central banks' other responsibility for financial stability, taking into account a succession of recent geopolitical shocks:

- The Bank of England Financial Policy Committee has drawn attention to risks associated with the fragmentation of global trade in goods, and financial markets, and their impact on the UK economy: "A major shift in the nature and predictability of global trading arrangements could harm financial stability by depressing growth. A further risk is a reduction in global cooperation, which could reduce resilience. Geopolitical tensions, and risks associated with sovereign debt pressures globally, have also risen. As the UK is an open economy with a large financial sector, global risks are particularly relevant to UK financial stability."[4]
- From a global perspective, the IMF has warned that, "against heightened volatility of asset prices, global financial stability risks have increased significantly."[5] The IMF has drawn attention, not just to the risk of falls in

1. See, for example, Martin Moloney, Deputy Secretary General, Financial Stability Board: "Boosting GDP growth through regulatory reform can be a worthy goal, as long as you aim for sustainable economic growth, supported by stable financial markets.": *Guardrails for Growth Ensuring Financial Stability Through Thoughtful Regulation:* ICSA AGM, Cambridge, 20 May 2025.

2. Non-tariff barriers may be affected as well.

3. See the Bank for International Settlements: "Heightened policy uncertainty and fraying trade ties have weakened the growth outlook, while existing vulnerabilities compound the risks and make economies more prone to inflation pressures.": Annual Economic Report, 29 June 2025.

4. Bank of England Financial Policy Committee meetings: 4 and 8 April 2025.

5. IMF Global Financial Stability Report, 22 April 2025.

equity and corporate bond markets, but also risks arising from leverage in financial institutions, including hedge funds, and the risk of further turbulence in sovereign bond markets, particularly where government debt levels are already high.

3 The uncertainty arising from the reciprocal tariff policy has affected the volatility of international financial markets. This uncertainty arises partly because future tariff levels are difficult to predict, and partly because there is no precedent in recent times for the scale of tariffs which have been proposed. The interdependence of financial markets globally is much greater now than it was in the 1930s when tariffs were last adopted on such a significant scale. Legal challenges in the US courts have added to market uncertainty.

4 It is not yet clear whether the imposition of reciprocal tariffs represents a temporary change of policy while bilateral trade deals are negotiated to address persistent and unsustainable current account imbalances, or whether it represents a permanent change towards greater protection and away from freer trade. Nor is it clear whether tariffs on goods risk leading to a return of capital controls and foreign investment taxes experienced in the 1960s and 1970s. As an example, discussions about potential tariffs on foreign holdings of US financial assets via Section 899, as a possible addition to the US tax code, have been of particular concern in the market.

5 However, it does seem likely that the imposition of tariffs will not only affect trading relationships between the US and its bilateral trading partners in the rest of the world, but also the trading relationships among jurisdictions in the rest of the world with each other. For example, in Europe a likely consequence of the imposition of tariffs by the US is to encourage the reset in the trading relationship between the EU and the UK announced on 19 May 2025.[6] Following this announcement, the Governor of the Bank of England said: "As with goods trade, open financial markets support economic growth as well as increasing investment and reducing the cost of capital. ... There is merit in seeking to increase the openness of our financial markets by reducing non-tariff barriers."[7]

Addressing the financial stability risks

6 How should the authorities respond to the financial stability risks arising from reciprocal tariffs?[8] The IMF has recommended that the authorities must be prepared to intervene to address severe problems in liquidity or market function, especially in core bond and funding markets; and it has urged them to ensure that financial institutions are ready to access central bank liquidity facilities if need be.[9]

7 The Financial Stability Board has also drawn attention to its global work in ensuring financial stability through periods of turmoil, drawing on recent experience:

- The pandemic turmoil of March 2020 highlighted the need to strengthen resilience in the NBFI sector, including policy proposals and recommendations to enhance money market fund resilience; to address structural liquidity mismatch in open-ended funds; and to enhance margining practices. In that context, the Financial Stability Board is due to deliver to the G20 "policy recommendations to address financial stability risks arising from leverage in NBFI".
- The banking turmoil of March 2023 highlighted the need to make "further progress in implementing the finalised Basel III reforms in full and consistently"; and, following the failure of several banks, to ensure "effective resolution for financial institutions and increase operational readiness to respond quickly to any such event". While the Basel III reforms set a prudential standard, they are also intended to provide a level playing field for international banking.
- In building a financial system fit for the future, the Financial Stability Board is seeking: (i) to ensure that supervisory and regulatory frameworks can harness the benefits of digital innovation while containing the risks; (ii) to realise the potential of digital innovation to transform cross-border payments by making payments faster, more affordable, more transparent and widely accessible; as well as (iii) to focus on potential risks to financial stability from climate change.[10] Cybersecurity, involving stress tests to assess the resilience of the financial sector, is an additional concern for the authorities.

---

6. Rachel Reeves, Chancellor of the Exchequer: "Many of the developments, whether it is Russia's invasion of Ukraine or the challenges in global trade at the moment, mean that there's an even greater imperative to improve our trading relationships with Europe.": 9 April 2025.

7. Andrew Bailey, Governor of the Bank of England: speech to the Irish Association of Investment Managers, Dublin, 29 May 2025.

8. Piero Cipollone, Member of the Executive Board of the ECB: "Central banks must enhance their capacity to address financial stability risks arising from fragmentation": *Navigating a Fractured Horizon: Risks and Policy Options in a Fragmenting World:* Conference organised by the BIS, Bank of England, ECB and IMF, 29 April 2025.

9. IMF, Global Financial Stability Report, 22 April 2025.

10. Klaas Knot, outgoing Chair of the Financial Stability Board: letter to G20 Finance Ministers and Central Bank Governors, 21 April 2025.

Implications for the international financial system in the longer term

8 There may be wider implications for the international financial system in the longer term, given the extent of global dependence currently on the US dollar.[11] The US authorities have traditionally played a key role in ensuring international financial stability in a number of ways. First, the US dollar remains much the most important international reserve currency, underpinned by the operational independence of the Federal Reserve. Second, US Treasuries have acted as a safe and liquid asset for international investors and have usually provided a safe haven in an international financial crisis. Third, the Federal Reserve has provided standing US dollar swap lines with the Bank of England, ECB, Swiss National Bank, Bank of Japan and Bank of Canada to supply dollar liquidity in a crisis. These roles have developed over a long period of time, but they depend on continuing political support in the US, among other factors.

9 The US has also played a key role as a founding member and the largest shareholder in both the IMF and the World Bank. In explaining the new US Administration's approach, the US Treasury Secretary has stated that "the IMF and World Bank have enduring value. But mission creep has knocked these institutions off course"; and the US and other countries "must make the IMF the IMF again".[12]

10 In response to the market impact of the US Administration's policy of reciprocal tariffs, the President of the ECB has argued that, given that the US dollar's pre-eminence has rested on the strength and stability of US fiscal and monetary institutions, doubts about the stability of the legal and institutional framework have materialised in the form of "highly unusual cross-asset correlations since 2 April this year, with the US dollar and US Treasuries experiencing sell-offs even as equities fell".[13] The ECB has also noted that central banks purchased more than 1,000 tonnes of gold each year in 2022, 2023 and 2024. This is more than double the annual average over the previous decade and can be attributed to portfolio diversification and protection against geopolitical risk.[14]

11 The President of the ECB has presented these developments as "a prime opportunity for Europe to take greater control of its own destiny" and "Europe's 'global euro' moment". Currently, the euro is the second global currency, accounting for 20% of official foreign exchange reserves (ie excluding gold), compared with 58% in US dollars,[15] and the EU is the world's largest trading bloc. She considers that increasing the international role of the euro would allow EU Governments and businesses to borrow at a lower cost; insulate them from exchange rate fluctuations, as more trade would be denominated in euro; and protect Europe from sanctions and other coercive measures.

12 But the President of the ECB has also argued that "the euro will not gain influence by default: it will have to earn it": by maintaining a steadfast commitment to open trade and underpinning it with security capabilities; by making Europe the top destination for global capital, enabled by deeper and more liquid capital markets; and by defending the rule of law. This would involve completing the Single Market, reducing the burden of regulation and building the Savings and Investment Union, as set out in the Draghi and Letta reports in 2024. Joint financing of public goods could also provide the basis for Europe gradually to increase its supply of safe assets. Letta has proposed "gradually replacing part of the national debt with common bonds".[16]

13 In the longer term, ECB officials have suggested that there might be "a gradual transition from a US-dominated global system to a more multipolar one, where multiple currencies compete for reserve status".[17] In that event, apart from the euro, there might also be other regional currency candidates: eg the renminbi.[18] The future role of gold and SDRs in the international monetary system and the impact of digital innovation are additional unknown factors. Given the scale of the capital flows potentially involved, it remains to be seen whether such a transition, should it materialise, could be managed without financial instability.

---

11. The costs and benefits of the US dollar's role as a global currency have been debated for many years, particularly since 1965 when Valéry Giscard d'Estaing described the dollar's role as an "exorbitant privilege".

12. Scott Bessent, US Treasury Secretary: speech ahead of the spring meetings of the IMF and World Bank in Washington, 23 April 2025.

13. Christine Lagarde, President of the ECB: *Earning Influence: Lessons from the History of International Currencies*, Jacques Delors Centre, Berlin, 26 May 2025. See also: *This is Europe's "Global Euro" Moment,* FT, 17 June 2025; and the Bank for International Settlements: "Unusually, the US dollar depreciated even as US Government bond yields rose.": Annual Economic Report, 29 June 2025.

14. See ECB, *The International Role of the Euro,* 11 June 2025.

15. In 2024, gold represented 20% of official foreign reserves at market prices, and the euro proportion was 16%: ECB, *The International Role of the Euro,* 11 June 2025.

16. Enrico Letta, former Prime Minister of Italy: *The EU Has a Chance to Shape its Own Future:* FT, 25 June 2025.

17. Piero Cipollone: Member of the Executive Board of the ECB: *op. cit.*

18. See comments by Pan Gongsheng, Governor of the People's Bank of China, on the international role of the renminbi: "Going forward, the international monetary system is likely to continue its evolution towards a system where a few sovereign currencies coexist and compete with checks and balances.": Shanghai, 18 June 2025.

Conclusion

14 In the endeavour to ensure financial stability in a time of tariffs, the international authorities are seeking to protect and enhance the resilience of the global financial system and, in order to do so, they are intending to continue to cooperate wherever they can. The Financial Stability Board has argued that "interconnectedness continues to deepen across the financial system. Flows across different parts of the system have grown larger and move faster than ever before. It stands to reason that cooperation among regulators is indispensable."

Summary of practical initiatives by ICMA

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

MPRP Membership Activities

1 The ICMA Market Practice and Regulatory Policy (MPRP) team engaged in key membership annual meetings, including the ICMA networking events in Zurich at the Swiss/Liechtenstein EGM on 14 April 2025, in Luxembourg on 13 May and Brussels on 14 May. In addition, the MPRP team actively contributed to bilateral membership meetings and with policy makers in person at these locations.

Regulatory Policy

2 *ICMA RPC:* ICMA's Regulatory Policy Committee (RPC) met in Frankfurt on 3 June 2025 to focus on ICMA's response to the European Commission (EC) on the EU Savings and Investment Union (SIU). A structured debate was run by the three RPC SteerCo members, on buy-side issues (Elisabeth Ottawa/Schroders), sell-side issues (Carlo Brenner/Citigroup) and market infrastructure integration (Pablo Portugal/Euroclear). Natalie Westerbarkey acted as interim RPC Secretary. The new RPC Secretary, Thorsten Guthke, joined ICMA on 1 July as MPRP Director at ICMA's Brussels office to support the RPC in future.

3 *SIU:* On 15 April 2025, the EC published a consultation paper on SIU to which ICMA prepared a targeted response by 3 June with submission by the deadline of 10 June highlighting the most pertinent aspects related to international fixed income markets. The ICMA response sourced member views from all key technical committees and was coordinated overall by the ICMA RPC. Previously, ICMA had responded on 7 March to the EC's SIU call for evidence with a 20-page thought leadership piece and on 20 March with a five-page summary of the SIU policy publication.

4 *FSB and ESM:* ICMA actively engaged with senior policy makers in bilateral meetings involving the Deputy Secretary General of the Financial Stability Board (FSB) in Basel on 15 April 2025 with ICMA's CEO Bryan Pascoe and MPRP Co-Head Natalie Westerbarkey, as well as with the European Stability Mechanism (ESM) in Luxembourg on 13 May. In addition, ICMA participated in policy events, including Fleishman Hillard roundtables discussing the CMU/SIU and US-EU relationships.

5 *Eurofi:* ICMA participated in the Eurofi event in Warsaw from 9-11 April 2025 and engaged with private and public sector stakeholders, including the French DG Trésor and Luxembourg Financial Attachés, together with ICMA members, and held bilateral membership meetings.

6 *IOSCO AGM:* ICMA participated in the IOSCO Annual General Meeting (AGM) in Doha from 11-15 June 2025. ICMA is an active member of the IOSCO Affiliate Members Consultative Committee, where it is represented by Andy Hill, MPRP Co-Head. ICMA was also invited to participate in a roundtable on emerging risks hosted by the IOSCO Committee on Emerging Risks (CER) on 29 April.

7 *ICSA AGM:* ICMA supported and participated in the ICSA AGM on 21-22 May 2025 in Cambridge, UK, including the ICMA CEO, Excom members and staff, organised by the ICSA Secretary General Peter Eisenhardt and chaired by the CEO of the Swedish Securities Markets Association, Urban Funered. The event hosted international associations and high-profile public and private sector speakers, including the FSB Deputy Secretary General and Member of the Executive Board of the Financial Times, Dr Gillian Tett, Provost of King's College, Cambridge.

Primary Markets

8 *ICMA PMPC, LDC and related groups*: ICMA's Primary Market Practices Committee (PMPC) met on 12 June 2025, with Ruari Ewing as Secretary. He also acts as Secretary of ICMA's Asia Pacific Bond Syndicate Forum (ABSF) that met on 25 April and Asia Pacific Legal & Documentation Forum (ALDF) that is due to meet on 16 September. ICMA's Legal & Documentation Committee (LDC) met on 14 May and 2 July, with Miriam Patterson as Secretary. She also acts as Secretary of ICMA's Securitisation Discussion Forum. The LDC held its first joint meeting with the German Bond Legal Group on 4 June, in the margins of the ICMA AGM & Conference in Frankfurt. Two further "system" roundtables (each with a mix of participants representing issuers, vendors, infrastructures, traders, investors and syndicates) were held regarding primary market innovation on 15 May, led by ICMA Senior Consultant

Armin Peter (formerly of UBS) together with the ICMA Primary Market team.

9 *Regulatory reviews:* ICMA engaged in the EU notably on the prospectus regime (with responses to an EC consultation on the "follow-on" prospectus submitted on 2 May and to an ESMA "new securities type" consultation submitted on 19 May). ICMA is also engaged in the retail investment strategy (including PRIIPs and MiFID investor protection topics). In the UK, ICMA is involved on the prospectus, MiFID product governance and CCIs (PRIIPs replacement) regimes. From the primary market perspective, ICMA's response to the EC's SIU consultation on market integration on 10 June covered new issuance as well as securitisation aspects. (See also the Securitisation Taskforce below.)

10 *ICMA's Issuer Forums:* ICMA's Public Sector Issuer Forum (PSIF) met at the European Bank for Reconstruction and Development in London on 16 June 2025. ICMA's Corporate Issuer Forum (CIF) met on 4 June in Frankfurt. Katie Kelly acts as the Secretary of the PSIF and CIF, and also ICMA's other issuer forum for financial issuers (FIIF).

11 *Corporate bond market webinar:* ICMA released a webinar (with the OECD) on regulatory frameworks and trends in the corporate bond market on 26 March 2025.

12 *ICMA's Securitisation Taskforce:* The Securitisation Taskforce considered, and liaised with AMIC to formulate responses to, the securitisation questions in the EC's SIU consultation on market integration to which ICMA responded on 10 June. The securitisation questions focused on the application to securitisations of the 10% acquisition limit on debt securities issued by a single issuer imposed under Article 56 of the UCITS Directive.

JIBAR Transition

13 At the request of the South African Reserve Bank (SARB), ICMA (Katie Kelly) is assisting with the transition from JIBAR (the South African IBOR) to ZARONIA (the local risk-free rate) until JIBAR's expected cessation at the end of 2026.

Commercial Paper and Certificates of Deposit

14 ICMA has been conducting a series of interviews with market participants which will help to inform the conclusions of a paper on how to scale up the commercial paper market. Katie Kelly is the Secretary to the ICMA Commercial Paper and Certificates of Deposit Committee (CPC).

Secondary Markets

15 *T+1:* ICMA continues actively to participate in discussions in the UK and the EU related to the shortening of the settlement cycle to T+1:

- On the UK side, the Technical Group of the Accelerated Settlement Taskforce has recommended a UK move to T+1 on 11 October 2027. ICMA has been an active member of the Accelerated Settlement Taskforce as well as the Technical Group and will continue to remain engaged going forward on the path to implementation.
- On the EU side, ESMA has recommended a move to T+1 on 11 October 2027, the same date as the UK. Since then, an effective governance structure has been established to prepare and coordinate the EU transition. ICMA is closely involved in the work, as a full member of the central T+1 Industry Committee as well as providing the Secretariat for two of the underlying technical workstreams, trading and SFTs.

16 *ICMA BMLT:* The Bond Market Liquidity Taskforce (BMLT) is led by Andy Hill and supported by Simone Bruno. Phase II of the BMLT's work focuses on the European investment grade corporate bond market. ICMA's initial analysis has been shared with BMLT members for their review and reactions. This will be followed by a series of interviews with BMLT members, projected for the second half of 2025. The objective is to produce a report with recommendations for enhancing liquidity and resilience in the corporate bond market, currently projected for late 2025.

17 *Bond market transparency:* Following publication of ESMA's final report outlining the regulatory technical standards for the EU post-trade bond market deferral regime in December 2024, ICMA has shared member feedback and targeted recalibrations of the framework with both ESMA and the EC. This is intended to afford more protection to transactions in corporate bonds, while not significantly reducing the overall levels of near real-time transparency. In April 2025, this message was reiterated through a joint statement signed by ICMA, AFME and EFAMA. In the UK, a further FCA consultation on the future of the SI regime was published on 4 July. Nina Suhaib-Wolf leads on ICMA's work related to bond market transparency and the consolidated tape. She is supported by Simone Bruno who has led ICMA's related data analysis.

18 *CSDR settlement discipline:* ICMA continues to engage on the topic through its CSDR-SD Working Group, which submitted a response on 14 April 2025 to ESMA's consultation paper published in February on amendments to the settlement discipline RTS under CSDR. The consultation covered ESMA's mandates to review the settlement discipline measures and other tools to improve settlement efficiency, including proposals relating to T+1 put forward in the final ESMA report. (Alexander Westphal is in the lead.)

19 *SMPC and SMF:* The ICMA Secondary Market Practices Committee (SMPC) took place on 19 June 2025 in London. Topics discussed included the US Treasury market and liquidity, fixed income ETFs, and ICMA's

Primary Market Innovation Project, alongside current regulatory topics. Andy Hill is Secretary to the SMPC, supported by Nina Suhaib-Wolf, who is also Secretary to the Electronic Trading Working Group (ETWG) as well as the MiFID Working Group. The annual Secondary Market Forum (SMF) in 2025 is planned for half a day as part of a full one-day event in Paris in cooperation with the ICMA AMIC.

20 *ETF markets:* ICMA continues to monitor fixed income developments in the ETF markets, following ICMA's publication in the Quarterly Report in Q1 2025 which built on the analysis and roundtable in Q4 2024. Fixed income and active ETF trends represent a key driver for market growth and ICMA engages bilaterally with members on the topic. These developments have the ability to support key policy goals and, following member feedback, ICMA will prioritise its engagement in this area.

21 The *ICMA European Secondary Market Reports* have now been published. A major difference from previous editions is that the sovereign and corporate bond market reports are now published as two separate editions. This adjustment reflects ongoing improvements as the reports continue to expand and become more comprehensive. The enhanced quality of the reports is also thanks to the integration of additional reference data provided to ICMA. The newly published reports provide a full-year review of market developments for 2024. The sovereign edition is available here and the corporate edition is available here.

22 *Pre-hedging:* On 21 February 2025, ICMA submitted its response to the IOSCO consultation report on pre-hedging, which included a set of recommendations and further questions to IOSCO members, following an initial IOSCO survey in 2023. IOSCO hosted a roundtable on pre-hedging in Paris on 3 June which ICMA attended. Following feedback, IOSCO is expected to publish recommendations by the end of 2025. Nina Suhaib-Wolf leads ICMA's work on pre-hedging.

23 *ETWG:* ICMA's Electronic Trading Working Group (ETWG) held its second meeting of 2025 on 1 July with the objective of discussing, among other issues, the results of an ETWG survey on the use trading protocols, innovation and the consolidated tape. Nina Suhaib-Wolf is Secretary to the ETWG, with the support of Aman Gill.

Repo and Collateral Markets

24 *ICMA ERCC:* ICMA's ERCC AGM and Conference will be held on 19 November 2025 in London in a new, extended format compared to previous years. Alexander Westphal acts as the Secretary of the ERCC.

25 *ERCC Committee:* The ERCC Committee met on 17 June 2025 in Madrid, hosted by ICMA in the margins of the annual ISLA conference. This was the third meeting of the current Committee following the annual elections.

26 *ICMA GRCF:* ICMA's Global Repo and Collateral Forum (GRCF) continues to meet virtually on a quarterly basis. The latest meeting was held on 14 May 2025, attended by over 100 participants across ICMA's different regions and covering a broad range of topics, from regional updates to global themes such as the ongoing debate around NBFI.

27 *European Repo Market Survey:* On 9 April 2025, the ERCC released the results of its 48th semi-annual survey of the European repo market. The results are based on survey responses received from 61 participating banks, representing the most significant players in the European repo market.

28 *NBFIs:* Following ICMA's response to the FSB consultation on NBFI leverage, ERCC members contributed to ICMA's recent position paper on the topic, which was released on 15 May 2025.

29 *T+1:* The impact of the upcoming European transition to T+1 on the repo market is one of the main focus areas for ICMA. Besides leading the work of the SFT workstream under the EU T+1 Industry Committee, ICMA has also been actively involved in related advocacy, particularly related to the industry request for an explicit exemption of SFTs from the T+1 rule. The proposal has been picked up by co-legislators and is included in the latest positions that have been agreed.

30 *Prudential requirements:* Through its Prudential Working Group, the ERCC has been advocating on a number of concerns related to the prudential treatment of SFTs. One important discussion has been around the NSFR treatment of short-term reverse repos. On 31 March 2025, following a call for evidence consultation to which the ERCC responded, the EC published a "quick fix" legislative proposal to address the issue, which was adopted by co-legislators and entered into force on 26 June.

31 *Repo best practice:* The ERCC is driving an initiative related to repo manufactured payments and launched a related member survey in April. A summary of the feedback has been published on the ICMA website and will serve as the basis for further ERCC engagement on the issue.

32 *Transaction reporting*: The ERCC's SFTR Taskforce is working on a response to ESMA's call for evidence on a comprehensive approach for simplifying financial transaction reporting, a structural review of existing requirements across different regimes, including SFTR, with a deadline of 19 September 2025.

Asset Management

33 *NBFIs:* ICMA consolidated two responses into a position paper, *NBFI Macroprudential Framework for Bond Market Activity*, which was published on 15 May 2025: (i) the ICMA Asset Management and Investors Council (AMIC), with input from other ICMA committees and experts, responded to the EC consultation on macroprudential

policies for NBFI on 20 November 2024; (ii) AMIC, also in collaboration with the ERCC, responded to the FSB consultation report on leverage in NBFI on 27 February. This is expected to be the final NBFI consultation ahead of macroprudential policy proposals expected in Q3 by the EC, and NBFI leverage policy recommendations expected in July 2025 by the FSB. In addition, on 10 July, ICMA is due to host a roundtable on leverage in NBFI with Sarah Pritchard, Executive Director, Markets and International FCA, as well as Co-Chair of the FSB's Working Group on NBFI leverage.

34 *ICMA AMIC Committee:* The AMIC Committee convened in Madrid on 27 March 2025 with Tajinder Singh, Deputy Secretary General, IOSCO, as the guest speaker. AMIC members also had the opportunity to join a dinner with the CNMV the evening before. The latest AMIC Committee took place on 11 June, in Brussels, with the EC's macroprudential team (DG FISMA E3) to discuss the European NBFI agenda. The AMIC Secretariat consists of Irene Rey.

Sustainable Finance

35 *Asian Development Bank meetings:* On 4 May 2025, ICMA participated in a panel discussion on nature financing for biodiversity hotspots.

36 *Point Zero Conference:* On 6 May 2025, ICMA attended the Point Zero Conference in Zurich and took part in a panel discussion on enhancing digital sovereignty in climate action.

37 *ICMA-SGX sustainability event:* On 8 May 2025, ICMA delivered a keynote presentation, providing an update on global market developments and voluntary best practices from the Principles.

38 On 12 June 2025, ICMA participated in a panel at a Responsible Investor Conference. On 24 June, ICMA spoke on a fireside chat at the ICO Sustainable Bond Forum. Between 24 and 27 June, ICMA also participated in various events during London Climate Action Week.

39 *The 2025 releases of the Principles:* At the AGM of the Principles on 26 June 2025, the Principles published a *Practitioner's Guide on Sustainable Bonds for Nature*. In addition, the Principles released several updates to their existing set of guidance, including an updated version of the Green Bond Principles with a clear reference to the Green Enabling Projects Guidance, as well as dedicated FAQs added as annexes to both the Guidelines for Sustainability-Linked Loan-Financing Bonds (SLLBs) and the Guidance for Green Enabling Projects.

FinTech and Digitalisation

40 *FinTech Advisory Committee (FinAC):* A meeting was held on 30 April 2025 to review and amend the Committee's mission statement and exchange views on key market and regulatory developments, including tokenisation, generative AI and wider digitalisation initiatives, and their implications for international bond markets.

41 *Tokenisation:* ICMA's DLT Bonds Working Group held a series of meetings in May 2025 to contribute to ICMA's consolidated response to the EC consultation on SIU implementation.

42 *MAS Project Guardian*: ICMA publicly announced that it was leading the Fixed Income workstream, focusing on DvP settlement arrangements as well as custody of tokenised debt securities.

43 *Bond Data Taxonomy (BDT):* ICMA's BDT Working Group held its quarterly meeting on 14 May 2025. The BDT has been made available in JSON and SWL formats. ICMA and SWIFT have completed a first milestone to integrate the BDT into ISO 20022.

44 *Common Domain Model (CDM):* ICMA continues to chair the CDM Technology and Architecture Working Group, hosted by FINOS, and contributes to CDM maintenance and governance.

45 *Artificial Intelligence (AI):* In April 2025, ICMA's AI in Capital Markets Working Group submitted a response to the IOSCO consultation report on *Artificial Intelligence in Capital Markets: Use Cases, Risks, and Challenges*. The Working Group's quarterly meeting was held on 3 July.

46 *Sustainable finance and FinTech:* ICMA's Taskforce held a virtual workshop on green bonds, tokenisation and reporting on 20 May 2025.

47 *Data collection and reporting:* ICMA participated in meetings of the UK's Industry Data Standards Committee (IDSC) in April and June 2025.

48 *EU post-trade harmonisation:* ICMA attended a meeting of the ECB AMI-SeCo Securities Group (SEG) in June 2025, focusing on remaining barriers to post-trade integration.

49 *Events:* In April 2025, ICMA attended the World Bank and IMF Spring meetings in Washington DC and spoke at a side event on digital transformation. In May, ICMA participated in the Point Zero Forum in Zurich and spoke at a roundtable on AI. ICMA led a roundtable discussion on tokenising money, stablecoins and tokenised deposits at the OMFIF Digital Money Summit 2025.

50 *Meetings with regulators:* ICMA attended a meeting on AI in financial services in May 2025 held jointly by the FCA and ICO.

Reflections from the 57th ICMA AGM & Conference: unity, innovation and Europe's moment

The 57th ICMA AGM & Conference convened nearly 1,200 delegates in Frankfurt for two days of in-depth dialogue on the structural shifts reshaping global capital markets. In a world contending with fragmentation, geopolitical turbulence, and rapid technological evolution, the Conference served as both a stocktake and a call to action. The common threads running across panels and keynotes were clear: the need for European ambition, responsible innovation, and collaborative resilience in uncertain times.

Opening the proceedings, ICMA Chief Executive Bryan Pascoe led a conversation with committee chairs to highlight the Association's priorities, including the shift to T+1 settlement, the development of digital bond infrastructure, and continued advances in sustainable finance. Looking ahead, the chairs pointed to digital ledger technology (DLT), AI in trading, and impact reporting as areas where ICMA's convening power remains vital.

This future-facing orientation was echoed in the first major panel, moderated by the Financial Times' Katie Martin, on the outlook for international bond markets. The erosion of US dollar supremacy – driven in part by domestic instability – led several speakers to call for a rebalancing of capital flows. European issuers and investors, they argued, must seize the moment. "This is Europe's moment", declared Philipp Hildebrand, Vice Chairman at BlackRock, in a keynote that urged mobilisation of Europe's dormant capital through a true Capital Markets Union, supported by a mutualised safe asset and the activation of €10 trillion in bank deposits.

This sense of urgency was echoed by Nadia Calviño, President of the European Investment Bank, who stated simply: "It's time to choose Europe." She outlined a five-pronged EIB strategy – from securitisation market development to pan-European export guarantees for Ukraine – to underpin a more assertive European financial identity.

Across multiple panels, the idea of "Europe rising to the challenge" surfaced repeatedly. In a discussion on deglobalisation, Stefan Wintels, CEO of KfW, reaffirmed Europe's relevance to global investors, while Alexander Wynaendts and Souâd Benkredda stressed the importance of personal and collective accountability in strengthening capital markets.

Geopolitics remained high on the agenda. Charles Myers of Signum Global dissected the implications of a potential second Trump Presidency, highlighting the entrenchment of protectionist policies and the durability of tariffs irrespective of administration. Dr Zhou Xiaochuan, former Governor of the People's Bank of China, warned of the systemic risks posed by stablecoins and called for greater regulatory clarity around digital currencies to ensure they bolster, rather than bypass, central banking systems.

Technological transformation – whether through AI, tokenisation, or algorithmic trading – was another persistent theme. Pauli Mortensen of Norges Bank and Angela Lobo of Jefferies International spoke to the impact of electronification on liquidity and market complexity. Siemens' Henriette Koegel and DekaBank's Thorben Lüthge underscored the imperative of building secondary market depth and standardisation to unlock the full potential of digital infrastructure.

Equally, in a panel on primary market innovation, Armin Peter, ICMA Senior Consultant, and speakers from KfW, HSBC and the Banque de France tackled the challenge of balancing

technological vision with operational realism. Christoph Hock of Union Investment urged continued experimentation with DLT and quantum computing, while cautioning that true scalability remains some way off.

On the sustainability front, ICMA Deputy CEO Nicholas Pfaff led a discussion that acknowledged both headwinds and tailwinds shaping the market. As Shinichi Kihara of Japan's METI and Jenny Bofinger-Schuster of the ISSB emphasised, a combination of regulatory clarity, international coordination, and a realistic pathway for hard-to-abate sectors is required. The call was echoed in Japan's closed-door transition finance roundtable, which outlined efforts by Japanese ministries to align policy and market structures in support of decarbonisation.

Panels on securitisation, private credit, and emerging market development all highlighted the increasing complexity of capital market dynamics. Panellists agreed that regulation must be fit for purpose – sufficient to uphold financial stability but not so onerous as to stifle innovation or prevent market access. This was echoed in the in-conversation session between Bryan Pascoe and IOSCO Secretary General Rodrigo Buenaventura, who highlighted the importance of evidence-based policy making and warned of the risks of "data-poor" regulation.

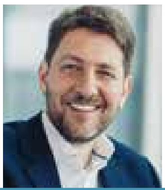
The conference closed with powerful messages on resilience – both institutional and personal. In a candid panel on mental health in finance, senior figures including Georgina Jarratt of ICMA and Brian Heyworth of Lansdowne Partners shared personal stories of challenge and recovery. Their message was clear: resilience is not the absence of difficulty, but the capacity to navigate it – and organisations must be structured to support this.

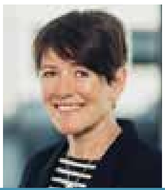
Finally, Nobel laureate Simon Johnson reminded delegates that technological progress is neither inherently inclusive nor inevitable. The institutions that shape markets must actively work to ensure that innovation drives shared prosperity, not widened inequality.

In sum, the 57th ICMA AGM & Conference reflected a capital markets community at a crossroads—alert to both opportunity and risk.

Contact: Oliver Tinkler
oliver.tinkler@icmagroup.org

Primary Markets





by **Ruari Ewing, Miriam Patterson, Katie Kelly, Sabah Anjum** and **Armin Peter**

ICMA Primary Market Innovation Project

Through six stakeholder roundtables and two ecosystem discussions in mid-May 2025, ICMA engaged over 150 market participants on the subject of primary market innovation. Their overwhelming view was that ICMA should not only facilitate dialogue but actively lead the development of industry standards, ensuring compatibility between regulatory ambitions and market practice.

Participants emphasised that change in primary markets will be evolutionary, not revolutionary. Current frameworks have proven resilient and effective in delivering on their primary mandate (raising capital), especially during volatile periods such as the COVID-19 crisis. However, stakeholders are aware of existing process inefficiencies and barriers to entry for some issuers and investors alike.

On what is needed, there was a clear distinction between improving existing workflows (process innovation) and the introduction of new financial products or infrastructure (product innovation using DLT/blockchain or tokenisation). This yielded an agreement that both are necessary, but process improvements are seen as the most immediate and scalable opportunity in the short term.

Fragmentation remains a challenge – across platforms, vendors, and data sources. Integration between systems (order management, trading, CSDs etc) is crucial. However, technical hurdles are often less significant than organisational ones: lack of leadership support, misaligned incentives, and resistance to change often block progress more than the underlying technology.

The most widely supported need was for data and process standardisation. ICMA's Bond Data Taxonomy (BDT), launched in February 2023, helps to address this gap. It provides a structured, consistent way to define bond characteristics, facilitating interoperability, straight-through-processing (STP), and digital issuance. The 2024 HKMA Digital Green Bond integrated the BDT and demonstrated the potential of aligning sustainability objectives with technological innovation. The BDT showcases how standards enable both operational efficiency and scalable innovation.

As regulators change focus and the industry starts embracing these changes, we must also address the challenges they present, including:

- *Regulatory adaptation:* Ensuring that regulatory frameworks keep pace with technological advancements and new market structures.
- *Market and process efficiency:* Providing harmonised data standards like the BDT enabling innovation and technology adoption to enhance efficiency both in primary and secondary markets.
- *External and internal collaboration:* Systemic change across the capital markets infrastructure requires dialogue and execution across business divisions, industry stakeholders and capital markets associations in an unprecedented way.
- *Risk management:* Developing new approaches to assess and mitigate risk in an increasingly complex and modernised financial architecture.
- *Talent development:* Equipping professionals with the skills needed to thrive in a digitalised and sustainable financial ecosystem.

ICMA is committed to fostering dialogue, providing guidance, and driving the establishment of market standards and principles to enable innovation and a smooth transition for all market participants. By embracing change and working collaboratively, we can build agility and the ability to turn vision into reality – creating a more resilient, efficient, and inclusive financial system that serves the needs of the global economy for decades to come.

As we navigate this transition, let us remember that the essence of capital markets – connecting those who need capital with those who have it – remains unchanged. Our task is to ensure that this fundamental function is carried out more effectively and sustainably in the face of technological and societal evolution. Together, we can shape the future for capital markets – not only making them more innovative but also ensuring they align with the broader goals of economic prosperity and sustainability.

Contact: Armin Peter
armin.peter@icmagroup.org

EU Savings and Investment Union: issuance aspects (including PRIIPs)

On 10 June 2025, ICMA responded to the European Commission's targeted consultation on integration of EU capital markets. This included responses specifically from the Eurobond issuance perspective to section 1's Question 6 (on PRIIPs) on page 12, and section 4.3's Questions 8 to 22 (on issuance more generally) on pages 26-31.

Section 1/PRIIPs: Regarding PRIIPs, ICMA responded as being neutral from the Eurobond perspective on the specifics of KID content whilst its purpose continues to be flawed, citing ICMA's response to Question 4.2.1 on pages 3-4 of ICMA's August 2021 response to the Commission. (ICMA also responded distinctly from the funds perspective.)

Section 4.3: Regarding section 4.3 generally, it was not always clear why certain questions were being raised (and whether the Commission was contemplating specific scenarios other than Eurobond issuance). ICMA sought to outline some initial responses in this respect (interpreting questions around "barriers" as relating to issues significant enough to warrant Commission action), for potential further engagement as relevant.

Issuance steps: ICMA's response outlined the typical main steps for public syndicated issuance (large-size programme drawdowns): (i) initial disclosure; (ii) any marketing (not for repeat issuers, so rare); (iii) execution (hours intra-day, from books open to investor allocations and trade pricing); (iv) pre-settlement (three-five days); and (v) closing and settlement (minutes intra-day once all conditions satisfied).

In this respect, bond issuance differs fundamentally from equity issuance in many ways and there is no case for regulation to shorten the primary market settlement cycle (see article on the topic extracted from the First Quarter 2025 edition of the ICMA Quarterly Report).

The process is generally seen as smooth and without significant barriers, competitive at a global level and with periodic incremental evolution,[1] despite some ongoing regulatory frictions. (ICMA has made various proposals in the context of the EU's ongoing CMU Listing Act and Retail Investment Strategy dossiers and sees no need for further regulatory intervention.)

ISIN attribution: The response noted that there were no "barriers" related to the allocation of International Securities Identification Numbers (ISINs) or the length of ISIN allocation processes, which should not be further regulated.

Whilst "XS"-prefix ISINs mainly used for Eurobond ISINs may often be not available by the time books open, it would be exceptional that they would not be available by pricing. (Attribution of some national ISINs within the EU may however take significantly longer.) ICMA understands that the International Central Securities Depositories (ICSDs) acting as numbering agency for the attribution of the XS ISINs need to complete often significant due diligence tasks ahead of ISIN attribution. In terms of competition in ISIN attribution, ICMA is unaware of any problems arising from the international ICSDs acting as numbering agencies for the attribution of the XS ISINs.

Investor identification and classification: The response noted that there were no "barriers" related to investor identification and classification.

The Eurobond markets continue to operate as anonymised holding markets, albeit now through the ICSDs and thence sub-custodian accounts (which are perceived as cheaper and more flexible than direct holding structures). Whilst this can complicate advertising to front offices around bondholder resolution voting, the formal voting process itself is generally effective in reaching end-holders' back offices via the sub-custody chain. (There can be some inefficiencies, as noted, in the context of post-LIBOR transition, at pages 64-65 of the Second Quarter 2021 edition of the ICMA Quarterly Report).

Distinctly in terms of new issuance allocation decisions, investor identification is consistent at the institutional/legal level. Characteristics at subsidiary portfolio levels are however often subjective and variable over time (any Legal Entity Identifier that might apply would be at the level of an investor's legal identity and so would potentially straddle many investor sub-accounts). Eurobond bookbuilding systems' investor identification processes work well, and issuance effectiveness is not impacted – with a few very sophisticated issuers seeking additional granularity.

Automation/STP: The response noted that there were no "barriers" related to automation/straight-through processing (STP) or the exchange of data. In this respect the response noted sufficient satisfaction with the current level of digitalisation of the bookbuilding process.

Whilst there could, and likely will, be significant efficiency gains from further automation/STP and improved data exchange (eg in the context of investor back-office order management system connectivity), the current situation cannot be characterised as constituting "barriers" in the Eurobond market. (ICMA has been developing its Bond Data Taxonomy to assist, as well as conducting its recent stakeholder roundtables on primary market innovation.)

Competition/fees in underwriting: The response noted that there were no significant "barriers" for issuers regarding competition and fees in the area of underwriting. The response was also neutral on the transparency of fee structures, but noted that there should not be additional transparency requirements (eg for publishing indicative prices or for standard/average price lists).

1. See the separate article in this edition of the ICMA Quarterly Report on the ICMA Primary Market Innovation Project.

In this respect, the ICMA Primary Market Practices Committee (ICMA's main underwriter group) currently gathers 48 institutions (with another 21 on the related ICMA European Bond Syndicate Heads Group), suggesting a healthy number of market participants and consequent choice for issuers. This area was also reviewed in detail by the UK's FCA before Brexit – See #2 in ICMA's October 2014 response to the FCA and #53-55 at page 15 of ICMA's January 2015 response to the UK authorities. ICMA is unaware of any issuers subsequently suggesting that there is insufficient competitiveness in Eurobond underwriting.

ICMA deliberations do not touch on what underwriting fee levels are, as that is something rightly reserved by law to competitive market forces. Distinctly regarding price transparency, the response noted that underwriting services are not billed to investors. Transparency of underwriting fees billed to issuers was significantly considered in the context of MiFID2 implementation – with a notable ongoing concern that European issuers should not be prohibited from remunerating (and so hiring) underwriters to help manage their bond offerings (see #5(A) at page 4 of ICMA's August 2023 response to the Commission). And the prevailing view has been that investors have little or no interest in the level of bond underwriting fees, as very rarely a material factor in investment decisions regarding bonds (see "Inducements and costs & charges" at page 6 of ICMA's December 2019 analysis). ICMA is not aware of changing views in this respect.

EDDI: Finally, the response disagreed with the suggestion for a front-to-back pan-European platform to address "barriers", such as the European Distribution of Debt Instruments (EDDI) initiative proposed by the ECB in 2019.

There is no perception of significant "barriers" to address in the context of Eurobond issuance (as noted above) and the initial perception of EDDI largely endures of "a solution in search of a problem" (as noted at page 25 of the 2022 First Quarter edition of the ICMA Quarterly Report).

Next steps: ICMA will continue to monitor this area as the SIU initiative develops, looking to engage where necessary.

Contact: Ruari Ewing
ruari.ewing@icmagroup.org

EU Savings and Investment Union: securitisation aspects

As part of the implementation of the Savings and Investment Union (SIU) strategy, the European Commission published its targeted consultation on integration of EU capital markets. The consultation questioned, among other things, whether the current 10% acquisition limit for debt securities in a single issuing body imposed under Article 56 of the UCITS Directive 2009/65/EC (UCITS Directive) remains appropriate in the context of securitisation. This issue is addressed in Questions 55 to 58 of the consultation. ICMA responded to these securitisation questions as a part of its overall response submitted on 10 June.

Through engagement with members, it became evident that members had very different views as to how to respond to these securitisation questions. After much consideration, members agreed to respond to the questions as set out below.

No overall consensus on amendment of 10% threshold

Members chose not to respond to Question 55 on whether Article 56(2)(b) of the UCITS Directive should be amended to allow UCITS funds to invest more than 10% in an issue of a single securitisation as there was no consensus on this question.

Strong support for UCITS brand and some support for targeted change of 10% threshold

The largest part of ICMA's response came under Question 56, which asked if there are any additional concerns or drawbacks associated with increasing this threshold. Members wanted to highlight that they believe the current UCITS framework is well-respected, should be preserved, is internationally regarded for its sound risk management standards, and concentration limits have a significant role to play in that regard.

However, some members commented that the 10% acquisition limit for debt securities in a single issuing body imposed under Article 56 of the UCITS Directive hinders their ability to make larger allocations when investing in a securitisation and made the following comments:

- *Corporate debt versus securitisation:* UCITS mutual funds that buy corporate debt do not usually encounter a problem with the 10% acquisition limit because corporate debt issuance is typically large, often running into billions. However, securitisation issuance is much smaller; as the average securitisation issuance is €300 million, UCITS mutual funds can only invest €30 million per securitisation under the current limit. This restriction is particularly burdensome for some funds; it complicates liquidity management and limits investment and diversification opportunities for end-clients. Moreover, it drives more UCITS investments towards unsecured corporate credit with higher risk of defaults, less protections and lower rates of return compared to securitisation.

  Importantly, from a policy rationale perspective, the UCITS 10% limit was not designed with securitisations in mind as the limit was imposed two years before the first securitisation occurred in Europe. The rule's aim is to prevent UCITS funds from exerting control over a "single issuing body". However, concerns about undue investor influence over a securitisation issuer are irrelevant as securitisation vehicles are dedicated pass-through entities that typically only issue securities to the market one time and do not have a broader corporate strategy for an investor to exert influence over. (Q55.1.)

- *Options for targeted change without re-opening of UCITS Directive:* Members have strong concerns that amending Article 56(2)(b) could lead to the wider re-opening of the UCITS Directive framework, which could be a long process and could result in other unnecessary and unwanted changes. For that reason, ICMA highlighted two options which do not require a wider re-opening of the UCITS Directive for the Commission's awareness, although there was no member consensus on which option to support.
- *Option 1* is to introduce a targeted amendment to Article 56 excluding securitisations from the 10% limit via amendments to the EU Securitisation Regulation (Regulation (EU) 2017/2402, or SECR). This could be done in the context of the wider securitisation reforms on which legislation proposals from the European Commission were expected this summer. (These were published on 17 June, see *Next Steps* below). That is, the required targeted amendment to Article 56 exempting securitisations could be introduced in a similar way to how the UCITS Directive was amended previously when the SECR came into force (see Article 58 of SECR which amended Directive 2009/65/EC by introducing a new Article 50a relating to consequences of non-compliance with SECR requirements).
- *Option 2* is clarifying via a Level 3 Q&A that the reference to "single issuing body" in Article 56 does not include securitisations, thus excluding securitisations from the acquisition limit in Article 56.

  As noted above, a securitisation vehicle is not an issuer with the implication of a strong concentration risk which the term "issuing body" was intended to capture. For example, mainstream debt issuers commonly issue different types of debt securities from the same or a single issuing entity under stand-alone bond issuances or bond programmes. In practice, this means that the 10% acquisition limit is calculated by reference to all debt securities that may be issued by the mainstream debt issuer, allowing investors to spread their risk across multiple securities from a single issuer, making it easier to meet investment targets and maintain portfolio balance. This contrasts with the securitisation market, where securitisation special purpose entities (SSPE) programmatic issuers are not very common and instead the majority of securitisations are issued as stand-alone transactions by new SSPE issuers. By their nature, many securitisations have diversified pools of underlying loans, thus mitigating the risk of overexposure to a single issuer. The smaller size of securitisation transactions compared to corporate bonds, combined with the inherent risk-mitigating features, including amortisation (which results in a gradual reduction of securitisation positions over time), exacerbates the punitive effects of the 10% limit. By lifting this restriction, EU policy makers could facilitate greater participation in the securitisation market, ultimately fostering a more robust and dynamic financial ecosystem that benefits both investors and the broader economy.
- *Existing concentration limits continue to apply:* If there are concerns about concentration of investments by UCITS funds should the 10% threshold be no longer applicable for SSPEs, such concerns should already be addressed by the existing UCITS mutual fund-level concentration limits that will continue to apply, ensuring that no single investment can dominate a fund's exposure.

Liquidity concerns

Question 57 asked if the 10% issuer limit impacts the liquidity management of funds. ICMA responded that UCITS funds are highly regulated and subject to a range of concentration rules and diversification limits; these include the UCITS 5/10/40 rule in Article 52(2) of the UCITS Directive which provides that no single asset can represent more than 10% of the fund's assets, and holdings of more than 5% cannot in aggregate exceed 40% of the fund's assets. Members consider these existing concentration rules and diversification limits to be important guardrails for fund managers in managing the liquidity of UCITS funds.

Accordingly, members do not consider that the 10% issuer limit in Article 56(2) (b) of the UCITS Directive impacts the liquidity management of funds. There are other UCITS rules, which fund managers must comply with, that are intended to, and help to, ensure the effective liquidity management of UCITS funds.

Potential cost savings

Question 58 asked what potential cost savings fund managers could realise from relaxing this limit. In this regard, some members believe portfolio management would become easier and therefore less costly by increasing limits. It would enable fund managers to make larger investments in securitisations, and this simplifies portfolio management by reducing the complexities of handling many smaller investments and improving overall fund liquidity. Smaller asset managers, that often encounter barriers to entry due to high costs, would be able to focus on fewer, larger investments, allowing them to accumulate assets more effectively and compete with larger firms. As the securitisation market grows with the involvement of more participants, the market would benefit from increased liquidity and better buying opportunities for all market participants, including smaller mutual funds.

Next steps

On 17 June 2025, the European Commission proposed a package of measures to revive the EU securitisation framework. In one of its measures, the *Proposal for Amendments to the Securitisation Regulation*, the Commission stated that it is considering amending the 10% acquisition limit in the context of the upcoming overall review of the UCITS Directive. Hence the Commission has not followed Option 1 described above, as it did not amend the 10% threshold as a part of this package of measures. It remains to be seen if the Commission follows Option 2 or engages in a wider review of the UCITS Directive which members do not believe is the best course of action.

Contact: Miriam Patterson
miriam.patterson@icmagroup.org

EU Listing Act: ESMA draft "new type" of securities guidelines

On 19 May 2025, ICMA submitted its response to ESMA's consultation on draft guidelines for supplements introducing a "new type" of securities to a base prospectus.

The response noted that:

(a) instrument "type" should not be equated with mere "features" in testing whether a supplement is acceptable;

(b) doing so would add significantly to the restrictiveness of the Prospectus Regulation regime, inconsistently with EU policy direction (and historic ICMA suggestions);

(c) highlighting the existing ability to front-load base prospectuses with information does not alleviate this;

(d) neither "use of proceeds" bonds nor sustainability-linked bonds should be seen as new "types" of instrument; and

(e) supplements should be acceptable unless they involve certain securities note annexes or building blocks (or specific sections thereof) that were not previously relevant to the base prospectus in question.

By way of incidental reminder, ICMA's October 2024 response to the UK FCA welcomed proposed FCA changes to allow for more flexibility around the use of supplements (including the ability to make non-material changes) – though also noting where some of the usage conditions could be adjusted to make the changes even more useful. (See #(iv) at page 27 of the 2025 First Quarter edition of the ICMA Quarterly Report.)

ICMA will continue to engage on this topic as it progresses.

Contact: Ruari Ewing
ruari.ewing@icmagroup.org

The EU follow-on prospectus

On 2 May 2025, ICMA responded to the European Commission's consultation on the reduced content and standardised format and sequence of the EU follow-on prospectus and EU growth issuance prospectus. ICMA only addressed the EU follow-on prospectus, under the overarching theme that it should not be subject to additional burdens compared to the existing rules for full non-equity prospectuses (which ICMA separately commented on, as reported at pages 28-29 of the First Quarter 2025 edition of the ICMA Quarterly Report, and which the response recalled).

In respect of format and sequence, ICMA supported aligning the EU follow-on prospectus with full non-equity prospectuses. As a baseline, requirements applicable to an EU follow-on prospectus should not be more prescriptive than those for full debt prospectuses – but additional flexibility would be welcome.

ICMA noted the creation of an additional single disclosure annex would be unnecessary and potentially confusing (given familiarity with the registration document and securities note annexes).

In respect of reduced content, ICMA acknowledged the high level of detail in Annex V but felt it to be insufficiently clear, suggesting delegated acts clarify it (eg regarding requirements going beyond those applicable to full non-equity prospectuses).

The response also recalled concerns (flagged in March 2023 ICMA comments) with the Level 1 proposals, noting that some remain and hoping that these will be addressed though the Level 2 annexes.

ICMA will continue to monitor this topic as it progresses.

Contacts: Sabah Anjum and Ruari Ewing
sabah.anjum@icmagroup.org
ruari.ewing@icmagroup.org

UK consumer composite investments: interest rate steps

As reported at pages 26-27 of the 2025 Second Quarter edition of the ICMA Quarterly Report, ICMA's 20 March response to the FCA's consultation paper CP24/30 *inter alia* cited uncertainties, that should be addressed, in several specific provisions of the purported exclusion of the mainstream, vanilla space from the instrument scope of the new consumer composite investment (CCI) regime, which is due to replace the UK PRIIPs regime. Two of these (at #5(A)(5) of the response) related to interest rate steps – regarding deletion of the fixed-rate step reference and the prior contrast with the absence of a similar floating-rate step reference.

Subsequently on 16 April, FCA published consultation paper CP25/9. This raised specific questions away from ICMA's CCI focus, noting in passing (at #2.5 on page 9) that responses to the prior consultation were being analysed – and so ICMA did not respond. However, the draft Handbook text in Appendix 1 to the CP25/9 consultation (at draft DISC 1A.2.4R) reinstates the previously deleted fixed-rate step reference. ICMA understands that the reinstatement was merely due to the deletion not having been initially intended, and that it was not a reaction to responses to the CP24/30 consultation.

The reinstatement is nonetheless welcome and addresses the fixed-rate step uncertainty in #5(A)(5) of the 20 March response. However, the residual uncertainty regarding floating-rate steps in #5(A)(5) of the 20 March response remains outstanding. Furthermore, the uncertainty around interest rate steps is actually even wider – including also "event-driven" steps, as outlined at #7 of ICMA's September 2021 response to FCA's consultation paper CP21/23.

ICMA will continue to engage with new CCI regime as it is finalised.

Contact: Ruari Ewing
ruari.ewing@icmagroup.org

The value of the ICMA issuer forums

In a dynamic and increasingly complex capital market environment, the importance of having dedicated spaces for market participants to exchange insights, share experiences and collectively explore market developments cannot be overstated.

This is where the ICMA issuer forums play a key role. Recognising the unique priorities, challenges and perspectives across different issuer types, ICMA provides secretariat services to issuers via its Financial Institution Issuer Forum (FIIF), Corporate Issuer Forum (CIF) and Public Sector Issuer Forum (PSIF, which comprises members of the SSA community).

Each of the FIIF, CIF and PSIF brings together senior funding professionals – typically, heads of funding or treasurer level – and offers a tailored setting for discussing the specific issues that matter most to them. The ability of issuers to engage directly with peers in a non-deal context and away from the transactional nature of market engagements enables them to identify and discuss common challenges and explore themes in a trusted setting.

While specific concerns may vary across issuer types, several key issues are consistently front of mind for all. These include the impact of interest rate volatility and costs of funding, challenges around market access and liquidity in both primary and secondary markets and resilience of markets in the case of geopolitical or macroeconomic shocks. Sustainable finance is a recurrent theme, with issuers facing difficulties with fragmented taxonomies and disclosure expectations across jurisdictions, shifts in sentiment around ESG and rising scrutiny around greenwashing and market integrity. Managing investor relations and expectations more broadly also features consistently, with a growing recognition for clear communication of strong credit stories and active relationship management, especially through virtual channels. And of course, the ever-present and increasing risks of geopolitics disrupting investor sentiment and market function.

Layered on top of all this, issuers are also trying to stay ahead of fast-moving trends in technology and innovation, whether that is the growth of digital bonds or the increase of AI functionality.

What also unites all three forums is a shared commitment to well-functioning markets and sensible regulation across the capital market ecosystem. These forums not only allow issuers to benchmark their approaches but also help inform industry standards and best practices and, in some cases, advocacy efforts through their collective voice, which in turn allows ICMA to present a more joined-up position to regulators and policy makers.

Many of the issuers also participate elsewhere within ICMA, notably in sustainable finance, FinTech and commercial paper working groups, highlighting how central the issuer community is.

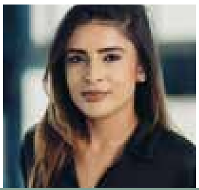
Importantly, each forum also offers valuable networking opportunities, with meetings often followed by informal gatherings that allow members to build strong professional relationships.

Contact: Katie Kelly
katie.kelly@icmagroup.org

Secondary Markets

Andy Hill, Nina Suhaib-Wolf, Simone Bruno and **Aman Gill**



EU/UK MiFID: update and timeline

Both the EU and UK are currently running their respective tender procedures for the selection of the bond consolidated tape provider (CTP). In the EU, the process was launched by ESMA on 3 January 2025 and details about the bond CTP selection procedure and criteria in the EU can be found under the European Commission webpage for the consolidated tape provider selection procedure – bonds. As per the procurement documents, the selection process lasted six months, and on 3 July 2025 ESMA awarded the first EU bond CTP to Ediphy (fairCT), as set out in its press release.

In the UK, the FCA published the tender notice of the consolidated tape UK on 7 March 2025, details of which can be found on the FCA procurement portal, and on the FCA's bond CT web page. As highlighted previously, unlike in the EU, the UK tender is following a two-stage process as described in the FCA policy statement CP23/33. In more detail, as part of the first stage, bidders were invited by the FCA to submit their final bids by 13 June, following which the FCA is due to make a decision by 18 July on which bidders will proceed to a price auction (the e-auction), which will be the second stage of the tender. The price auction (e-auction) will then commence at the beginning of August, with the decision of the FCA on the bond CTP to be expected by September. Further details of the overall process and documents can be found on the FCA CTP webpage. Both in the EU and UK, the respective candidates who have been selected as the consolidated tape provider will then undergo an authorisation process. Following this process, both the EU and UK CTP are expected to go live in H1 2026.

Aside from introduction of the consolidated tapes, the new bond transparency regimes in the UK and EU, following the UK wholesale markets review and EU MiFIR/D review conducted over the past few years, will also go live over the next nine months. In the UK, the date of implementation of the new regime had already been set as 1 December 2025 in the FCA policy statement PS24/14 on *Improving Transparency in Bond and Derivatives Markets*, which was published in November 2024. In the EU, clarification was provided more recently, with the European Commission's adoption of the ESMA final proposal on RTS2, under which 2 March 2026 will be the date of application of RTS2. This means that there will be a difference in timing of around three months between the start of the new UK and EU transparency regimes.

Further to the above, the FCA published a consultation paper (CP25/20) on the future of the SI regime on 4 July 2025, following the FCA discussion paper on this topic which was published in PS24/14, and to which ICMA responded in January 2025. ICMA plans to respond to this new consultation via its MiFID Working Group by the deadline of 10 September 2025.

Contacts: Nina Suhaib-Wolf, Simone Bruno and Aman Gill
nina.suhaib-wolf@icmagroup.org
simone.bruno@icmagroup.org
aman.gill@icmagroup.org

Sovereign bond deferrals: a comparison of the UK and the EU by country

Background

Following the publication of the ESMA MiFIR Review Final Report on RTS2 (*Review of RTS2 on Transparency for Bonds, Structured Finance Products and Emission Allowances and RTS on Reasonable Commercial Basis*) in December 2024, and the UK FCA policy statement on *Improving Transparency for Bond and Derivatives Markets* in November 2024, ICMA has run extensive in-depth analysis on both jurisdictions' new deferral regimes for bond trades, aimed at better understanding the implications on transparency.

Based on member feedback and analysis conducted at the beginning of 2025, ICMA has already provided further thoughts to ESMA and the European Commission via a letter sent in February 2025 where concerns about EU deferrals of certain categories, specifically on the corporate bond side, were highlighted, as these do not seem to allow enough time for liquidity providers to trade out of a risk position (see ICMA article, *Final Post-Trade Referral for Bonds: ICMA Letter to ESMA and the EC* in ICMA Quarterly Report Q2 2025, page 31 for further details). Furthermore, it was demonstrated with the help of various examples that the exact same trades would be subject to different applications of deferrals in the EU and UK, given the dissimilarity of transparency regimes between the EU and UK. Such examples included corporate bond trades in an IG corporate bond issued with a size bigger than €0.5 billion and traded in a size of €7 million, which would be published after 15 minutes in the EU but would benefit from a two weeks' deferral in the UK.

Aside from credit markets, ICMA also pointed out discrepancies in the sovereign bond space, such as a trade in a sovereign bond issued by an EU Member State of Group 2 (which means not including Germany, France, Italy, and Spain*)*, with a fixed coupon payment, a maturity of 11 years, an issue size of €1 billion, and a trade size of €15 million, which would have a deferral of 15 minutes in the EU, but a deferral of three months in the UK. These and other examples can be found in the letter above.

The purpose of the following article is to undertake a deeper dive into sovereign bond deferrals and provide a more detailed and comprehensive analysis of the upcoming deferral regimes in the EU and UK. The aim here is to employ historical data of sovereign bond trades executed in the EU and UK over the last 12 months, and to establish how many trades, and how much volume, split by sovereign issuer, would have been published real-time in both jurisdictions under their new respective deferral regimes. For background, the details of the new deferral regimes for sovereign bonds can be found under the FCA policy statement PS 24/14 on page 43 (table 8) and in the ESMA final proposal on page 45 (chapter 138). As can be seen in the respective tables, the UK regime allows for three types of deferrals based on trade size and liquidity determinants which are: one day, two weeks, or three months. By contrast, the EU regime permits five types of deferrals, as follows: 15 minutes, end of day, T+1 price deferral with one week volume deferral, T+2 price deferral with two weeks volume deferral, and four weeks. [1]

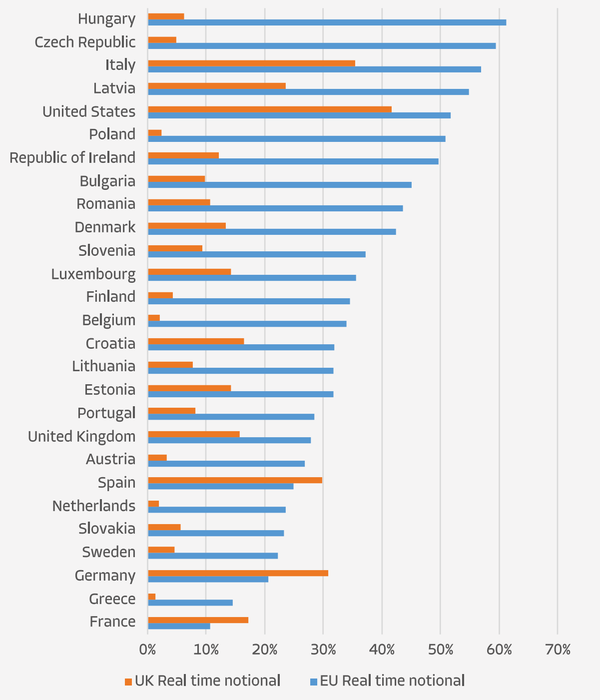
UK and EU deferrals: notional traded by country

The following section provides a country-by-country breakdown for deals executed during the period from May 2024 to May 2025. In more detail, the dataset in this analysis covers sovereign bonds of EU countries, the UK and US, and excludes other public bonds, such as supranational and agency bonds. To calculate transparency levels in the UK, only UK-executed trades were used. Similarly, EU transparency levels were calculated using only EU-executed trades.

ICMA's analysis concluded that, on an aggregated basis, in the EU 42% of all sovereign bond notional traded would have been subject to real-time disclosure, whereas in the UK this number would have equated to 32%. Looking at the number of trades executed, the EU regime again would have displayed a higher degree of real-time transparency, with 91% of trades subject to real-time disclosure, compared to 80% in the UK.

Given our findings above, and as already observed in previous ICMA studies as well as in the ESMA final report table 15 (in chapter 140) and FCA policy statement table 9 (page 44), it appears that overall the EU regime will provide a higher level of transparency in comparison to the UK. However, by undertaking the analysis in a more nuanced way and breaking the data down to country level, there were certain cases identified where a higher transparency in notional traded was displayed in the UK, namely in trades of sovereign bonds issued by France, Germany and Spain. In the case of France, 17% of notional would have been published in real time in the UK, versus only 11% in the EU. In the case of German Government bonds, 31% of volume would have been subject to real-time publication in the UK, whereas only 21% in the EU. Finally, traded volumes in Spanish sovereign bonds would have been subject to 30% real-time publication in the UK, and only 25% in the EU. In the case of all other sovereign bond trades, by contrast, the degree of real-time transparency of notional traded would have been higher in the EU. The following graph provides a comprehensive overview of the publication of notional traded by country.

% of notional traded subject to real-time disclosure by country and jurisdiction of trade



1. It must be noted that in the EU, according to the supplementary deferral regime as specified by ESMA on pages 59 and 60 of the final proposal, NCAs might allow for an additional six month deferral on their respective sovereign bonds.

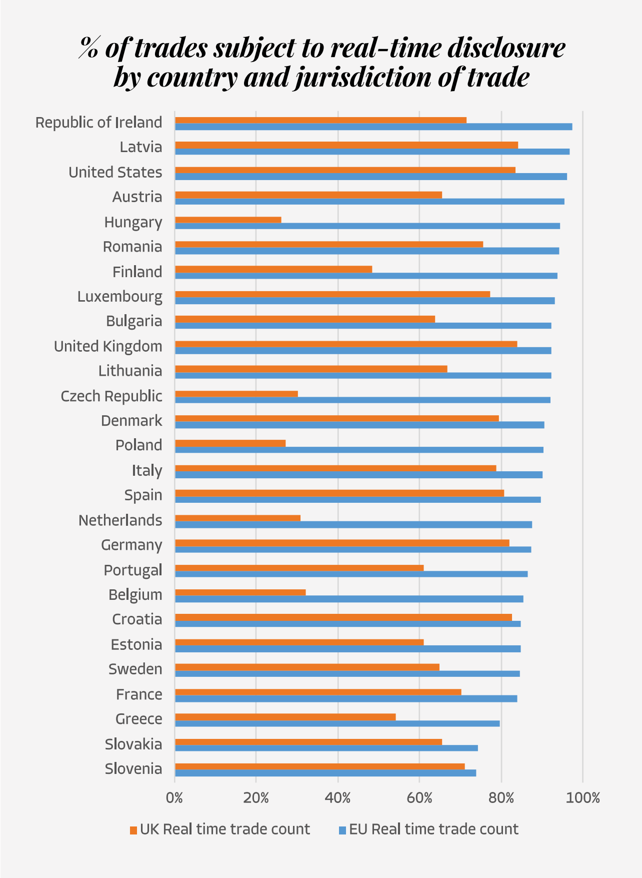
Looking into potential reasons for the higher transparency level in respect of German, French and Spanish Government bonds in terms of notional traded in the UK, it is worth noting that comparing the two deferral regimes is not a straightforward exercise, due to the differences across deferral categories, currencies, issuance and trade size thresholds. However, by further exploring the data, we found at least partial justification by comparing trade size distributions in the EU and UK. (See also *ICMA European Secondary Market Data Report H2 2024 Sovereign Edition*, page 28, Chapter Average sizes by issuer country). For example, in the case of German sovereign bonds, 44% of volumes traded in the UK were executed in sizes below £15 million and making them predominantly subject to real-time publication. In comparison, only 20% of volumes traded in the EU were executed in sizes below €15 million. Furthermore, it is worth noting that, once the next deferral category of the EU was added to the analysis, which is 15 minutes, there would be a higher degree of transparency in the EU of traded notional also in the case of Germany, France and Spain.

Looking at the traded notional of sovereign bonds of other countries in the above chart, ICMA's analysis shows that in the EU, bonds issued by Hungary, the Czech Republic and Italy would have been the top three candidates in terms of real time disclosure with a percentage of notional traded disclosed in real time being 61%, 59%, and 57%, respectively. On the other hand, real-time volume disclosure for these same three countries in the UK would have been significantly lower, at 6%, 5%, and 35%, respectively.

UK and EU deferrals: number of trades executed by country

Compared to the analysis of notional traded above, the results of ICMA's analysis of transparency in terms of the number of trades published can be described as more straightforward as, according to ICMA's findings here, transactions of all sovereign bonds would have been subject to a higher degree of transparency in the EU, with no exceptions. Percentages of real-time disclosure in the EU were here ranging from 74% to 97%, and from 26% to 84% in the UK. Additionally, it is worth mentioning that in the UK more than half of the countries (14 out of 27) displayed a transparency below 70% in terms of number of trades.

More specifically, in the EU, the top three countries by percentage of real-time disclosed trades would have been Ireland, with 97% of trades being subject to real-time disclosure in the EU, versus 72% in the UK), Latvian bonds, where also 97% of trades would have been subject to real-time publication in the EU (versus 84% in the UK) and US Treasuries, where 96% of trades would have been subject to real-time disclosure in the EU (and 83% in the UK). The largest difference in transparency was identified in bonds issued by Hungary, where 94% of trades would have been published real-time in the EU, versus only 26% in the UK, which equates to a 68 percentage point difference. Hungary is followed by Poland and the Czech Republic Government bonds, which showed a 63 and 62 percentage point difference, respectively. Further details can be found in the following table:



In conclusion, it can be said that, as per the above ICMA analysis, the EU showed a higher degree of transparency overall during the observation period, but that a few exceptions existed, more specifically in the case of trading volumes published by France, Germany and Spain Government bonds, which to some extent may stem from differences in trade size distributions between the EU and the UK. Furthermore, sovereign bonds issued by peripheral countries such as Hungary, Poland, and the Czech Republic exhibited the largest discrepancies, with significantly higher real-time transparency observed in the EU, compared to the UK.

Whilst our analysis is based on past data ranging from May 2024 to May 2025, it will be interesting to see what the numbers will look like, once the new EU and UK regimes have been implemented. As also highlighted in our Article *EU/UK MiFID: Update and Timeline* in this report, the timelines as per FCA policy statement (PS 24/14) and as per EC adoption of RTS2 foresee the new bond transparency regime to apply from 1 December 2025 in the UK, and from 2 March 2026 in the EU. ICMA will closely monitor market dynamics and trading patterns and provide further analysis and insights in the months to come.

Table of real-time transparency by country

Country	EU real-time notional	UK real time notional
France	11%	17%
Greece	14%	1%
Germany	21%	31%
Sweden	22%	5%
Slovakia	23%	6%
Netherlands	24%	2%
Spain	25%	30%
Austria	27%	3%
United Kingdom	28%	16%
Portugal	28%	8%
Estonia	32%	14%
Lithuania	32%	8%
Croatia	32%	16%
Belgium	34%	2%
Finland	35%	4%
Luxembourg	36%	14%
Slovenia	37%	9%
Denmark	42%	13%
Romania	44%	11%
Bulgaria	45%	10%
Republic of Ireland	50%	12%
Poland	51%	2%
United States	52%	42%
Latvia	55%	24%
Italy	57%	35%
Czech Republic	59%	5%
Hungary	61%	6%

Country	EU real-time trade count	UK real time trade count
Slovenia	74%	71%
Slovakia	74%	66%
Greece	80%	54%
France	84%	70%
Sweden	85%	65%
Estonia	85%	61%
Croatia	85%	83%
Belgium	85%	32%
Portugal	86%	61%
Germany	87%	82%
Netherlands	87%	31%
Spain	90%	81%
Italy	90%	79%
Poland	90%	27%
Denmark	91%	79%
Czech Republic	92%	30%
Lithuania	92%	67%
United Kingdom	92%	84%
Bulgaria	92%	64%
Luxembourg	93%	77%
Finland	94%	48%
Romania	94%	75%
Hungary	94%	26%
Austria	95%	66%
United States	96%	83%
Latvia	97%	84%
Republic of Ireland	97%	72%

Contacts: Nina Suhaib-Wolf and Simone Bruno
nina.suhaib-wolf@icmagroup.org
simone.bruno@icmagroup.org

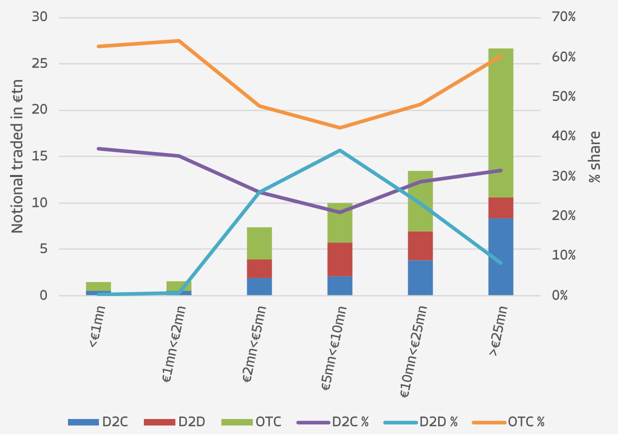
Secondary bond market data report: analysis of distribution channels

Since 2022, ICMA has published on a semi-annual basis its European Secondary Market Data Report, both for sovereign and corporate bonds. An initiative of the ICMA Secondary Market Practices Committee (SMPC), the reports compile and analyse EU and UK secondary bond market data published under the MiFIR/MiFID II RTS2 requirement. The data is aggregated using Propellant.Digital software and enriched using reference data provided by ICE Fixed Income Data Services.

The latest reports have allowed ICMA to: (i) identify new patterns in the data; and (ii) confirm observations identified in previous editions.

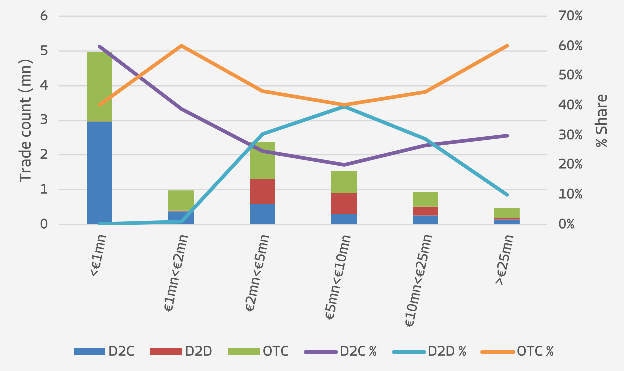
In the case of sovereign bonds specifically, edition after edition, a well-known pattern regarding distribution channels and trade sizes has been identified, as follows: as trade sizes increase, execution is more likely to occur off-venue or over the counter (OTC). This typically occurs as placing a large size buy or sell order on an exchange risks moving prices significantly. For the full year 2024, ICMA observed that, out of all trades executed in sizes above €25 million, 61% of traded notional and 60% of the number of trades were executed off-exchange. The two charts below[1] illustrate this distribution, which ICMA consistently confirms in each edition of the report.

Distribution channel by trade sizes (notional traded in € trillion)



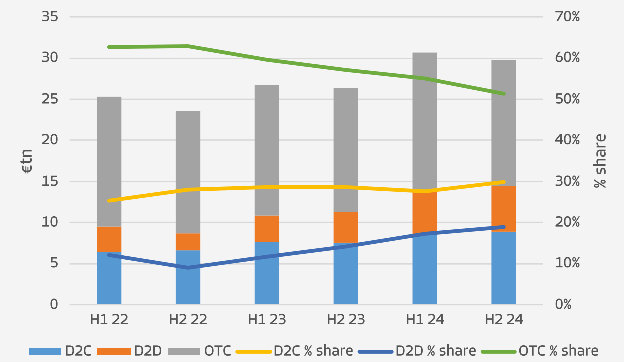
1. Notice how the OTC % line increases with trade size.

Distribution channel by trade sizes (trade count)



Despite this trend holding year after year, we have recently observed, however, a reduction in the overall share of notional executed OTC from the historical data. Whilst in 2022, OTC trades represented overall 63% of notional traded, this figure has reduced to 55% in H1 2024 and 51% in H2 2024.

Notional traded by distribution channel in € trillion

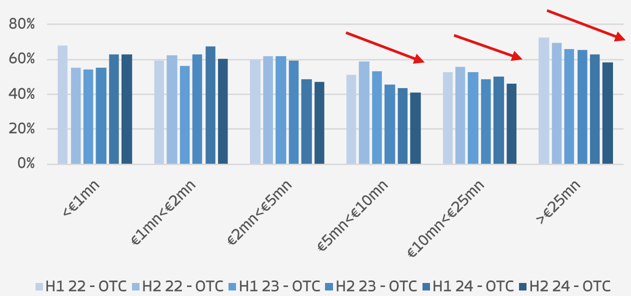


OTC remains the most popular channel for trades executed in sizes above €25 million, despite its falling share. More precisely, in H1 2022, 72% of notional traded in sizes larger than €25 million was executed off-exchange, with only 22% via dealer-to-client (D2C) platforms. By H2 2024, the OTC share had dropped to 58%, while D2C increased to 34%. The decline in OTC transactions is also evident in notional executed in sizes between €2 million and €25 million. More specifically, in H2 2022, 62% of notional of trades executed in sizes between €2 million and €5 million were executed OTC, compared to only 47% in H2 2024. In the case of trades between €5 million and €10 million, OTC accounted for 59% of notional in H2 2022, falling to 41% in H2 2024. Likewise, in trade sizes between €10 million and €25 million, the OTC share dropped from 53% in H2 2022 to 46% in H2 2024.

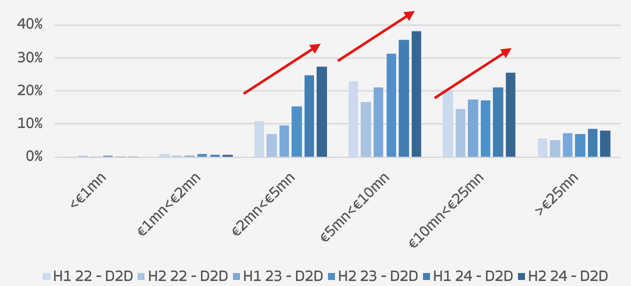
The recent report also finds that notional traded in mid-range trade sizes (eg between €2 million and €25 million) has increased in the dealer-to-dealer (D2D) space. More specifically, trades between €2 million and €5 million accounted for only 7% of D2D volume in H2 2022 but rose to 27% in H2 2024. In the category of trades between €5 million and €10 million, the share increased from 21% in H2 2022 to 38% in H2 2024. Similarly, trades between €10 million and €25 million grew from 15% in H2 2022 to 26% in H2 2024.

Whilst the precise drivers of this shift are unclear, there appears to be a correlation with the growing volumes of Italian debt being traded. Traded notional in Italian debt was 71% higher in Q4 2024 compared to Q1 2024, demonstrating a significant rise. For the full year 2024, 58% of Italian debt was executed via D2D channels, with potential skewing effects on the overall distribution channel data.

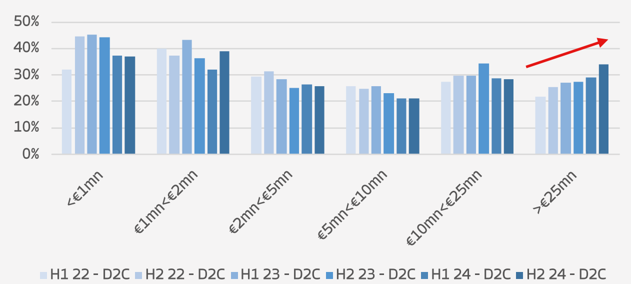
Evolution of OTC share (notional traded)



Evolution of D2D share (notional traded)



Evolution of D2C share (notional traded)



Contact: Simone Bruno
simone.bruno@icmagroup.org

T+1: EU and UK update

EU transition to T+1

Following the official launch of the EU T+1 transition work in January 2025, the various workstreams under the EU T+1 governance have been working at "full steam" over the past few months on their individual recommendations for an implementation plan for the EU transition to T+1, which has been scheduled for 11 October 2027 (aligned with the UK and Switzerland). The EU governance structure is centred around the T+1 Industry Committee, led by the independent chair Giovanni Sabatini, as well as ten Technical Workstreams (TWs) covering the various focus areas. A more detailed overview of the EU governance along with latest updates is available on a central EU T+1 webpage hosted by ESMA.

ICMA is a full member of the Industry Committee and is providing the Secretariat to two of the workstreams: trading, jointly with FESE; and securities financing transactions (SFTs), jointly with ISLA. All workstreams submitted their final individual recommendations to the Industry Committee in early June. The workstream recommendations have been compiled into a full report, the *High-Level Roadmap to T+1 Securities Settlement in the EU,* which was published on 30 June.

The Roadmap sets out detailed recommendations across nine thematic areas: trading, matching and confirmations, clearing, settlement, asset management, FX, corporate events, SFTs as well as legal and regulatory issues. A particular focus over the past few months has been the operational timetable in the EU market and any related changes that are needed to facilitate the EU move to T+1, from trading to settlement. Related recommendations needed to be finalised early in order to allow sufficient lead time for the relevant market infrastructures, including T2S, to implement those changes ahead of October 2027. The work towards optimising the process was conducted within an additional, specially dedicated operational timetable workstream which brought together the leads from all the relevant individual workstreams. A key concern discussed in this workstream has been around the impact of T+1 on SFT markets, which is covered in more detail in the Repo and Collateral section of this Quarterly Report.

UK transition to T+1

The UK AST Technical Group (AS/TG) published its final recommendations under its UK implementation plan in February 2025. As a follow-up, the AST/TG is now working on a dedicated Q&A page on the website and is also considering selected updates to the UK "code of conduct" based on queries received post publication and also in light of the ongoing discussion on the EU side, in order to maintain alignment. Following the publication of final recommendations, AS/TG members are hosting various webinars and conferences, in order to inform market participants about the upcoming move to T+1 and to provide guidance towards implementation of T+1, based on the recommendations in the UK "code of conduct".

Contacts: Alexander Westphal and Nina Suhaib-Wolf
alexander.westphal@icmagroup.org
nina.suhaib-wolf@icmagroup.org

ICMA's Electronic Trading Working Group

ICMA's first Electronic Trading Working Group (ETWG) meeting of 2025 was held on 25 March. The agenda included a discussion of recent trends around portfolio trading and other trading protocols, as well as the industry's readiness for the new MiFIR/D bond market transparency regimes and consolidated tapes in the EU and the UK. Information was also shared on the recent IOSCO consultation report on pre-hedging, including the report's relevance for electronic trading, and ICMA's response to IOSCO. Prior to the meeting and as follow-up to meetings last year, a new Steering Group had been established at the beginning of the year to help shape the agenda and work of the ETWG going forward and to support the discussions.

Following the 25 March meeting, the Steering Group met and discussed the idea of an ETWG survey to ask participants for more specific feedback on the use of various electronic trading protocols. With the help of the group, on 3 June ICMA launched an ETWG online survey which contained three sections for members to complete. These three sections included questions around trading protocols used by asset class in small versus large sized trades, innovation and, lastly, the consolidated tape. This survey was fully anonymised, and the survey questions were directed to both buy-side and sell-side participants, as well as trading platforms. If members would like to get involved in the ETWG and/or complete the online survey, please get in touch with the ETWG contacts to receive the online or word form.

The second meeting of ICMA's ETWG was held in person at ICMA's offices (with an option to dial in) on 1 July with the objective of discussing the ETWG survey results and other topics of relevance in the second quarter with members, as well as recent initiatives around axe distribution guidance. The ETWG was also joined by Armin Peter who provided a brief presentation on the ICMA Primary Market Innovation Project.

Contacts: Nina Suhaib-Wolf and Aman Gill
nina.suhaib-wolf@icmagroup.org
aman.gill@icmagroup.org

Pre-hedging: IOSCO roundtable

In November 2024, IOSCO published its consultation report on pre-hedging, to which ICMA responded on 21 February 2025. The IOSCO report included a set of recommendations and further questions for consideration to IOSCO members, following an IOSCO survey on pre-hedging that was previously conducted at the end of 2023. ICMA's response was provided by a newly formed ICMA Pre-Hedging Working Group, consisting of sell-side, buy-side and trading platform members of ICMA's Secondary Market Practices Committee (SMPC).

Following the consultation, ICMA was invited to an IOSCO roundtable on pre-hedging in Paris on 3 June 2025, where ICMA and other stakeholders were given the opportunity to provide and discuss views, as well as to respond to a Q&A session led by IOSCO.

During the roundtable, ICMA reiterated its views presented in the consultation response and the executive summary, as highlighted in our last article on pre-hedging in ICMA's Quarterly Report Q2 2025 (page 30). In summary, pre-hedging in bond markets, being predominantly principal markets, is viewed as an important tool for risk management, with the intention to benefit the client. As such, pre-hedging should be permissible, and any future recommendations by IOSCO should be high-level principles only and in line with the existing code and standards. In terms of disclosure and consent, ICMA highlighted that there should be a sufficient degree of upfront disclosure about how and when dealers use pre-hedging, on which basis clients would then be able to decide whether and how to engage with the dealer. ICMA considers that there should not be any prescribed rules concerning trade-by-trade or post-trade disclosure, but clients should be able to request information, as part of the dealer-client relationship. It was also stressed again during the roundtable that there should not be any bifurcation between different trading channels. Further details on this topic and ICMA's views presented can be found in the IOSCO consultation report and ICMA's response.

In terms of next steps, IOSCO will consider feedback provided and intends to issue a final report by the end of 2025, which will include a definition of pre-hedging and recommendations as guidance for IOSCO members. Following the roundtable meeting in Paris, ICMA provided further thoughts to IOSCO via a letter on 30 June to address in more detail specific points and questions discussed during the roundtable. Such items included further information on how bond trades can be channelled and executed, pre-hedging in multiple RFQs, and disclosure and consent. ICMA hopes that this may be of help for any future discussions and is keen to stay engaged with IOSCO and other stakeholders to discuss this topic over coming months.

Contacts: Nina Suhaib-Wolf and Andy Hill
nina.suhaib-wolf@icmagroup.org
andy.hill@icmagroup.org

ICMA BMLT: the European investment grade corporate bond market

In June 2025, ICMA shared its preliminary data analysis for Phase II of the Bond Market Liquidity Taskforce (BMLT) initiative with the Taskforce members for their review and response.

The ICMA BMLT was created in early 2023 with the objective of undertaking an extensive "deep dive" into bond market structures and dynamics, with a view to looking constructively at factors impacting liquidity, identifying potential vulnerabilities, and making recommendations intended to improve liquidity and resilience. The Taskforce, which is made up of ICMA members active in the relevant bond markets, originally focused on the core European sovereign bond markets, producing a report in March 2024. It was agreed that Phase II would focus on the European investment grade corporate bond market.

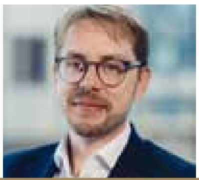
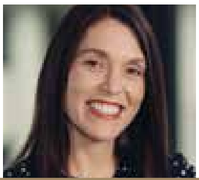
In the latter part of 2024 and first half of 2025, ICMA began collating relevant data and undertaking analysis with a view to forming some preliminary observations on the nature, structure, and liquidity of the market. This initial analysis has now been shared with BMLT members for their review and reactions. The intention is that this will prompt suggestions for further helpful analysis, as well as member input, both qualitative and quantitative, to support the initiative and to help form any conclusions or potential recommendations. This will be followed by a series of interviews with BMLT members and other market participants, projected for the second half of 2025.

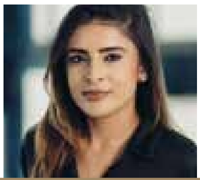
Any members who are interested in reviewing this preliminary analysis, contributing to its evolution, or participating in the related interviews should reach out to Simone Bruno or Andy Hill who are leading this work through the ICMA Secretariat. The objective is to produce a report with recommendations for enhancing liquidity and resilience in the corporate bond market, currently projected for late 2025.

Contacts: Simone Bruno and Andy Hill
simone.bruno@icmagroup.org
andy.hill@icmagroup.org

Repo and Collateral Markets

by **Andy Hill, Alexander Westphal, Deena Seoudy, Zhan Chen, Aman Gill** and **Alex Tsang**




ICMA's ERCC and GRCF

Save the date - ERCC AGM and Conference 2025, London, 19 November: ICMA is pleased to announce that this year's European Repo and Collateral Council (ERCC) Annual General Meeting and Conference will be held on Wednesday 19 November in London, in a new, extended format compared to previous years. The half-day event will be kindly hosted by Euronext in London's Fishmongers' Hall. The programme will cover a mix of panel discussions and keynote speeches involving senior market practitioners, ICMA experts and public sector representatives. Participants will discuss the current state and outlook for the repo market, as well as touching on the latest regulatory developments and related ICMA initiatives. The event will be a great opportunity for the wider repo community to get together. Further details will be announced shortly, along with a link to register for the event. We are looking forward to seeing many of you in London for this occasion.

ERCC Committee meetings: On 17 June 2025, members of the ERCC Committee came together in Madrid for their latest meeting. Held in the margins of the annual ISLA Conference, the meeting covered a broad range of current topics. Besides the usual exchange of views on repo market conditions, members reviewed the latest proposals put forward in the context of the ongoing T+1 transition in Europe, specifically as they relate to SFTs (see more below). The meeting was also an opportunity to get some further steer from members on the ongoing review of the ERCC governance framework and rules, specifically as it related to the Committee. Further details will be communicated to the wider ERCC membership following the next Committee meeting which is due to be held in September. Minutes of Committee meetings are made available to all ICMA members (login required) once approved by the Committee in the following meeting.

GRCF meetings: On 14 May, ICMA's Global Repo and Collateral Forum (GRCF) held its second meeting of 2025. As usual, the virtual session covered a broad range of topics, including regional repo market developments across Europe such as details on the European transition to T+1 as well as updates from other regions, including APAC, MENAT and Africa. Furthermore, members discussed a number of relevant global themes, with a particular focus this time on the Non-Bank Financial Intermediation (NBFI) agenda. Other updates covered the latest legal developments related to the GMRA as well as the latest repo best practice discussions. The GRCF is open to all ICMA members with an interest in global cross-border repo markets. If you would like to join, please send an email to grcf@icmagroup.org.

ERCC Professional Repo and Collateral Management Workshop: The ERCC's flagship educational event returns in 2025. The two-day event will follow a similar structure to past years and will build on the success of the 2024 edition which was hosted by UBS in London. A date for the event has not been confirmed yet but we are planning to hold the event in October 2025, again in London. Further details will be announced in due course, along with a link to register. As usual, the workshop will be open to all members at a significantly discounted fee. We have not yet confirmed a host for the event, so any member firm who would like to support the event, please get in touch.

@ **Contact: Alexander Westphal**
alexander.westphal@icmagroup.org

T+1 and SFTs

Optimising SFT settlement

As noted in the Secondary Market section of this Quarterly Report, on 30 June 2025 the EU Industry Committee published its *High-Level Roadmap to T+1 Securities Settlement in the EU,* which is scheduled to go ahead in October 2027. The report is the culmination of several months of intense work within the Industry Committee itself as well as its ten Technical Workstreams (TW) which have been established to work on the different focus areas.

The final Roadmap sets out a long list of key recommendations, put forward by the TWs, which span across nine areas, ranging from trading considerations to matching and confirmations, and settlement. Those areas broadly reflect the ten TWs. SFTs have of course been a key area of focus. While SFTs as a product class are expected to be exempted from the T+1 requirement itself (see next section), it has always been clear that they will be disproportionately impacted by the move to T+1, given their inherent role to support firms' cash market trading and liquidity management. This means that most SFTs will have to settle within the cash market settlement cycle, so on a T+1 or even T+0 (or same-day) basis. This will be challenging to achieve, especially in a still very fragmented EU market, and will require a much higher level of automation and a serious rethink of the current post-trade process for SFTs more broadly. In order to facilitate T+1 without undermining current levels of settlement efficiency and market depth, the SFT workstream, which has been coordinated jointly by ICMA and ISLA, put forward almost 30 recommendations across seven thematic areas. On the securities lending side, key considerations include securities lending recalls and the related timelines and automation of the process, as well as pre-matching. On the repo side, a lot of focus has been on the usage of settlement optimisation tools which are considered to be critical to support settlement efficiency in a T+1 environment. These include many of the tools that the ERCC has been focused on for a long time and which are already considered as best practice in the repo space, including the shaping of settlement instructions, automatic partial settlement, as well as the use of auto-collateralisation and auto-borrowing facilities offered by (I)CSDs. All of these will help in the journey to T+1 and are critical from a repo perspective, although they obviously apply to other instrument types as well and have therefore been included in other sections of the report.

However, there is a concern that those optimisation tools alone might not be sufficient in the absence of more structural changes at the market infrastructure level. In particular, the repo community is concerned about the systemic implications of a significant shift of the repo market to T+0 settlement. In the current settlement set-up, repos that are traded for same-day settlement are not subject to any settlement netting, as they settle in the real-time gross settlement (RTGS) cycle during the day and are not subject to CCP netting either. This is less efficient and potentially costly as it requires firms to mobilise more intraday liquidity. If a significant share of the repo market moves to T+0 settlement, this could therefore mean a substantial increase in intraday liquidity costs for the industry, which could also have a knock-on impact on settlement efficiency more broadly, if it leads firms to hold back deliveries as they optimise their intraday liquidity management. Given the significant size of the repo market and the volumes affected, this is potentially a systemic risk.[1] In order to mitigate these concerns, the SFT workstream has recommended the introduction of an additional "batch", ie net settlement cycle in T2S (and the ICSDs) during the day to provide additional netting opportunities primarily for repos but also for other transaction types and act as a "gating event" to incentivise firms to settle early in the day. This proposal has triggered extensive discussions within the Industry Committee that are still ongoing. In particular, it is clear that implementing such a proposal would be a substantial change of the current set-up that would require a significant effort from the infrastructure providers but would also come with additional risks that need to be carefully considered. The discussion will continue over the summer and we will keep members informed. If you would like to get involved in the discussion, please do reach out.

SFT exemption

In terms of legislative changes, the move to T+1 requires amending the EU CSD Regulation (CSDR). The Commission put forward the related amendment proposal back in February, which has subsequently been discussed by co-legislators as part of the regular legislative adoption process, which is currently in its final stage. An important element in this discussion has been the question of whether SFTs require an explicit exemption from the T+1 rule. The ERCC has strongly advocated for such an exemption, given that by their very nature SFTs do not have a standard settlement cycle and require full flexibility for firms to agree settlement dates. This had been overlooked in the initial CSDR discussions in the context of the move to T+2 in 2014, so the move to T+1 was seen as an opportunity to clarify the treatment of SFTs. The initial Commission proposal, issued in February, did not include any specific provision for SFTs. However, after extensive discussions, the issue has been clearly acknowledged by co-legislators in the subsequent adoption process and both Council and Commission agreed to include an explicit exemption for SFTs in their final compromise text.

Contact: Alexander Westphal
alexander.westphal@icmagroup.org

1. While market behaviour is extremely difficult to predict, the SFT workstream has attempted to quantify the issue, based on current data, as well as a broader member survey undertaken by ICMA. The results remain somewhat ambiguous. What is clear is that the affected repo volumes are very significant. Based on an ICMA survey, respondents expected on average that around 20% of repo transactions (in value terms) will settle on a same-day basis once T+1 goes live. Based on SFTR reporting data, this would translate to transactions worth around EUR600 billion per day. This could be significantly higher if we consider the UK market as a relevant precedent (given that gilts are already on T+1) where already over 40% of the repo market settle on a same-day basis.

Treatment of reverse repos under NSFR

On 31 March 2025, the European Commission had put forward a "quick fix" proposal to amend the NSFR provisions in the EU Capital Requirements Regulation (CRR) to permanently maintain the current (reduced) RSF factors for short-term reverse repos (0% for Level 1 and 5% for non-Level 1). In the absence of such an amendment, the CRR stipulated that the respective RSF factors for reverse repos with terms less than six months were bound to increase to the proposed Basel levels of 10% and 15% from 28 June 2025. The projected increase had caused widespread concerns in the industry, shared by ICMA, which were also supported by a number of EU Member States, DMOs and the ECB. The proposal subsequently went through the legislative adoption process. As the co-legislators both opted to leave the Commission proposal unchanged, it was possible to follow an accelerated procedure without need for so-called trilogue negotiations, which made it possible to conclude the process just in time before the end of June deadline.

On 25 June, following formal adoption, the NSFR "quick fix" was published in the EU's *Official Journal* (OJEU). Following publication, the final text entered into force on 26 June and applied from 29 June, overwriting the current CRR provisions which would have seen the respective RSF factors revert to the higher Basel levels. The "quick fix" solution addresses the concerns raised by the industry and other stakeholders. The ERCC has been a leading proponent for the amendment through our bilateral engagement with authorities as well as our formal response to the Commission's initial call for evidence, reiterating the arguments and evidence that had been previously provided.

Contacts: Andy Hill and Alexander Westphal
andy.hill@icmagroup.org
alexander.westphal@icmagroup.org

LCR and open reverse repos

On 14 May 2025, the EBA published an updated report on the monitoring of LCR and NSFR in the EU, which includes important additional guidance for firms related to the EBA's updated Q&A on the treatment of open reverse repos under the Liquidity Coverage Ratio (LCR) which had been released in May 2024. The updated Q&A specified that an institution is able to recognise "the relevant inflow if it can demonstrate to the supervisor that the open reverse repo would be called and effectively mature under certain circumstances, within the following 30 days". The Q&A already anticipated that the EBA would provide further guidance specifying how firms are expected to meet this condition and this has now been provided. In short, the EBA guidance sets out two approaches: the first one builds on the definition of trigger events in a firm's liquidity risk management policy that lead to termination of open reverse repos, and the second one is based on historical experience in times of stress. Both approaches are described in more detail in the EBA report (see page 11). The ERCC is currently reviewing the guidance and is considering whether any further outreach is required. The ERCC had initially raised its concerns with the previous version of the EBA Q&A back in 2022, followed by several discussions with the EBA and written ERCC submissions providing further supporting evidence for the request to update the Q&A to clarify the treatment of open reverse repos.

Contacts: Andy Hill and Alexander Westphal
andy.hill@icmagroup.org
alexander.westphal@icmagroup.org

NBFI and repos

In February 2025, ICMA submitted its response to the Financial Stability Board's (FSB) consultation report on addressing financial stability risks arising from leverage in Non-Bank Financial Intermediation (NBFI), which touches on many aspects that are relevant to repo markets, particularly around proposed "entity based measures" such as minimum haircut floors and mandatory CCP-clearing. Further to the end of the consultation period, the FSB has been working on its final recommendations which are expected to be released on 9 July. On the same day, the FSB will be holding a webinar to present and discuss those recommendations. The event will be hosted by Andrew Bailey, FSB Chair and Governor of the Bank of England, who will be joined by senior representatives of the ECB, the FCA and the FSB Secretariat. The FSB has made all (public) responses to the consultation available on its website.

On 15 May, on the back of the FSB consultation and the increased focused by regulators on NBFIs more broadly, ICMA published a position paper on *NBFI Macroprudential Framework for Bond Market Activity* which summarises the position of the association on the topic, commenting extensively on the repo-specific aspects of the issue. The paper is discussed in more detail in the Asset Management section of this Quarterly Report.

Contacts: Andy Hill and Alexander Westphal
andy.hill@icmagroup.org
alexander.westphal@icmagroup.org

The EU's Simplification and Burden Reduction agenda: SFTR proposals

Under the umbrella of the EU's Savings and Investment Union (SIU), one of the objectives is regulatory "Simplification and Burden Reduction" (SBR). In its response to the Commission's targeted consultation on the integration of EU capital markets submitted on 10 June 2025, ICMA highlighted significant opportunities for simplification in transaction reporting, particularly under EU SFTR. The current SFTR framework is considerably more complex than equivalent regimes in other major jurisdictions, placing a disproportionate compliance burden on firms. ICMA emphasised that simplifying these rules would improve clarity, reduce costs, and enhance data consistency and usefulness.

Along with members of the SFTR Taskforce, ICMA has undertaken a comprehensive review of SFTR reporting requirements and put together a detailed list of proposed improvements based on issues flagged by members over the years. The SBR agenda provides a good opportunity to advocate for some of those constructive proposals which would ultimately benefit the industry as well as regulators. Building on the momentum, on 23 June, ESMA launched a call for evidence on *A Comprehensive Approach for the Simplification of Financial Transaction Reporting* for a structural review of existing reporting requirements across different regimes. ICMA is currently reviewing the consultation with members and will be preparing a response to be submitted by the deadline on 19 September. Members who would like to be involved in the work, please reach out to the Secretariat.

Contact: Zhan Chen
zhan.chen@icmagroup.org

ERCC initiative on repo manufactured payments

As part of its wider focus on post-trade efficiency, the ERCC has focused over the past few months on concerns related to the processing of repo manufactured payments and potential ways to help automate the process. The discussion has been led by the ERCC Operations Group, which established a dedicated working group on the topic led by Manoj Shah, Lloyds. Based on the discussions, the ERCC put together a short background note on the topic explaining the basic problem statement and potential solutions. Furthermore, in order to better understand the scale of the issue and market expectations towards potential solutions, the ERCC launched an online member survey in March this year. Based on the helpful feedback received from 17 firms, ICMA compiled a summary of the responses which is available on the ICMA website. In terms of key findings, the survey confirms the problem statement and the demand for further automation, preferably directly at CSD level. The survey also explored related and long-standing issues with the identification of SFTs at settlement level which result from the inconsistent usage of the transaction type identifier field. The survey results clearly show that there is a need for ICMA to further engage on the topic, which we are planning to do.

Contacts: Alexander Westphal and Aman Gill
alexander.westphal@icmagroup.org
aman.gill@icmagroup.org

ICMA GMRA legal updates

Annual legal opinion update: The 2025 annual ICMA GMRA legal opinion update was published on 14 April 2025. The ICMA GMRA legal opinions library has been expanded this year to include a new legal opinion to address certain counterparty types in Northern Ireland, as well as updates to the more recently added jurisdiction of Ghana. Coverage of the GMRA Digital Assets Annex is now also included across six jurisdictions: Belgium, England, France, Germany, Luxembourg and Switzerland.

The ICMA GMRA legal opinions are accessible on aosphere.com. Members who have not yet registered with aosphere can do so by contacting aosphere directly.

More information on the ICMA GMRA Legal Opinion Subscription can be found on ICMA's website. Alternatively if you have any questions, please do contact our membership team.

ICMA GMRA Repo Legal Working Group: The ICMA GMRA Legal Working Group is composed of legal representatives from member firms. The Working Group provides a forum in which to discuss legal developments relevant to the GMRA and related matters, as well as potential and future initiatives. Meetings are held at least once a quarter and *ad hoc* as required.

If you would like to be, or would like to nominate, your legal representative to be an active participant in the Legal Working Group or have any questions on the legal updates, please do reach out to Deena Seoudy directly.

Contact: Deena Seoudy
deena.seoudy@icmagroup.org

SEC US Treasury clearing mandate

As discussed in previous ICMA Quarterly Reports, SEC Rule 17ad-22(e)(18)(iv)(A) and (B) effectively mandates central clearing for transactions in US Treasuries, including repo transactions. In February 2025 the application date was extended, so that eligible cash transactions would come into scope from 31 December 2026 and eligible repo transactions from 30 June 2027. While there are some exceptions, any entity transacting cash or repo transactions in US Treasuries with a direct participant of a Covered Clearing Agency (currently only FICC) is likely to be in scope. This also includes transactions with branches of direct participants. Accordingly, many entities, globally, which currently do not have access to clearing for US Treasuries will need to establish access, either through direct or indirect arrangements.

ICMA is actively working with members to understand better the scale and associated challenges of the work that needs to be undertaken to comply with the new Rule, particularly for those members outside of the US, and especially in the APAC, MENA, and SSA regions. This includes both formal and informal outreach to members to try to ascertain not only the need to establish clearing arrangements, but also any concerns or ambiguities related to the potential scope of the Rule. This will help ICMA in its discussions with both FICC and the SEC.

Any members, particularly located in the aforementioned regions, who have questions related to the potential scope of clearing requirements, are encouraged to contact ICMA. While we are not in a position to provide legal guidance, we are keen to understand better the issues that members are grappling with and, where required, to seek clarity from the relevant officials. If they have not done so already, members are also encouraged to reach out to their US Treasury counterparties to determine whether or not this activity falls into the scope of the clearing requirement and, if so, what options are open to them in order to comply with the mandate.

Contacts: Zhan Chen, Alex Tsang and Andy Hill
zhan.chen@icmagroup.org
alex.tsang@icmagroup.org
andy.hill@icmagroup.org

Asset Management


by **Irene Rey** and **Andy Hill**

ICMA NBFI position paper

On 15 May 2025, the ICMA Asset Management and Investors Council (AMIC) published a position paper on an *NBFI Macroprudential Framework for Bond Market Activity*. The paper was prepared based on the two recent responses to key NBFI consultations: the European Commission's consultation paper on *Assessing the Adequacy of Macroprudential Policies for Non-Bank Financial Intermediation* (November 2024), and the FSB's consultation report on *Leverage in Non-Bank Financial Intermediation* (February 2025), as well as drawing on previous ICMA work (including *The European Commercial Paper and Certificates of Deposit Market*, September 2021, and *Liquidity and Resilience in the Core European Sovereign Bond Markets*, March 2024). The paper also incorporates input from other ICMA constituencies, including the European Repo and Collateral Council (ERCC).

Overview

The universe of so-called non-bank financial intermediaries (NBFIs) is inherently diverse. Nonetheless all of these entities undertake some bank-like activity, and all play a role in financing economies. Furthermore, all of these entities are subject to varying degrees of regulation and transparency which may differ across the jurisdictions in which they operate. It may be difficult therefore to assess fully the risks that some of these entities could pose to wider financial stability, particularly where they operate on a cross-border basis.

Based on extensive engagement with its members, ICMA believes that the answer to this is to create a more even, but proportionate, playing field with respect to non-bank regulatory reporting, as well as a cross-jurisdictional framework for the sharing of regulatory data and the coordination of market surveillance.

Liquidity and market functioning

ICMA notes that asset managers and investment funds are already governed by very robust regulatory frameworks, which have also recently been reviewed and enhanced at both EU and global levels including addressing the potential for liquidity mismatches in OEFs. With respect to money market funds (MMFs), the existing EU MMFR imposes rigorous rules on management between the assets and liabilities of the fund through compliance of liquidity ratios (daily and weekly), adapted to the various types of MMFs. The existing liquidity ratios have proven their resilience during the COVID-19 crisis as no major failures were observed despite challenging conditions. Delinking, which is widely supported by the industry and policy makers, would further increase the resilience of those MMFs which are subject to the link between liquidity levels and liquidity management tools.

Given the current licensing as well as depth of monitoring and reporting concerning the regulated NBFI entities and activities, systemic liquidity risk is most likely to materialise in the activities which are less monitored and are less known. In order to manage effectively any potential systemic liquidity risk, there needs to be greater monitoring and oversight of the less monitored or non-regulated entities and activities where systemic risk is most likely to materialise.

Addressing excessive leverage in NBFIs

Derivatives can be an important tool for investors to hedge both market and liquidity risks. Their impact is dependent on how they are funded and used (hedging of risk versus taking risk exposure) and the type of NBFI entity. Leverage is therefore a fundamental feature of bond markets, helping to support both liquidity and risk management. Any policy measures intended to manage risks to market stability as a result of excessive leverage therefore need to take into account the underlying entity types deploying leverage, the motives and strategies underlying the use of leverage, the sources of leverage, as well as the relative quantum of leverage. Furthermore, this only becomes meaningful when assessed at a holistic, system-wide level.

Much has already been done to limit the creation, provision, and use of leverage in financial markets, in many cases as a considered trade-off with market liquidity. Banks, as the principal providers of leverage to non-banks, are subject to strict capital and leverage requirements under the Basel III framework. With respect to OEFs, ICMA does not consider that there are any excessive leverage concerns, and this is recognised at both global (IOSCO) and EU levels. At the EU level, UCITS funds have to comply with a leverage cap of 100% and a borrowing cap of 10%. AIFMs have to demonstrate that the leverage limits for each AIF they manage are reasonable and that they comply with those limits at all times.

Importantly, ICMA urges extreme caution about the introduction of blanket activity-based measures intended to curb leverage, either in isolation or in combination. In particular, ICMA is not supportive of mandatory central clearing for bonds and securities financing transactions (SFTs), nor the imposition of minimum haircuts for SFTs.

Monitoring and supervisory coordination

To address potential sources of systemic leverage, which is already well contained within the highly regulated NBFI sector, as well as other NBFI-related risks to financial stability, ICMA considers that the priority focus should be on developing the effective monitoring and supervision of the wider NBFI universe through market surveillance, and cooperation, by way of system-wide, cross-border, systemic counterparty risk monitoring. Additionally, streamlining disclosures and the information sharing process for NBFIs with their bank counterparties would help to increase transparency and facilitate the assessment of risk profiles and improve wider counterparty credit risk management functions.

Other measures to address liquidity risk

There are a number of additional measures that authorities could consider in order to address liquidity risk faced by NBFIs. These include expanding collateral eligibility to meet margin requirements, removing barriers to NBFI access to central clearing for SFTs, and taking steps to support secondary market liquidity both in the core sovereign bond markets and short-term markets.

The position paper is intended to provide a platform for further engagement with global standard setting bodies, such as the FSB and IOSCO, as well as at the regional and national level, both at the macroprudential and markets level.

Contacts: Irene Rey and Andy Hill
irene.rey@icmagroup.org
andy.hill@icmagroup.org

IOSCO Investment Funds Statistics Dashboard

As part of its ongoing work related to NBFIs, IOSCO has launched a new Investment Funds Statistics Dashboard, providing a comprehensive view of the global investment funds industry. This Dashboard aggregates data on both public and private funds, offering detailed insights into individual jurisdictions and regions, and enhancing transparency and comparability of leverage and exposures.

The first publicly available Dashboard to combine data on both public and private investment funds, the Dashboard offers a detailed perspective on the investment funds landscape, going beyond the data presented in the IOSCO Investment Funds Statistics Survey and Report. Utilising figures calculated according to IOSCO's 2019 recommendations, allowing for better analysis of leverage and exposures, the Dashboard includes data from all reporting jurisdictions, with the exception of the US. For the US, publicly available data is aggregated according to IOSCO's methodologies.

ICMA would be keen to hear from members their views on the Dashboard, as well as suggestions for enhancing both data scope and utility. We would then look to provide constructive feedback to IOSCO based on aggregated member input.

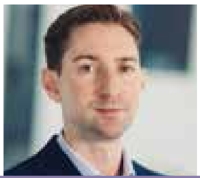
Contact: Andy Hill
andy.hill@icmagroup.org

Sustainable Finance

by **Nicholas Pfaff, Simone Utermarck, Valérie Guillaumin, Özgür Altun** and **Stanislav Egorov**







Summary

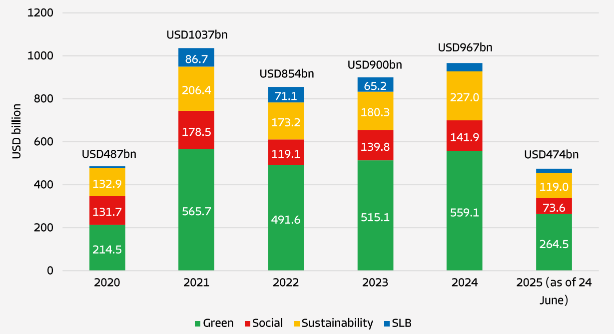
We provide a mid-year update on the issuance volumes and trends of the sustainable bond market. We follow with a report on the new best practice guidance published at the time of the Principles AGM hosted on 26 June by the EBRD in London. We also look at the detail of the key delivery of the AGM represented by a *Practitioner's Guide for Sustainable Bonds for Nature.* We otherwise summarise regulatory developments internationally while providing a dedicated commentary on negotiations relating to the EU Omnibus.

Sustainable bond market update

As of 24 June 2025, sustainable bond issuance totalled over USD474 billion, marking a 13% decline compared to the same period in 2024. Year-to-date (YTD), sustainable bonds represent 10% of total bond issuance, down slightly from 11% in 2024.

Europe remains the leading region for sustainable bond issuance, accounting for 42% of the YTD total, followed by Asia at 28% and supranationals at 23%. Issuance by SSAs comprised 48% of total sustainable issuance, with corporates and financials accounting for 27% and 25% respectively.

Global sustainable bond issuance per category (USD billion)



Source: ICMA based on LGX DataHub and Bloomberg data as of 24 June 2025

Green bonds remain the dominant segment of the sustainable bond market, with USD265 billion issued YTD, accounting for 56% of total sustainable bond issuance. Since the EU Green Bond Standard (EU GBS) became applicable from December 2024, several issuers have sold their first bonds aligned with this voluntary standard. Notably, Norsk Hydro and the Comunidad de Madrid each issued EUR500 million bonds with 8-year and 5-year maturities. The European Investment Bank also issued its first Climate Awareness Bond (EUR3 billion 12-year) aligned with the EU GBS. Other notable green bond transactions include Masdar, a UAE-based clean energy company, issuing USD1 billion through a dual-tranche deal (5-year and 10-year), and CAF, Development Bank of Latin America, raising EUR100 million through its inaugural blue bond issuance.

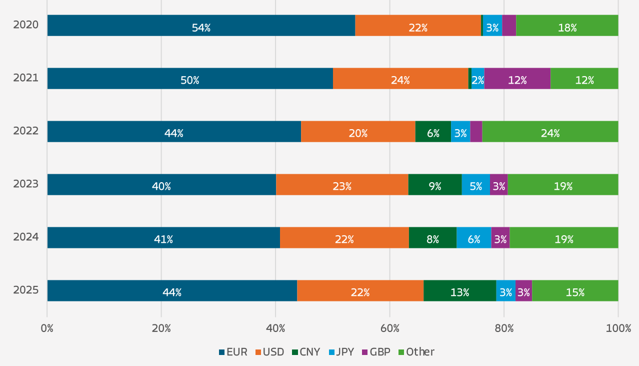
Social bond issuance exceeded USD73 billion, accounting for 15% of total sustainable bond issuance. Major transactions include Unedic's EUR2 billion 10-year, Council of Europe Development Bank's USD1 billion 10-year, and African Development Bank's EUR1 billion 5-year bond.

Sustainability bond issuance reached USD119 billion, comprising 25% of total sustainable bond issuance year-to-date. Highlighted transactions include IBRD raising USD9 billion through USD4 billion 3-year and USD5 billion 7-year bonds. In addition, Ethias, a Belgian insurance company, sold its inaugural sustainability bond, EUR300 million with a 10-year maturity. Moreover, Agence Française de Développement returned to the sustainable bond market with a EUR1.5 billion 5-year sustainability bond.

Sustainability-linked bond issuance surpassed USD17 billion year-to-date. Slovenia became the first European sovereign to issue an SLB, raising EUR1 billion through a 10-year bond. The bond features both step-up and step-down provisions, depending on whether the issuer meets its greenhouse gas emissions reduction targets.

In terms of issuance currencies, EUR and USD shares have remained stable in recent years, with EUR consistently accounting for the largest share. CNY has gained momentum, rising from 6% in 2022 to 13% in 2025. JPY and GBP shares remain modest and largely unchanged, while issuance in other currencies has declined from its 2022 peak.

Sustainable bond issuance breakdown by region (%)



Source: ICMA based on LGX DataHub and Bloomberg data as of 24 June 2025

AGM of the Principles and new best practice guidance

The Executive Committee of the Green, Social, Sustainability and Sustainability-Linked Bond Principles (the "Principles") announced updated best practice guidance for the sustainable bond market on 26 June 2025 during its AGM in London hosted by the European Bank for Reconstruction and Development (the "EBRD").

The key publication released was the *Sustainable Bonds for Nature: a Practitioner's Guide*. This Guide is meant to be used in conjunction with the Principles and is intended for use by all types of issuers (private and public sector). It acts as an additional thematic guidance for use of proceeds (UoP) bonds such as green bonds or sustainability bonds to finance projects supporting nature, considering that such activities span all eligible green project categories.

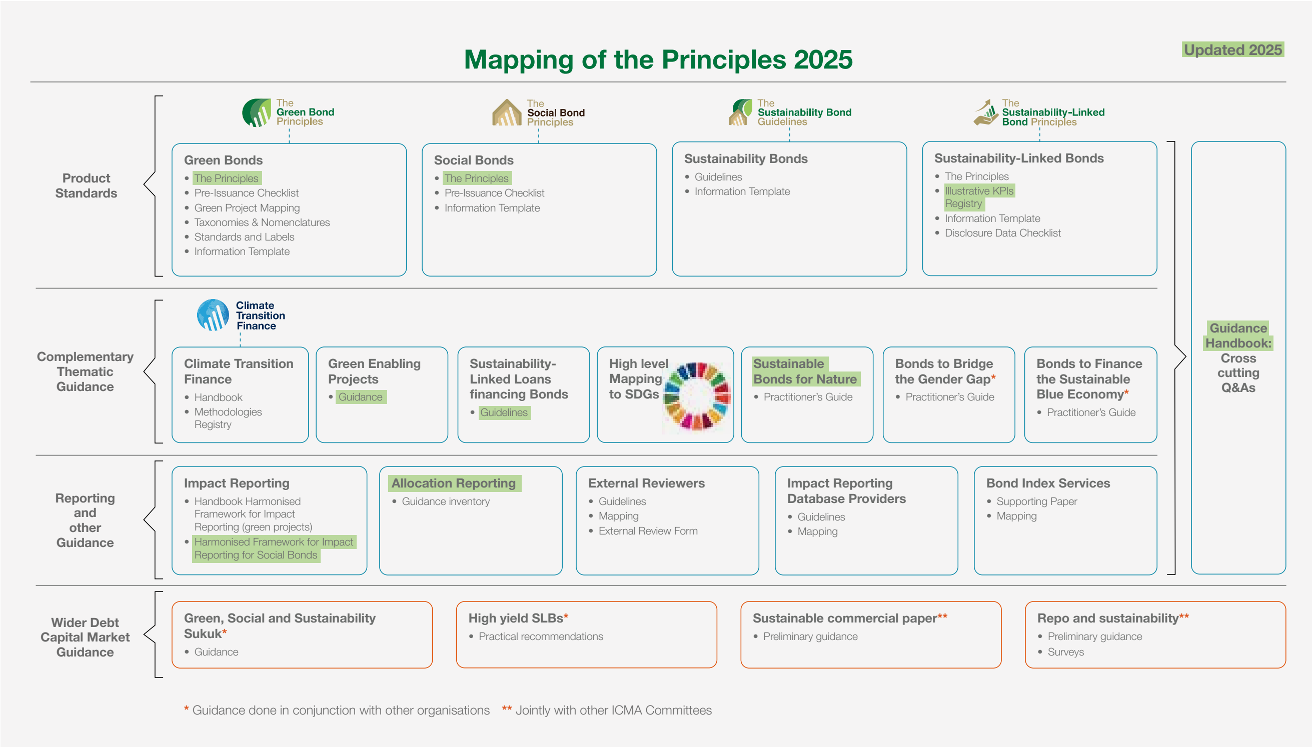
The Guide also provides issuers of green bonds with proceeds exclusively applied to finance nature-related projects with the option to use the secondary designation of a "Nature Bond". It otherwise points to the potential for sustainability-linked bonds to incorporate nature-related key performance indicators (KPIs). The Guide is further described in the box below.

The Executive Committee of the Principles have also released various guidance documents and updates that complement existing publications, specifically:

- An update of the Green Bond Principles with a clear reference to the Green Enabling Projects Guidance and an extension of the definition of Green Projects to include "activities" (this second point being also mirrored in the Social Bond Principles).
- A new Example Checklist that provides support to users in demonstrating how their projects align with the Green Enabling Projects Guidance document. It contains illustrative examples and counterexamples for four out of the five sectors listed in the Guidance.
- Dedicated FAQs added as an annex to both the Guidelines for Sustainability-Linked Loans financing Bonds (SLLBs) and the Guidance for Green Enabling Projects, originally published in June 2024.
- Additional impact reporting metrics and sector specific guidance concerning access to essential services, as well as a new annex regarding Potential Environmental and/or Social Risks Associated with Eligible Project Categories included in the Harmonised Framework for Impact Reporting for Social Bonds.
- An expansion of the SLB Illustrative KPIs Registry, related to environmental and social themes as well as additional KPIs for sovereign issuers and a revision of the definition of secondary KPIs.
- A single document integrating all guidance on allocation reporting, the Guidance on Allocation Reporting, to facilitate its understanding and application.

Finally, the Executive Committee of the Principles updated its Guidance Handbook (Q&A) confirming the likely ineligibility of defence projects for Green, Social and Sustainability (GSS) Bonds while underlining the role of Social Bonds in supporting vulnerable populations with dedicated projects in fragile and conflict states.

In order to provide a holistic overview of the June 2025 updates and of the Principles, ICMA also published a new version of the infographic below. The infographic also incorporates for the first time the wider sustainable finance guidance for the debt capital markets that is provided by ICMA with the input of Executive Committee of the Principles which notably covers sukuk, commercial paper and repo.



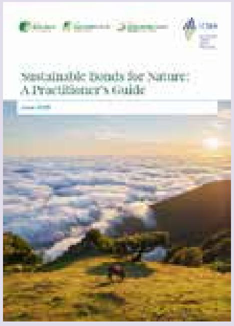
The Principles also announced the renewal of half of the 24 members of its Executive Committee following an annual vote in line with its governance. While most of the incumbents have been renewed, ING Bank and two Multilateral Development Banks have been newly elected: CAF - Corporación Andina de Fomento and the Council of Europe Development Bank.

AGM of the Principles hosted by EBRD in London

On 26 June 2025, the Executive Committee of the Green, Social, Sustainability and Sustainability-Linked Bond Principles (the "Principles"), supported by ICMA, organised its Annual General Meeting. This hybrid event was kindly hosted by the European Bank for Reconstruction and Development (EBRD) in London. Pursuant to the governance framework, attendance was restricted to the Members and the Observers of the Principles. Odile Renaud Basso, President of EBRD, provided the welcome remarks and emphasised the pivotal role that the Principles are playing in the sustainable debt capital market.

IFC and ICMA made a detailed presentation of the key publication released that day, *Sustainable Bonds for Nature: a Practitioner's Guide*. Various guidance documents and updates that complement existing publications were also released on this occasion, thanks to the active participation of many organisations through working groups and taskforces. The coordinators of each group and taskforce gave an overview of those additional publications. The AGM ended with an interactive session with the audience, including polls.

The members of the Executive Committee had then an opportunity to exchange in a more informal way with the delegates during a networking cocktail that followed the AGM. The 2025 Annual Conference of the Principles will be held in hybrid format in Tokyo, Japan, on Thursday 6 November, and will be co-hosted by the Japan Securities Dealers Association (JSDA).



New Practitioner's Guide published during AGM of the Principles

On 26 June 2025, as part of the AGM of the Principles, ICMA published a new *Practitioner's Guide on Sustainable Bonds for Nature*. The Guide was created by an Executive Committee (ExCom) of the Principles Taskforce, joined by UNEP-FI as an observer. Goldman Sachs Asset Management (GSAM), the World Wide Fund for Nature (WWF) and The Nature Conservancy (TNC) also provided feedback during the drafting process. This is ICMA's third Practitioner's Guide, following *Bonds to Bridge the Gender Gap* (2021) and *Bonds to Finance the Sustainable Blue Economy* (2023), both of which had been approved by the ExCom but drafted in collaboration with other organisations.

The Green Bond Principles (GBP) already allowed market participants to raise finance and invest in nature and biodiversity related projects such as soil remediation under "Pollution, Prevention and Control"; environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation; and preservation or restoration of natural landscapes under "Environmentally sustainable management of living natural resources and land use" and protection of coastal, marine and watershed environments under "Terrestrial and aquatic biodiversity conservation", to name the most obvious ones.

The appendix to the new Guide provides a table with additional indicative nature-related projects under the 10 eligible green categories of the GBP, as well as a list of impact reporting indicators which are mostly drawn from the existing Harmonised Framework for Impact Reporting of Green Bonds or are new. Furthermore, it includes relevant Global Biodiversity Framework (GBF) targets that projects may be contributing to achieve directly or indirectly.

With nature and biodiversity often being used interchangeably in the market, the Guide provides definitions from the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and the Convention on Biological Diversity (CBD) and then continues to use nature as a broader term with the understanding that it encompasses biodiversity, natural ecosystems, and the ecosystem services they generate.

The Guide is intended for all types of issuers (public and private) and meant to be used in conjunction with the ICMA Principles. It acts as an additional thematic guidance for use of proceeds (UoP) bonds such as green bonds or sustainability bonds to finance projects supporting nature, considering that such activities span all eligible green project categories. It also provides issuers with the option for green bonds aligned to the GBP and with proceeds exclusively applied to finance nature-related projects to use the secondary designation of a "Nature Bond". In addition, the Guide points to the potential for sustainability-linked bonds to incorporate nature-related key performance indicators (KPIs).

All nature-themed bonds should go beyond a "business as usual" (BAU) scenario and ensure identification, assessment and management of environmental and social risks and impacts associated with the projects and investments supported.

S Regulatory developments

European Union

In June 2025, the EU Council adopted its negotiating position to amend the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) in the context of the EU's Omnibus simplification efforts for sustainable finance legislation. The Council aims to reduce the scope of the CSRD by increasing the thresholds to in-scope entities' employee numbers (from 250 to 1,000 employees) and turnover (from EUR50 million to EUR450 million). Similarly, under the Council's position, the CSDDD thresholds would increase from 1,000 to 5,000 employees and from EUR450 million to EUR1.5 billion.

This is intended to scope out several thousands of corporates from ESG and GHG emissions reporting, social and environmental due diligence, and the CSDDD's requirement for the adoption and implementation of transition plans. For entities remaining in the scope of CSDDD, the mandatory adoption of transition plans would also be delayed until 2031 while their implementation would be based on "reasonable efforts" rather than "best efforts". The Council also clarified that supervisory authorities would only supervise the adoption of such plans but not their implementation.

The Council also proposed other measures to simplify the CSRD and CSDDD, among which are a strengthening of the value chain cap under CSRD reporting and focusing the CSDDD's social and environmental due diligence on direct business partners except when there is objective and verifiable information of adverse impacts among indirect business partners. We cover in detail the EU Omnibus developments in a separate feature at the end of this section.

In June 2025, EFRAG, the body which advises the EU on the development of the European Sustainability Reporting Standards (ESRS) published a progress report on its work towards simplifying the ESRS, notably by reducing the data points by over 50% and clarifying double-materiality assessments. EFRAG is expected to launch a public consultation on the revised standard over the summer period.

In June 2025, ESMA published its Final Report on technical advice concerning the Prospectus Regulation and the Regulatory Technical Standards (RTS) updating the Commission Delegated Regulation (CDR) on metadata (see notably pages 38-64 for sustainable bonds and ESG aspects). Among other things, the Final Report proposes the introduction of an ESG Annex 21 providing some mandatory disclosures for non-equity securities advertised as taking into account ESG factors or pursuing ESG objectives, including European Green Bonds (see here pages 103-108). As background, ESMA issued this report in response to the EC's request for technical advice in June 2024, and ICMA previously responded to the ESMA's consultation. The EC will now take a decision on the adoption of RTS within next three months, extendable by another month.

United Kingdom

In June 2025, the UK Government launched three consultations, namely on (i) climate-related transition plan requirements, (ii) UK Sustainability Reporting Standards exposure drafts, and (iii) assurance of sustainability reporting, with a deadline of 17 September. Among other things, the consultation on transition plans is inquiring whether the Government should make the development of transition plans for UK-regulated financial institutions and FTSE100 companies mandatory or follow a comply or explain approach. All these three consultations were presented as part of a plan to make the UK the sustainable and transition finance capital of the world as well as strengthen its economic competitiveness in a low carbon future.

In June 2025, the UK Transition Finance Council launched (i) a discussion paper on establishing credibility and integrity in transition finance and (ii) a call for evidence on Scaling Transition Finance through Sectoral Roadmaps (deadline: 17 July). ICMA is a member of working group one on "credibility and integrity.

APAC

In India, with the public consultation on the draft Framework of India's Climate Finance Taxonomy ended on 25 June, the Ministry of Finance will release the final framework. On 5 June, the Securities and Exchange Board of India (SEBI) introduced the Framework for Environment, Social and Governance (ESG) Debt Securities (other than green debt securities), which represents the first set of regulatory requirements governing the issuance of social bonds, sustainability bonds and Sustainability-linked bonds as ESG-labelled bonds in India.

In June, the Australian Sustainable Finance Institute (ASFI) released the Australian sustainable finance taxonomy, which covers sectors including agriculture, minerals, materials and mining, manufacturing and industry, electricity generation and supply, transport, and construction and building.

International

In June 2025, the IFRS Foundation published new guidance on climate transition plan disclosures to support the implementation of the ISSB Standards in compatibility with IFRS S2 on Climate Change. The guidance builds on the materials previously developed by the UK Transition Plan Taskforce, with adjustments for global applicability.

Update and commentary on the EU Omnibus-related developments

In our previous Quarterly Report for the Second Quarter of 2025, we had summarised the background for and the key aspects of the European Commission (EC)'s Omnibus simplification package (February 2025) for sustainable finance, as well as the preceding ICMA recommendations.

Among other things, the EC proposed to significantly reduce the personal application scope of the ESG, GHG, and transition plans disclosures by increasing the Corporate Sustainability Reporting Directive (CSRD)'s employee threshold to entities with over 1,000 employees. For background, the Non-Financial Reporting Directive (NFRD), which was in place since 2014 and replaced by the CSRD in 2023, had a threshold of 500 employees for public interest entities.

As the legislative process continues in both the European Parliament and the Council separately, the co-legislators are now discussing to even further reduce the scope of ESG and GHG emissions reporting. Most recently, the Council adopted its negotiating position where it aims to increase also the net turnover threshold of CSRD from EUR50 million to EUR450 million. In the Parliament, there are proposals to increase the employee threshold to 3,000. In June, the German fund industry association BVI estimated that the EC's Omnibus proposal to increase the threshold to 1,000 employees alone would exempt 2,415 listed EU companies, representing nearly 50% of the market, from ESG and GHG reporting, while a combined increase to 3,000 employees and EUR450 million turnover would leave a total of 854 companies in scope instead of the original scoping of an estimated 45,000 companies[1].

In parallel, there are discussions about significantly reducing the scope of the Corporate Sustainability Due Diligence Directive (CSDDD). For background, this legislation is generally focused on environmental and social due diligence on supply chains, but its Article 22 currently provides an obligation for some companies to adopt and implement transition investment plans, going beyond a disclosure requirement. According to the Council's negotiating position, the overall scope of the CSDDD would be reduced to entities with 5,000 employees (instead of 1,000) and net EUR1.5 billion turnover (instead of EUR450 million). Several thousands of companies would therefore no longer be required by law to develop and implement transition investment plans, while those remaining in scope would also be subject to lighter requirements and a schedule delayed until 2031. In the Parliament, there are proposals to delete the transition plan provision of the CSDDD entirely.

As a reminder, in its February 2025 position paper, ICMA neither argued for a reduction in the CSRD's scope nor for the deletion of the transition plan requirement, but rather for a substantial simplification of the applicable European Sustainability Reporting Standards (ESRS) themselves. We argued that mandatory reporting for all organisations in scope of the CSRD to essential data points and disclosures (eg on the model of EFRAG's existing LSMEs) without compromising the double materiality perspective and the consistency with the ISSB standards. Further simplification could also be envisaged through focusing on sector-specific applications of ESRS, quantitative information deemed decision-useful for investors, and legal safe harbours for materiality assessments to reduce external consultation reliance. In this context, EFRAG is working towards a simplified standard to reduce ESRS' data points by over 50% alongside other important simplification measures, with a public consultation planned for the summer period (see the recent Progress Report).

Also to note is that, in May 2025, the European Central Bank (ECB) published an Opinion on the Omnibus. While expressing support for the ongoing simplification and competitiveness efforts, the ECB called for a balanced approach and highlighted the importance of harmonised, standardised, and reliable ESG data to attract capital to achieve the EU's green and transition policy goals, thus, its longer-term competitiveness. The ECB has otherwise cautioned that the absence of ESG disclosures, and notably, on GHG emissions and transition plans could lead to a mispricing of financial risks and create systemic risk including for investors and banks.

1. According to the EC's staff paper, assuming that 30% of subsidiaries report and do not make use of the subsidiary exemption, the number of undertakings that publish a sustainability statement in accordance with the current CSRD/the ESRS would be about 45,000. According to the ECB, the current scope of the CSRD is estimated to cover only around 37% of CO_2 of EU undertakings with the rest being from SMEs who were already out of scope. With the EC's Omnibus proposal of 1,000 employees, the CSRD's scope of covered entities would be reduced to between 7,689 and 13,707 companies, depending on the use of subsidiary exemptions.

In our recent engagement with asset manager members, we have noted both the support for the overall simplification efforts but also concerns about how it is being done. Most notably, wide ranging exemptions from ESG reporting rather than a calibrated simplification of the reporting standards could perpetuate the historical data gaps issue for market participants. Reservations have also been expressed on the proposals by the co-legislators to even further cut the CSRD's scope beyond the EC's Omnibus proposal of 1,000 employees, as well as on the proposed deletion of the CSDDD's transition plan requirement.

Even in the context of a future simplified SFDR, key reporting obligations and metrics for asset managers (eg GHG emissions reporting, biodiversity etc.) are likely to remain in place. Moreover, in December 2024, Morgan Stanley reported in a survey that 65% of 295 asset owners and 57% of 606 asset managers have now set net zero targets and plans. To deliver on these and track progress, financial institutions will need their investees transitioning and reporting on GHG emissions' reduction. The absence of key data may further cement reliance by market participants on third-party data which will be costlier and less reliable due to reliance on proxies and estimates. It is also possible that investees themselves may face increased costs where they would face individual data requests from investors without harmonisation benefits of a usable standard.

We would not expect the unavailability of ESG/GHG reporting to cause immediate negative impact on the sustainable bond market. Nonetheless, a lack of mainstreamed reporting could deprive the sustainable bond market from potential and important synergies. Investors are assessing broader entity sustainability strategies when evaluating green and other sustainable bonds. Our 2024 report on transition finance noted that the widespread adoption of transition plans integrating international reporting standards such as the ISSB's IFRS S2 and the EU's ESRS would support the development of transition finance and of specifically transition-themed sustainable bond issuances by reducing risks related to greenwashing and carbon-lock in and support the SLB market practices (pages 20-21).

Longer term, deleting the requirement for transition plans in the CSDDD may mean less green and decarbonisation investments and financing as these are essentially green and decarbonisation CapEx and OpEx investment plans. Conversely, their widespread availability could boost related investments and economic activity. The Network for Greening the Financial System (NGFS) recently published the first ever publicly available tool to analyse the potential near-term impacts of climate policies and climate change on financial stability and economic resilience, where it explained how green investments can provide a counterbalancing macroeconomic boost to the expected GDP losses from climate risks (see page 34-35). At jurisdictional level, Japan and China are already emerging as good case studies.

Lower ambition and less ESG data availability in the EU could affect international standardisation efforts under the ISSB while also making its output less relevant for investors in sustainable and transition themes. A recent Morgan Stanley survey indicated that 78% of over 900 asset owners and managers expect assets in sustainable funds to grow in the next two years driven by new mandates and higher allocations.

Contacts: Nicholas Pfaff, Simone Utermarck, Valérie Guillaumin, Özgür Altun and Stanislav Egorov
nicholas.pfaff@icmagroup.org | simone.utermarck@icmagroup.org | valerie.guillaumin@icmagroup.org
ozgur.altun@icmagroup.org | stanislav.egorov@icmagroup.org

FinTech and Digitalisation

by **Georgina Jarratt, Gabriel Callsen** and **Emma Thomas**



FinTech Advisory Committee

Following the appointment of new Co-Chairs in 2024, ICMA conducted a review of the FinTech Advisory Committee's *modus operandi* and constitution. The purpose was to ensure that ICMA's strategic priorities and diverse membership are reflected by the Committee in order to most effectively oversee and guide ICMA's work on FinTech and Digitalisation topics, while also continuing to strive for better gender diversity in the group.

As a result, a wide range of ICMA member firms and individuals were invited to join the Committee with a view to strengthening its AI expertise, expanding its geographic reach and ensuring a balanced representation of international bond market stakeholders, including notably market infrastructures as well as further SSA and corporate issuers.

The Committee held its first meeting in its new composition on 27 February 2025. The Q2 meeting was held on 30 April. The Committee reviewed and amended its mission statement, which reflects evolving market dynamics, the speed of technological change, as well as legal and regulatory developments. In a *tour d'horizon*, Committee members exchanged views on key developments and their ramifications for global bond market functioning, including tokenisation, gen AI and large language models, as well as digitalisation and new technologies from a market infrastructure perspective.

The Committee's new composition and its revised mission statement can be found on ICMA's website.

@ **Contact: Gabriel Callsen**
gabriel.callsen@icmagroup.org

MAS Guardian Fixed Income workstream

On 2 June 2025, ICMA announced its role as the lead of the Project Guardian Fixed Income workstream. Project Guardian, convened by the Monetary Authority of Singapore (MAS), is a global collaboration between policy makers and key industry players to enhance liquidity and efficiency of financial markets through asset tokenisation. ICMA had been running this workstream in an unofficial capacity since Q1.

The Guardian Fixed Income Framework (GFIF), first published in November 2024, sets the stage for a structured, secure and innovative environment to enable digital transformation within fixed income markets in Asia-Pacific and beyond. To that end, the workstream supplements the work being done by ICMA's DLT Bonds Working Group and is a strong addition to this important priority for ICMA. In 2025, this workstream will focus primarily on progressing two critical areas: Delivery-versus-Payment (DvP) settlement and custody arrangements for DLT-based debt securities.

The workstream will draw on ICMA's expertise and guidance, such as the DLT Bonds Reference Guide and its longstanding collaboration with stakeholders across the spectrum of international debt capital markets, to foster DLT-based bond markets as a reliable source of funding and avoid market fragmentation.

Further information can be found on the MAS Project Guardian portal.

@ **Contact: Gabriel Callsen**
gabriel.callsen@icmagroup.org

EU Savings and Investment Union: innovation and tokenisation

Innovation and tokenisation in capital markets were an important theme of the European Commission's Savings and Investment Union (SIU) targeted consultation on the integration of EU capital markets. ICMA's DLT Bonds Working Group held a series of meetings in May 2025 to contribute to ICMA's consolidated response, focusing on the EU's DLT Pilot Regime (DLTPR) in particular.

The narrow limits (representing a fraction of average daily traded volumes in fixed income securities on electronic trading venues, or daily issuance volumes of debt securities, for example), temporary exemptions and uncertainty about a participating firm's ability to exit the regime and scale are perceived as major disincentives to develop commercially viable business cases.

ICMA members recommend adopting a flexible approach to setting limits in line with market demand, providing certainty on the duration of the DLT Pilot Regime and making permanent changes within the EU's regulatory framework to enable the use of new technologies, including DLT.

A safe and robust form of "cash on chain" is considered critical to fully unlock the benefits of tokenisation. ICMA members have consistently advocated for a wholesale CBDC, enabling next-level automation, more efficient post-trade processing, and ultimately, funding for the real economy.

ICMA welcomed the decision by the Governing Council of the ECB in February 2025 to expand its initiative to settle transactions recorded on DLT in central bank money.

Furthermore, ICMA advocates for a risk-based approach to the prudential treatment of DLT-based debt securities (whether based on private or public DLT or blockchain networks) in line with the principle of technology neutrality and the concept of "same activity, same risk, same regulation".

Fostering interoperability is critical to scale DLT-based bond markets and avoid market fragmentation. ICMA recommends building on existing standards such as ICMA's Bond Data Taxonomy as well as international initiatives such as Project Guardian, in collaboration with the industry.

Further information on ICMA's DLT Bonds Working Group as well as guidance on tokenisation and DLT-based debt securities can be found here. If you would like to become involved in our work in this area, please get in touch.

Contact: Gabriel Callsen
gabriel.callsen@icmagroup.org

Green bonds, reporting and tokenisation

ICMA's Sustainable Finance and FinTech and Digitalisation combined Taskforce focuses on the question: how can technology best support the drive to sustainability? The Taskforce was launched in Q1 2025 and held a virtual workshop on 20 May. The purpose of the workshop was to explore innovative approaches in green bond transactions as well as securitisation, involving tokenisation, reporting and novel ESG data management features. The workshop was attended by more than 100 participants and featured presentations on Hitachi's digital green bonds, Project Evergreen and Project Ensemble in Hong Kong, as well as the NUS green bond reporting tokenisation initiative in Singapore. To learn more about the Taskforce, please get in touch.

Contacts: Gabriel Callsen and Simone Utermarck
gabriel.callsen@icmagroup.org
simone.utermarck@icmagroup.org

Incorporating the Bond Data Taxonomy into ISO 20022

The integration of ICMA's Bond Data Taxonomy (BDT) into ISO 20022 continues to progress. Launched in collaboration with SWIFT, work continues on the build and development of the ISO design for BDT messages.

In addition, the BDT Sub-Group on ISO 20022, composed of members from the BDT Working Group, held its first meeting in April 2025 to engage on the next steps of the integration and provide feedback on ICMA's work so far.

The need for standardised message formats to benefit the debt capital markets industry has gained traction in recent ICMA initiatives, such as the Primary Market Innovation Project. (See article on page 28.) Throughout the project, discussions with key stakeholders have highlighted the streamlining of information between issuers, agents, banks, law firms, investors and service providers as an industry priority. This is a challenge that the BDT can help resolve. The integration between the BDT and ISO 20022 forms an important step in this process.

The next phase of the integration between the BDT and ISO 20022 will involve designing the messages in more detail and continuing to gain feedback from the BDT ISO Sub-Group.

If you would like to become involved, please get in touch.

Contact: Emma Thomas
emma.thomas@icmagroup.org

ICMA AICM Working Group response to IOSCO consultation on AI in capital markets

On 11 April 2025, ICMA's AI in Capital Markets (AICM) Working Group submitted its response to IOSCO's consultation report on *Artificial Intelligence in Capital Markets: Use Cases, Risks and Challenges.* ICMA also distributed the 2024 IOSCO AMCC AI Survey to its AICM Working Group members, which was used as a resource for this report. The response reflects the views of a subset of ICMA's AICM, now made up of over 70 firms from across the debt capital markets industry including issuers, investors, banks, market infrastructures and vendors. The key points from the response are set out below:

- ICMA values IOSCO's work to provide more public intelligence on the use of artificial intelligence (AI) in capital markets and, in general, aligns with the key findings of the report, including that the benefits and risks of AI in financial services are highly dependent on the type of AI technology used, how it is developed and for what purpose.
- ICMA members have identified several aspects of AI use that warrant retaining a "human in the loop" and autonomy over final decision making to avoid outcomes with negative financial consequences (eg credit allocation, trading strategies, etc).
- ICMA members note that models, such as large language models and others used in gen AI systems, can require significant computational resources and energy consumption in both their training and usage. Likewise, IOSCO highlights the large amounts of memory required to store large language models, and the subsequent contribution AI usage might make to environmental risks. Further exploration on this topic would be of particular interest to the debt capital markets industry.
- It may be beneficial for IOSCO to consider establishing a set of minimum general principles governing AI. IOSCO's composition of global financial service regulators, in addition to recent guidance and regulatory initiatives on the topic of AI, such as ESMA's 2024 guidance to firms using AI in investment services and HKSAR's policy statement on responsible AI in the financial sector, provide an opportunity for IOSCO to further reflect on common themes and facilitate convergence at an international level between regulators in the financial sector.
- ICMA agrees that, in some cases, the terminology used to discuss AI has not always been clear, and certain terms have been used to cover a multitude of different AI aspects. ICMA remains available to assist with any efforts made to address these challenges, such as defining a set of boundaries to clarify some of the terminology, to work towards a more productive and consistent global dialogue on the topic.

Further information on ICMA's AI in Capital Markets Working Group can be found on ICMA's website.

Contact: Emma Thomas
emma.thomas@icmagroup.org

AI regulatory developments

BIS: FSI brief on a stocktake of generative AI applications in supervision

On 12 June 2025, the BIS Financial Stability Institute (FSI) published a brief on *Starting with the Basics: A Stocktake of Gen AI Applications in Supervision.* The brief highlights how generative AI activities are hampered by outdated information technology infrastructure, data security concerns and a lack of technical skills. It also finds that most of the reported gen AI applications in supervision can be grouped into three categories: (i) basic document processing; (ii) knowledge management; and (iii) document review. Most in use applications fall into the first category; development work is spread out across the three categories; and experiments are concentrated in the second and third categories.

FCA: applications open for the Supercharged Sandbox

On 9 June 2025, the FCA opened applications for its Supercharged Sandbox, run in collaboration with NVIDIA. The Supercharged Sandbox is the FCA AI Lab's experimentation platform, purpose-built to support the safe, responsible, and accelerated development of AI solutions in UK financial services. Participants will gain access to NVIDIA's Accelerated Computing and AI Platform, including the comprehensive NVIDIA AI Enterprise Software Suite. In addition to this, the FCA launched its AI Live Testing service, which will support firms as they move from sandbox experimentation to live deployment.

EU: European Parliament ECON report on AI in the financial sector

On 14 May 2025, The European Parliament's Economic and Monetary Affairs Committee (ECON) published a draft report on the impact of artificial intelligence on the financial sector. The report provides a number of recommendations to ensure the responsible use of AI in financial services, including requesting that the Commission ensures clarity and guidance on how existing financial services regulations apply to the use of AI in financial services, calling for consistent definitions and the simplification of the regulatory framework, as well as warning against the adoption of new sectoral legislation to regulate AI in financial services.

BIS: report on governance and implementation of artificial intelligence in central banks

In April 2025, the BIS Irving Fisher Committee on Central Bank Statistics published a report on *Governance and Implementation of Artificial Intelligence in Central Banks.* The report highlights how AI can hold significant potential for central banks and has become strategically important for central banks. Yet, below the surface, many central banks are still in the initial adoption phase. This raises the central question of how AI can be effectively and responsibly used in their production processes. The paper also finds that the implementation of AI presents several trade-offs in terms of IT infrastructure, and that data management still requires further progress to fully leverage AI innovation.

BIS: report on AI and human capital: challenges for central banks

On 24 April 2025, the BIS published the report, *Artificial Intelligence and Human Capital: Challenges for Central Banks*. The report uses two scenarios to illustrate the uncertainty around the trajectory of AI development: "AI copilots", which augment rather than replace human skills, and "AI agents", which automate specific central bank tasks and can act as substitutes for human roles. It highlights how central banks are already integrating "AI copilots" in their daily operations, yet "AI agents" could transform workflows in the next decade, though human oversight will remain essential to ensure their responsible and ethical adoption.

IMF: working paper on the global impact of AI: mind the gap

On 11 April 2025, the International Monetary Fund (IMF) published a working paper on *The Global Impact of AI: Mind the Gap.* The paper examines the uneven global impact of AI, highlighting how its effects will be a function of (i) countries' sectoral exposure to AI, (ii) their preparedness to integrate these technologies into their economies, and (iii) their access to essential data and technologies. The paper shows that AI will exacerbate cross-country income inequality, disproportionately benefiting advanced economies.

Bank of England: Financial Policy Committee report on AI in the financial system

On 9 April 2025, The Bank of England Financial Policy Committee (FPC) published a report on artificial intelligence in the financial system. The report sets out the FPC's view on specific AI-related topics to financial stability, including the greater use of AI in banks' and insurers' core financial decision making (bringing potential risks to systemic institutions), in financial markets (bringing potential risks to systemic markets), operational risks in relation to AI service providers (bringing potential impacts on the operational delivery of vital services) and a changing external cyber threat environment.

BIS: Project Artificial Intelligence Supervisory Enhancer (AISE)

On 3 April 2025, the BIS launched project AISE to develop a flexible AI-driven toolkit designed to support financial supervisors in handling the growing complexity of regulatory oversight. As the financial landscape evolves with the rapid expansion of FinTech, regulators face increasing demands due to a larger supervised base, constantly evolving regulations and the need for faster, more efficient supervision. Project AISE aims to provide supervisory agencies with AI-powered tools to enhance on-site supervision, streamline research tasks and strengthen decision-making.

Contact: Emma Thomas
emma.thomas@icmagroup.org

F Other FinTech regulatory developments

ESMA: technical advice to the EC on the review of the UCITS Eligible Assets Directive

On 26 June 2025, ESMA published technical advice to the European Commission (EC) on the review of the UCITS Eligible Assets Directive. ESMA was originally mandated by the EC to provide technical advice on the review of the UCITS EAD in June 2023. The report covers the key aspects on which the EC requested technical advice, and ESMA's respective policy assessments in light of the stakeholder feedback and the feedback gathered from NCAs. This includes feedback on the alignment with MIFID, the DLT Pilot Regime, and MiCA, covering the qualification of financial instruments issued using DLT as UCITS eligible assets, and the eligibility of crypto-assets that qualify as financial instruments under MiCA.

ESMA: report on the functioning and review of the DLT Pilot Regime

On 25 June 2025, ESMA published a report on the functioning and review of the DLT Pilot Regime – pursuant to Article 14 of Regulation (EU) 2022/858. The report finds that while uptake of the DLT Pilot Regime remains limited – with only three authorised infrastructures and minimal live trading activity – the regime has stimulated experimentation with DLT-based models for trading, settlement, and compliance (particularly for smaller issuers and innovative asset types). It highlights operational and legal frictions, such as lack of interoperability and access to central bank money and concludes that current thresholds restrict wider participation. The report recommends recalibrating these thresholds and clarifying the long-term regulatory status of the regime. Further sections explore the future direction of the Pilot Regime.

UK Government: the UK's modern industrial strategy

On 23 June 2025, the UK Government published its strategy on a new economic approach to backing the UK's strengths, with ambitious plans for eight high-growth sectors. A key aspect for the Government is to maintain and grow the UK as the world's leading financial services hub, including by rebalancing to regulate for growth, cutting red tape for FinTech firms and driving forward initiatives to open up more private capital. It also includes a plan to nurture the UK's digital and technological economy, investing into the development and adoption of quantum computers in the UK, a Sovereign AI Unit, and a new programme of AI Growth Zones.

US Senate: the GENIUS Act

On 17 June 2025, the US Senate passed the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act. The Bill establishes a regulatory framework for payment stablecoins (digital assets which an issuer must redeem for a fixed value). Under the Bill, only permitted issuers may issue a payment stablecoin for use by US persons, subject to certain exceptions and safe harbours. The Bill allows foreign issuers of stablecoins to offer, sell, or make available in the US stablecoins using digital asset service providers, subject to requirements, including a determination by the Department of Treasury that they are subject to comparable foreign regulations. Under the Bill, permitted payment stablecoins are not considered securities under securities law.

MAS: regulatory regime for Digital Token Service Providers (DTSPs)

On 6 June 2025, the MAS published clarifications on the regulatory regime for the Digital Token Service Providers (DTSPs). The clarifications cover two issues: the scope of new regulation and the transition period. In regard to the scope, from 30 June 2025, DTSPs providing services solely to customers outside of Singapore relating to digital payment tokens and tokens of capital market products will need to be licensed. In relation to the transition period, due to the higher risks presented by the specific circumstances set out above, existing DTSPs serving only customers outside of Singapore will be required to cease this activity when the regime comes into effect on 30 June 2025.

BIS Innovation Hub: Project Pine on central bank open market operations using tokenisation and smart contracts

On 14 May 2025, the BIS Innovation Hub concluded its findings in Project Pine, a joint research study by the New York Innovation Center and the BIS Innovation Hub Swiss Centre, which explored if and how central banks can continue implementing monetary policy operations in a tokenised world. Despite research on how wholesale markets and conventions might change, there has been relatively little experimentation with implementing monetary policy using tokenisation. The project successfully built a toolkit prototype using smart contracts. The prototype has the capability to pay interest on reserves and create facilities that temporarily exchange reserves for collateral (and vice versa), swap assets, and execute asset purchases and sales.

UK Government: the Property (Digital Assets etc) Bill

On 12 May 2025, the Property (Digital Assets etc) Bill was referred to a Second Reading Committee in the House of Commons. The Bill is designed to make provision about the types of things that are not prevented from being objects of personal property rights. A thing (including a thing that is digital or electronic in nature) is not prevented from being the object of personal property rights merely because it is neither a thing in possession, nor a thing in action. The Committee will debate the Bill and report to the House that it has considered the Bill. The Second Reading motion is then normally taken without debate in the House, though it remains possible, in the event of opposition, for amendments to be tabled or a vote to take place on the motion.

ECB: innovation platform for collaboration on a digital euro project

On 5 May 2025, the ECB announced an innovation platform for collaboration with European stakeholders on the digital euro project. The platform currently has around 70 market participants, including merchants, FinTech companies, start-ups, banks and other payment service providers, who will test the digital euro payment functionalities and explore innovative use cases. The innovation platform simulates the envisaged digital euro ecosystem, in which the ECB provides the technical support and infrastructure for European intermediaries to develop innovative digital payment features and services at European level.

ECB: update on the digital euro scheme's Rulebook Development Group

On 9 April 2025, The ECB digital euro Rulebook Development Group (RDG) published its fourth progress report on the digital euro rulebook. The rulebook aims to harmonise digital euro payments across the euro area through a single set of rules, standards and procedures. The report outlines the progress made in three key areas by the RDG, which represents consumers, retailers and payment service providers, with members of central banks and EU institutions participating as observers.

AMF and CONSOB: regulatory framework for DLT development by European market infrastructures

On 9 April 2025, the French AMF and Italian CONSOB submitted a proposal to the European Commission and the European co-legislators to create a more suitable regulatory framework to allow for a real development in experimentations of DLT by European market infrastructures. The report proposed three areas in which the Pilot Regime could be made more efficient: a more flexible regulatory framework to encourage experimentation, broadening the scope and ensuring long-term visibility and developing interoperability and raising market awareness.

HKMA: provision of staking services for virtual assets in custodial services

On 7 April 2025, the HKMA published a circular covering the provision of *Staking Services for Virtual Assets from Custodial Services*. In light of the market development and growing interest of authorized institutions (AIs) in digital asset-related activities, including the provision of staking of virtual assets (VAs), the circular sets out the standards expected of AIs in relation to the provision of staking of VAs from custodial services to their customers.

SFC: staking guidance for licensed virtual asset trading platforms and authorised virtual asset funds

On 7 April 2025, the SFC set out regulatory guidance on staking for licensed virtual asset trading platforms (VATP's) on their provision of staking services, and to SFC-authorised funds with exposure to virtual assets (VA Funds) on their engagement in staking. In setting out its regulatory approach, the SFC recognises the potential benefits of staking in enhancing the security of blockchain networks and allowing investors to earn yields on virtual assets within a regulated market environment. The latest guidance allows VATPs to expand product and service offerings, one of the five pillars set out in the SFC's "ASPIRe" roadmap to develop Hong Kong's virtual asset ecosystem.

Contact: Emma Thomas
emma.thomas@icmagroup.org

China's offshore bonds: moderating growth with structural highlights in H1 2025

by **Xing Lei,** Dagong Global

A

Since the start of 2025, China's offshore bond issuance has grown moderately in volume. Offshore USD bond issuance expanded, while Dim Sum bond supply contracted. Local Government Financing Vehicle (LGFV) bonds dominated primary issuance, and offshore industrial bonds outperformed. Secondary markets showed valuation recoveries, but yield spread movement showed divergence across sectors. This article examines the changing market environment, drivers of primary issuances, and structural characteristics of the China's offshore bond market.

The update of regulatory policies in 2025 provided favourable impetus to China's offshore bond issuance. In January, the People's Bank of China (PBoC) upward adjusted the *Macroprudential Adjustment Parameter for Cross-border Financing*[1], stabilising the RMB exchange rate, reducing FX volatility risks of cross-border financing, and expanding financing quotas for corporates and financial institutions, which will expand access to offshore funding. Market conditions have also built a supportive environment for cross-border financing. For one, the yield of 10-year RMB Government bonds remained low. For another, expectations on the Federal Reserve's rate cut fluctuated and the US 10-year Treasury yield declined before rising, which led the offshore RMB (CNH) to depreciate amid USD index volatility.

Issuance trend of China's offshore bonds

Issuance volume in the primary market has continued its recovery trend since the end of 2024, exhibiting notable structural highlights. From January to May 2025, a total of 338 Chinese offshore bonds were issued, amounting to around USD79 billion, with a year-on-year decrease of 13.6% in deal count and an increase of 10.1% in volume. In terms of rated bonds, China's Ministry of Finance (MoF) has been continuously advancing the process of RMB internationalisation, for which MoF maintained a continuous and stable supply of CNH bond issuance in Hong Kong. Meanwhile, in February, MoF released its *Green Sovereign Bond Framework*[2], and in April, issued a CNH6 billion Green Sovereign Bond in London, which marked the first green sovereign bond issuance denominated in CNH from the Chinese Government overseas, directing global capital allocation toward China's green transition agenda. Driven by the sovereign bond issuance, from January to May, the amount of green, social, sustainability and sustainability-linked (GSSS) bonds issuance more than doubled to around USD14 billion year-on-year, with an average coupon rate of 57bps below the period's new-issue average, showing a notable uptake by global investors.

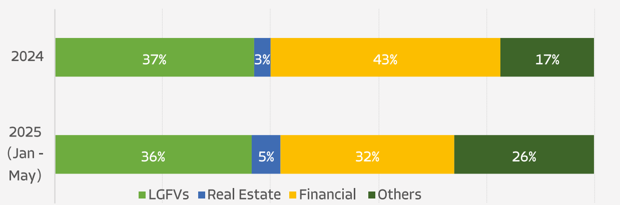
In terms of credit bonds, in the first five months of this year, offshore LGFV bonds remained the main issuance driver, with new issuance volume rising 32.2% year-on-year to around USD24 billion – fueled by refinancing needs – accounting

1. https://www.safe.gov.cn/safe/2025/0113/25642.html

2. https://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/202502/t20250220_3958737.htm

for 36.5% of total new issuance of credit bonds by volume. New issuances of real estate bonds slightly increased by 5.4% year-on-year. Policy easing (eg relaxed home-purchase limits, loans support to Government-subsidised housing) improved the market sentiment, but real estate developers' refinancing capacity has not substantively recovered, limiting its refinancing capacity. As for offshore financial bonds, due to a reduction in the scale of maturities and relatively high rate sensitivity, new issuance volume fell 23.3% year-on-year but still accounted for 32.1% of total new credit bond issuance volume, ranking it in second place behind LGFVs but ahead of credit bonds from the real estate sector. New issuances of industrial bonds soared 117.5% year-on-year by volume, and their share of total issuance volume of credit bonds jumped to 26.0% from 17.4% at the end of 2024. This fast growth of offshore industrial bonds was mainly driven by two key points. Firstly, by policy push, including the New Quality Productive Forces policies emphasising a shift towards a high-tech, high efficiency and high quality economic growth model and productivity development path, and the PBoC's policies[1] on broadening funding channels for tech firms. Secondly, enhanced competitiveness brought by AI breakthroughs such as the rollout of DeepSeek further accelerated the development of high-tech sectors and increased financing demands for the sector.

Figure 1: Proportion of China's Offshore Credit Bond Issuance (2024 vs Jan – May 2025) across Highlighted Sectors (in Volume Terms)



Source: DMI, compiled by Dagong Global

Currency and tenor

In terms of currency structure, the weight of USD increased amid the drop of CNH, while tenor shifted toward medium to long-term. This year, new issuances of Dim Sum bonds declined by 20.1% year-on-year by volume, reducing their share to the total new issuance of credit bonds by 5.4% to 39.4%. Conversely, driven by a surge of LGFV bond issuance in the US dollar, China's offshore USD bonds rebounded in the first five months of this year, with issuance volume increasing by 62.8% year-on-year, increasing its share of total new issuance of credit bonds by 8.2% to 57.8%. Three key drivers underpinned this structural shift. Firstly, mounting expectations on rate cuts from the Federal Reserve and the effects of US tariff policy did push up the market expectation for further RMB depreciation and increased FX volatility in the CNH market. Secondly, continued tightening of domestic LGFV issuance regulations, coupled with the pressure of refinancing needs of existing LGFV USD bonds, compelled issuers to tap the offshore USD bond market. Thirdly, against the backdrop of the structural transformation of the LGFV sector, international investors increasingly recognised the implicit Government support for LGFVs. Higher coupon rates offered by US dollar bonds also boosted their appeals to investors.

In terms of tenor, regulatory constraints on the issuance of 364-day bonds (referring to LGFVs with a 364-day duration), alongside tightened restrictions by some provinces on the issuance of offshore bonds with maturities under one year, have led to a sharp decline (-59.3%) in the issuance of ultra-short-term bond issuances (ie bonds with maturities of less than 270 days). Meanwhile, under the pressure of China's offshore bond maturities in 2027, the proportion of medium to long-term bonds with maturities of 5-7 years rose significantly (+13.8%).

Secondary market performance

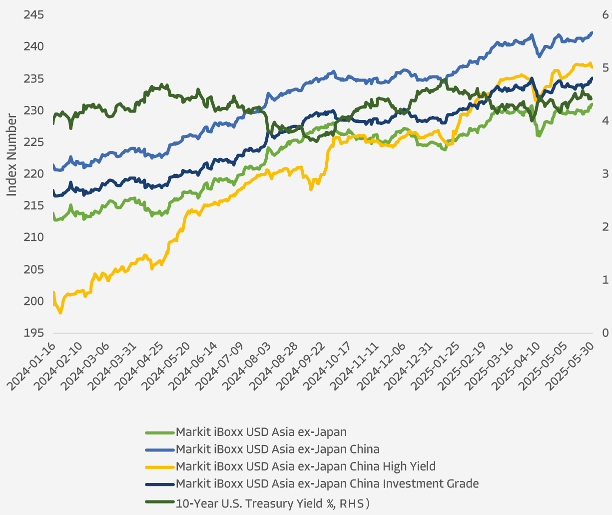
From January to May 2025, driven by a broad-based valuation recovery, the secondary market in China's offshore bonds performed well in general but performances diverged across sectors. The Markit iBoxx USD Asia ex-Japan China bond index climbed 3.0%, driven by expectations of rate cuts from the Federal Reserve. High-yield bonds outpaced investment-grade bonds, representing index increases of 4.7% and 2.7% respectively.

Real estate bonds, benefitting from accelerated debt restructuring from the valuation recovery of short-duration bonds issued by central and local state-owned companies, showed a rise in the Markit iBoxx USD Asia ex-Japan China Real Estate bond index by 7.4%. However, due to regional disparities in credit recovery with yield spreads having significantly tightened during 2024, room for revaluation of offshore LGFV bonds has remained limited. As a result, the Markit iBoxx USD Asia ex-Japan China LGFV index rose only by 2.6% from January to May 2025. Financial bond yields largely mirrored moves in the 10Y US Treasury bill, driving a 3.1% gain in its Markit iBoxx Index.

The movements of credit spreads have diverged. In the first quarter, investment-grade and local government bond spreads flattened, while spreads for high-yield bonds, real estate bonds, and financial bonds narrowed. In April, influenced by the rise of US Treasury yields and geopolitical risks, all sectors briefly spiked before diverging again, with spreads narrowing for the former and widening for the latter.

3. February 2025, PBoC released the *Announcement on Matters Concerning the Support for the Issuance of Science and Technology Innovation Bonds*

Figure 2: Markit iBoxx USD Asia ex-Japan China Bond Index and 10Y US Treasury Yield



Source: DMI, compiled by Dagong Global

Outlook for H2 2025

Looking ahead to the remainder of 2025, offshore primary market issuance from China is expected to remain strong, driven by strong growth in China's offshore USD bond issuance amid rising US rate cut expectations, an issuance window for the financial sector, and increased funding needs from high-tech sectors. With credit conditions expected to improve for LGFVs and real estate issuers, credit spreads of their offshore bonds are likely to tighten, supporting further gains in the Markit iBoxx China Offshore USD Bond Index. However, external risks require close monitoring, particularly on policy uncertainty around the Federal Reserve's rate decisions and geopolitics.

Xing Lei is Senior Analyst from the International Cooperation Department, Dagong Global

---

Enhancing global access to Korea's Government bond market

by **Soonho Lee,** Korea Securities Depository

In June 2024, Korea Securities Depository (KSD) launched the ICSD-linked[1] omnibus account system for Korea Treasury Bonds (KTBs) and Monetary Stabilisation Bonds (MSBs) with the aim of improving market accessibility for foreign investors.

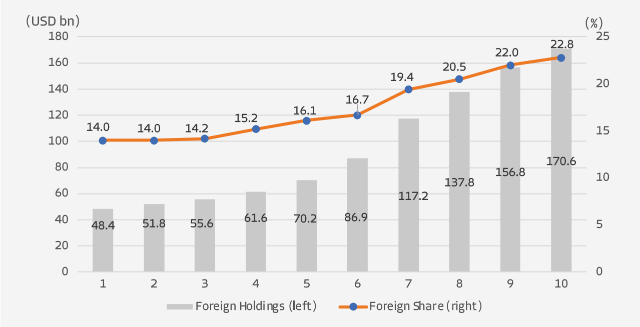
Expanding global presence in the bond market

Korea's prominence in the global sovereign debt market has been rising steadily, with the nation's robust economic and fiscal fundamentals playing a central role:

- GDP ranking has climbed to 12th in 2024.
- Credit ratings stand strong at AA (S&P).
- Debt-to-GDP ratio remains among the lowest at 52.9%.

This has translated into growing confidence from foreign investors. Between 2015 and 2024, foreign holdings of KTBs surged by USD122.2 billion (KRW171.2 trillion), and the foreign ownership ratio rose by more than 8% to 22.8%, underscoring growing appeal of Korea's sovereign bond market.

Foreign Investment in KTB



Strategic push toward WGBI inclusion

Recognising the importance of deeper integration into global financial markets, the Korean Government prioritised inclusion in the FTSE Russell's World Government Bond Index (WGBI). While Korea already met quantitative criteria such as bond issuance size and credit ratings, improvements were needed to meet qualitative standards related to market accessibility.

To close this gap, the Government introduced a series of bold reforms to remove barriers to foreign investors' access to Korean Government bonds. These efforts culminated in Korea being added to the WGBI Watch List in September 2022 and being confirmed for full inclusion in October 2024. The inclusion will be phased in over eight monthly tranches from April 2026 to November 2026.

Launch of the ICSD-linked omnibus account for KTBs and MSBs

A cornerstone of these efforts was the implementation of the ICSD-linked omnibus account system. This system allowed foreign investors of KTBs and MSBs to:

- Hold KTBs and MSBs in the account opened at KSD in the name of the respective ICSD.
- Conduct settlement via KSD-ICSD link.
- Retain beneficial ownership, ensuring transparency and legal clarity.

This system aligned Korea's trading and settlement experience with that of advanced markets, effectively removing key access barriers for global investors.

The legal framework for this system is grounded in Article 86-14(3) of the Financial Investment Services and Capital Markets Act which permits ICSDs to open omnibus accounts with the electronic registration institution, ie KSD.

1. Euroclear and Clearstream.

The system marked a major improvement for foreign investors, who previously could only invest through accounts opened with a local custodian. Advantages include:

- No need for prior tax exemption applications.
- No need to designate a local custodian.
- Offshore trading, repo and other collateral arrangements through ICSD channels.

Regulatory reforms to support foreign investor access

To complement the infrastructure implementation, Korea introduced broad regulatory reforms to ease market entry including:

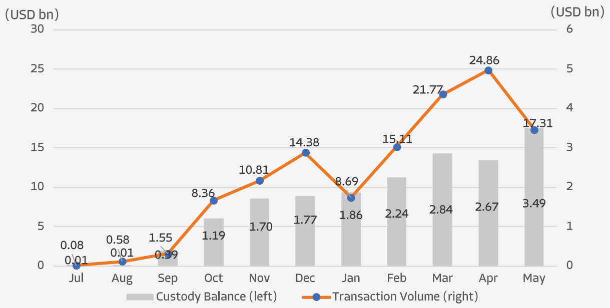
- Simplified reporting requirements.
- Abolition of foreign investor registration certificate (IRC).
- Acceptance of Legal Entity Identifiers (LEIs).
- No need for custodians to acquire qualified foreign intermediary (QFI) status, except for ICSDs which have already obtained QFI status.
- Streamlined tax exemption procedures.
- Eased FX regulations allowing KRW settlement and overdrafts for KTB/MSB investment.

These reforms fostered greater transparency, minimised friction, and made Korea's Government bond market easier to reach for global investors.

Steady uptake and market impact

Following its launch, the system experienced rapid growth in both transaction and custody volumes. Following preliminary operations at the end of June 2024, volumes began to expand significantly from October, reaching a total custody balance of approximately USD3.49 billion (KRW4.89 trillion) by May 2025. The cumulative transaction volume during this period totaled around USD123.5 billion (KRW172.9 trillion).

Monthly Transactions and Balance



Conclusion

The implementation of the ICSD-linked omnibus account system has opened the Korean Government bond market to a wider global investor base. Supported by advanced infrastructure, robust regulatory reforms, strong international partnerships, and KSD's steadfast commitment to enhancing market accessibility, Korea is poised to expand its presence in the global financial ecosystem.

Soonho Lee is Chairman & CEO, Korea Securities Depository

2025

ICMA Capital Market Research

ICMA Capital Market Research

ICMA Position Paper: NBFI Macroprudential Framework for Bond Market Activity
Published: 15 May 2025
Author: Andy Hill and Irene Rey, ICMA

ICMA Report: European Secondary Bond Market Data Corporate Edition (H2 2024)
Published: 3 April 2025
Author: Simone Bruno, ICMA

The Asian International Bond Markets: Issuance Trends and Dynamics (Fifth edition)
Published: 26 March 2025
Authors: Mushtaq Kapasi and Alex Tsang, ICMA, with support from the Hong Kong Monetary Authority

A Time for Change in the Sustainable Fund Market: Reflections and Recommendations in a New Regulatory Environment
Published: 25 March 2025
Authors: Nicholas Pfaff and Ozgur Altun, ICMA

ICMA Report: European Secondary Bond Market Data Sovereign Edition (H2 2024)
Published: 21 March 2025
Author: Simone Bruno, ICMA

ICMA DLT Bonds Reference Guide
Published: 11 December 2024
Author: Gabriel Callsen, ICMA

ICMA Report: European Secondary Bond Market Data Corporate Edition (H1 2024)
Published: 4 December 2024
Author: Simone Bruno, ICMA

ICMA Report: European Secondary Bond Market Data Sovereign Edition (H1 2024)
Published: 5 November 2024
Author: Simone Bruno, ICMA

ICMA Guide to Asia Pacific Repo Markets: Australia
Published: 30 October 2024
Author: Richard Comotto

Second ICMA Repo and Sustainability Survey: Summary Report
Published: 30 August 2024
Author: Zhan Chen, ICMA

Korean Treasury Bonds: An International Perspective
Published: 25 July 2024
Authors: Alex Tsang, Mushtaq Kapasi and Christhoper Matthew, ICMA with contributions from Ilhwan Kim and Vicky Cheng, Bloomberg

The Asian International Bond Markets: Development and Trends (Fourth edition)
Published: 26 March 2024
Authors: Andy Hill, Mushtaq Kapasi and Alex Tsang, ICMA, with support from the Hong Kong Monetary Authority

Use of RMB-Denominated Bonds as Collateral for Global Repo Transactions
Published: 26 March 2024
Author: Joint report by ICMA and the China Central Depository & Clearing Co Ltd (CCDC)

Bond Markets to Meet EU Investment Challenges
Published: 21 March 2024
Author: Julia Rodkiewicz, ICMA

ICMA Report: European Secondary Bond Market Data (H2 2023)
Published: 19 March 2024
Authors: Simone Bruno and Andy Hill, ICMA

Liquidity and Resilience in the Core European Sovereign Bond Markets
Published: 5 March 2024
Author: Andy Hill and Simone Bruno, ICMA

Transition Finance in the Debt Capital Market
Published: 14 February 2024
Authors: Nicholas Pfaff, Ozgur Altun and Stanislav Egorov, ICMA

ICMA ERCC Briefing Note: The European Repo Market at 2023 Year-End
Published: 29 January 2024
Author: Andy Hill, ICMA

Membership in 2025 year to date: regional and sectoral engagement

ICMA has admitted 21 new members during 2025 to date.

- The United Kingdom and Americas region accounted for the largest share, representing 43% of all new admissions, a strong indicator of continued momentum and alignment with our strategic initiatives in this geography.
- Representation from Austria & South-Eastern Europe and other individually represented jurisdictions stood at 20%, reflecting a diverse mix of members.
- The Asia Pacific region followed with 14%, reflecting growing traction across key markets in the East.
- Other regions, including Germany, Ireland, Italy, Luxembourg, and Kazakhstan, each contributed 5%, underscoring the broad geographic reach of our activities.

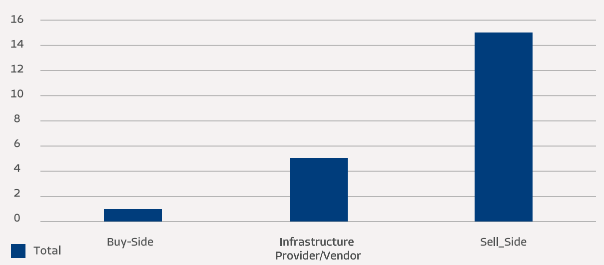
This distribution highlights the globally diverse footprint of our organisation, with contributions aligned to both regional engagement and strategic focus areas.

The distribution by business type continues to reflect the breadth of ICMA's stakeholder community:

- Sell-side institutions represented 71% of all new joiners, reaffirming their active engagement and strong alignment with our initiatives.
- Infrastructure providers and vendors followed with 24%, underscoring their vital role in shaping market standards and supporting operational efficiencies.
- Buy-side participants accounted for 7%, a figure that, while modest, still reflects targeted engagement from asset management stakeholders.

This mix illustrates the collaborative cross-sectoral dialogue that drives ICMA's mission forward.

Fig 1: Distribution by business type



Row labels	Count of business types
Buy side	1
Infrastructure provider/vendor	5
Sell side	15
Grand total	**21**

Regional Chair/Vice Chair announcements 2025

ICMA currently comprises 626 members across 70 jurisdictions, structured into 16 regions and 3 regional chapters.

We extend our sincere thanks to the following outgoing regional Chairs for their dedication and service:

- *Herman van Cauwenberge* (Delen Bank), who stepped down after an exceptional 25-year tenure as Chair of the Belgian Regional Committee. His leadership and contributions to ICMA and the Belgian financial community have been truly outstanding.
  → *Incoming Chair: Dan Kuhnel* (Euroclear Bank)
- *Monwabisi Zukani* (Standard Bank of South Africa), former Chair of the Southern African region.
  → *Incoming Chair: Kumeshen Naidoo* (ABSA Bank)
- *Ashish Malhotra* (Standard Chartered Bank), former Chair of the Asia Pacific region.
  → *Incoming Chair: Sean Henderson* (HSBC)
- *Joachim Heppe* (Commerzbank), long-standing Chair of the German region.
  → *Incoming Chair: Ralph Ockert* (DZ Bank)
- *Fawaz Abu Sneineh* (First Abu Dhabi Bank), former Chair of the MENAT region.
  → *Chair and Vice Chair elections currently underway*

ICMA's regional committee serves as a vital link with the membership, providing an additional layer of input from the numerous ICMA market practice and regulatory policy committees and working groups, and acting as a sounding board on how the association can better serve its membership and the wider market.

New committee formation: UK and Americas

The UK & Americas region has formally established a regional committee. Given ICMA's London office providing proximity to regulatory and market practice developments, as well as the wealth of ICMA activities already held in London the committee had operated more informally. The formation of this committee reflects growing member engagement and a collective interest in shaping regional priorities.

Tim Skeet continues as Chair of the new committee and is joined by, *Shrey Kohli* (Vice Chair) London Stock Exchange plc; *Ruth Burrell* (Vice Chair) Standard Advisory London Limited; *Geert Arlman,* S&P Global Limited; *Anna Delgado,* Ashurst LLP; *Laure Fauchet,* DTCC Europe Limited; *Jon Ford,* Pirum Systems Limited; *Carla Grundy,* TP ICAP Markets Limited; *Alex Malitsky* (Chair of the ICMA Future Leaders Committee), The Toronto-Dominion Bank; *Nigel Owen,* TreasurySpring Management (Jersey) Limited, and *Celia Price,* Mizuho International plc.

ICMA regional meetings

Over the past year, ICMA's has hosted a wide array of meetings, events and initiatives across the regions:

Recent highlights:

- *West Africa:* ICMA hosted a well-attended conference supported by the Ghana Stock Exchange, which focused on developments in the region's bond markets.
- *Asia Pacific:* Now in its second year, ICMA held the annual China Debt Capital Market Annual Forum in Beijing during March 2025.
- *MENAT region:* In collaboration with ISLA and ISDA, ICMA held a conference in Riyadh, covering capital markets in Saudi Arabia and how derivatives, repo, and securities lending are building deep and liquid secondary markets.
- *Europe:* ICMA's regional committees hosted events in France, Spain, Italy, Luxembourg, the Nordics, Switzerland and Germany, which also hosted the 57th ICMA AGM & Conference.

Contact: ICMA Membership
membership@icmagroup.org

ICMA Events, Education and Training

Save the date for these events coming up this autumn!

ICMA hosts conferences and networking events throughout the year, exploring key themes across Repo, FinTech & Digitalisation, Sustainable Finance, and the Primary and Secondary markets. Don't miss our exciting line-up of events later this year.

DATE	EVENT	LOCATION
SEPTEMBER		
18 September	ICMA Future Leaders (IFL): Navigating Tariff Tensions – Managing a Career in Finance Through the ups and downs of Global Risk Events	Milan
25 September	Celebrating 10 Years of the ICMA Women's Network (IWN): Connect, Reflect and Look Ahead	London
29 September	ICMA Future Leaders (IFL): The Future of Capital Markets from a Tech Perspective	Frankfurt
OCTOBER		
1 October	ICMA and Nordic Capital Markets Forum (NCMF) Joint Conference: Innovating Financial Markets	Copenhagen
21 October	ICMA Women's Network (IWN) Ireland: Sponsorship & mentorship – the pathway to success	Dublin
NOVEMBER		
4 November	Innovation and Digitalisation of the International Capital Market	Hong Kong
4 November	ICMA Women's Network (IWN) APAC: Why Invest in Human Rights and Gender Equality?	Tokyo
12 November	European Primary Market Forum	London
13 November	Innovation and Digitalisation of the International Fixed Income Market	Singapore
26 November	Belgian Capital Markets: Trends, Risks, and Opportunities	Brussels

Recordings of a selection of our events are available via the ICMA website. In addition, we continue to produce a range of podcasts featuring important stakeholders in the market, discussing their views on a variety of issues relating to capital markets. With more than 414 podcasts and an impressive 149,571 downloads to date from across the globe, the ICMA Podcast series remains a valued service for the market.

Forthcoming events

Capacity building at ICMA

by **Marc Granville**

Capacity building is at the heart of what ICMA does and a cornerstone of sustainable financial development, particularly in emerging and frontier economies, with the potential to have a tangible positive impact on lives. Owing to the popularity of the term, it is worth considering what we mean by it.

Capacity building for ICMA is the support for the development of institutional frameworks and individual competencies that enable markets to function efficiently, transparently and responsibly. It takes two main forms at ICMA. The first is the technical assistance we provide financial institutions, regulators, and public sector entities to help shape market infrastructure such as guidelines and regulations. The second is training that we provide to the same audience, which develops the human capital that drives the markets.

While these activities require different skills and resources to perform, both components are essential for enabling a more robust and inclusive global financial ecosystem.

ICMA's technical assistance work promotes close collaboration with regulatory bodies, central banks, and exchanges, and helps position the Association as a key enabler of regulatory harmonisation and infrastructure development across different areas of the market.

One area where ICMA contributes extensively is the global development of sustainable finance through technical guidance and standard setting, particularly via the Principles, which are the *de facto* global issuance standard for the international sustainable bond market. The Principles serve as the foundation for many international green finance frameworks including the China Green Bond Principles and ASEAN Green, Social and Sustainability Bond Standards. Countries including Japan, Chile, Kenya, Mexico, South Africa and Morocco have all published green or sustainable bond guidelines that are based on or aligned with ICMA's Principles.

Beyond sustainable finance, ICMA's capacity building activities are varied, ranging from supporting individual jurisdictions such as Saudi Arabia, where we have been developing guidance on sustainable sukuk and promoting best practices in repo market infrastructure, to providing technical workshops for the global regulatory community including IOSCO.

Ultimately, ICMA technical assistance activities enhance consistency across global capital markets, facilitating cross-border investment and supporting the development of local sustainable finance ecosystems.

Training, the other facet of capacity building that ICMA provides, strengthens the most important component of the markets – the people who work in them. For almost 50 years ICMA has designed and delivered numerous bespoke training programmes to support market participants in building the knowledge and skills required to implement and align with international standards.

Over recent years, ICMA has partnered with multinational development banks, agencies, development finance institutions and public sector clients such as ministries of finance and securities commissions to design and deliver training on topics like repo, bond markets and sustainable finance to support market development in emerging and frontier markets.

Sometimes ICMA capacity building activities can span both technical assistance and training activities, like the work we do with long-term partner Frontclear in developing the repo market in around 10 African countries (Nigeria, Ghana, Rwanda, Uganda and Kenya, among others) plus countries in South America and Central/Eastern Europe. In addition to reviewing local legal documentation to support alignment with global standards, ICMA also offers training on fixed income and repo to market participants to promote best practices and build the skills and knowledge required to develop robust markets.

In other projects, training is very much the focus, such as the long-running Green, Social and Sustainability Bonds Executive Training Programme, developed in collaboration with the International Finance Corporation as part of their Green Bond Technical Assistance Programme. This course was delivered across more than 20 jurisdictions and has been instrumental in equipping professionals with applied knowledge of sustainable bond issuance and reporting.

Other projects are numerous and varied, ranging from building capacity in Georgian treasury departments across primary and secondary market activity with support from the Asian Development Bank, to building internal sustainable finance capacity in institutions like the European Bank for Reconstruction and Development (EBRD), the UN Development Programme and many more.

By combining global standard-setting and market education, ICMA plays a unique dual role in capital market capacity building. Through both technical guidance and skills development, ICMA helps shape a more efficient, transparent, and sustainable global financial system.

Contact: Marc Granville
marc.granville@icmagroup.org

an FCA approved training provider

CPD CERTIFIED The CPD Certification Service

Become an ICMA-Certified Professional

The training provider for professionals in the capital markets

ICMA Education & Training is delighted to launch its new suite of professional credentials, **ICMA-Certified**. Each credential recognises advanced and applied expertise in key areas of the capital markets, strengthening technical knowledge and immersing the candidate in real-world market practices, helping them to stay competitive in a fast-evolving landscape.

For more information contact education@icmagroup.org.

ICMA-Certified Primary Market Professional

Designed for capital markets participants involved in debt issuance, particularly in the investment-grade markets.

Find out more

ICMA-Certified Fixed Income Trader & Portfolio Manager

For professionals seeking deeper expertise in fixed income trading, valuation, and portfolio construction, and a formal qualification that reflects their skills.

Find out more

ICMA-Certified Operations Professional

Targeting professionals in post-trade operations, settlements, and trade support roles.

Find out more

ICMA-Certified Sustainable Finance Professional

Designed for finance professionals with several years' capital market experience across the sell-side, buy-side, and official sector who are involved in, or transitioning into, sustainable finance.

Find out more

Glossary

ABCP	Asset-Backed Commercial Paper
ABS	Asset-Backed Securities
ADB	Asian Development Bank
AFME	Association for Financial Markets in Europe
AI	Artificial Intelligence
AIFMD	Alternative Investment Fund Managers Directive
AMF	Autorité des marchés financiers
AMIC	ICMA Asset Management and Investors Council
AMI-SeCo	Advisory Group on Market Infrastructure for Securities and Collateral
APA	Approved publication arrangements
APP	ECB Asset Purchase Programme
AUM	Assets under management
BCBS	Basel Committee on Banking Supervision
BDT	Bond Data Taxonomy
BIS	Bank for International Settlements
BMCG	ECB Bond Market Contact Group
BMR	EU Benchmarks Regulation
bp	Basis points
BRRD	Bank Recovery and Resolution Directive
CAC	Collective action clause
CBDC	Central Bank Digital Currency
CBIC	ICMA Covered Bond Investor Council
CCBM2	Collateral Central Bank Management
CCI	Consumer composite investment
CCP	Central counterparty
CDM	Common Domain Model
CDS	Credit default swap
CIF	ICMA Corporate Issuer Forum
CJEU	Court of Justice of the EU
CMU	EU Capital Markets Union
CoCo	Contingent convertible
COREPER	Committee of Permanent Representatives (in the EU)
CPC	ICMA Commercial Paper Committee
CPMI	Committee on Payments and Market Infrastructures
CPSS	Committee on Payments and Settlement Systems
CRA	Credit rating agency
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSD	Central Securities Depository
CSDR	Central Securities Depositories Regulation
CSPP	Corporate Sector Purchase Programme
CSRD	Corporate Sustainability Reporting Directive
CT	Consolidated tape
CTP	Consolidated tape provider
DCM	Debt Capital Markets
DEI	Diversity, equity and inclusion
DLT	Distributed ledger technology
DMO	Debt Management Office
DNSH	Do No Significant Harm
DvP	Delivery-versus-payment
EACH	European Association of CCP Clearing Houses
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Redevelopment
EC	European Commission
ECB	European Central Bank
ECJ	European Court of Justice
ECOFIN	Economic and Financial Affairs Council (of the EU)
ECON	Economic and Monetary Affairs Committee of the European Parliament
ECP	Euro Commercial Paper
EDDI	European Distribution of Debt Instruments
EDGAR	US Electronic Data Gathering, Analysis and Retrieval
EEA	European Economic Area
EFAMA	European Fund and Asset Management Association
EFC	Economic and Financial Committee (of the EU)
EIB	European Investment Bank
EIOPA	European Insurance and Occupational Pensions Authority
ELTIFs	European Long-Term Investment Funds
EMIR	European Market Infrastructure Regulation
EMTN	Euro Medium-Term Note
EMU	Economic and Monetary Union
EP	European Parliament
ERCC	ICMA European Repo and Collateral Council
ESAP	European single access point
ESAs	European Supervisory Authorities
ESCB	European System of Central Banks
ESFS	European System of Financial Supervision
ESG	Environmental, social and governance
ESM	European Stability Mechanism
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards
ETF	Exchange Traded Fund
ETP	Electronic trading platform
€STR	Euro Short-Term Rate
ETD	Exchange-traded derivatives
EURIBOR	Euro Interbank Offered Rate
Eurosystem	ECB and participating national central banks in the euro area
FAQ	Frequently Asked Question
FASB	Financial Accounting Standards Board
FCA	UK Financial Conduct Authority
FEMR	Fair and Effective Markets Review
FICC	Fixed income, currency and commodity markets
FIIF	ICMA Financial Institution Issuer Forum
FMI	Financial market infrastructure
FMSB	Financial Markets Standards Board
FPC	UK Financial Policy Committee
FRN	Floating rate note
FRTB	Fundamental Review of the Trading Book
FSB	Financial Stability Board
FSC	Financial Services Committee (of the EU)
FSOC	Financial Stability Oversight Council (of the US)
FTT	Financial Transaction Tax
G20	Group of Twenty
GBP	Green Bond Principles
GDP	Gross Domestic Product
GFMA	Global Financial Markets Association
GHG	Greenhouse gas
GHOS	Group of Central Bank Governors and Heads of Supervision
GMRA	Global Master Repurchase Agreement
G-SIBs	Global systemically important banks
G-SIFIs	Global systemically important financial institutions
G-SIIs	Global systemically important insurers
HFT	High frequency trading
HKMA	Hong Kong Monetary Authority
HMRC	HM Revenue and Customs
HMT	HM Treasury
HQLA	High Quality Liquid Assets
HY	High yield
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IBA	ICE Benchmark Administration
ICMA	International Capital Market Association
ICSA	International Council of Securities Associations
ICSDs	International Central Securities Depositories
IFRS	International Financial Reporting Standards
IG	Investment grade
IIF	Institute of International Finance
IMMFA	International Money Market Funds Association
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IOSCO	International Organization of Securities Commissions
IRS	Interest rate swap
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
ISSB	International Sustainability Standards Board
ITS	Implementing Technical Standards
KID	Key information document
KPI	Key performance indicator
LCR	Liquidity Coverage Ratio (or Requirement)
L&DC	ICMA Legal and Documentation Committee
LEI	Legal Entity Identifier
LIBOR	London Interbank Offered Rate
LTRO	Longer-Term Refinancing Operation
LMT	Liquidity management tool
MAR	Market Abuse Regulation
MENA	Middle East and North Africa
MENAT	Middle East, North Africa and Turkey
MEP	Member of the European Parliament
MiFID	Markets in Financial Instruments Directive
MiFID II/R	Revision of MiFID (including MiFIR)
MiFIR	Markets in Financial Instruments Regulation
ML	Machine learning
MMF	Money market fund
MOU	Memorandum of Understanding
MREL	Minimum requirement for own funds and eligible liabilities
MTF	Multilateral Trading Facility
NAFMII	National Association of Financial Market Institutional Investors
NAV	Net asset value
NBFI	Non-Bank Financial Intermediation (or Intermediaries)
NCA	National competent authority
NCB	National central bank
NPL	Non-performing loan
NSFR	Net Stable Funding Ratio (or Requirement)
OEF	Open-ended fund
OJ	Official Journal of the European Union
OMTs	Outright Monetary Transactions
OTC	Over-the-counter
OTF	Organised Trading Facility
PBOC	People's Bank of China
PCS	Prime Collateralised Securities
PEPP	Pandemic Emergency Purchase Programme
PMPC	ICMA Primary Market Practices Committee
POATRS	Public offers and admissions to trading regime
PRA	UK Prudential Regulation Authority
PRIIPs	Packaged Retail and Insurance-Based Investment Products
PSIF	Public Sector Issuer Forum
QE	Quantitative easing
QMV	Qualified majority voting
RFQ	Request for quote
RFRs	Near risk-free reference rates
RM	Regulated Market
RMB	Chinese renminbi
RPC	ICMA Regulatory Policy Committee
RSP	Retail structured products
RTS	Regulatory Technical Standards
RWA	Risk-weighted asset
SDR	Special Drawing Right
SEC	US Securities and Exchange Commission
SFC	Securities and Futures Commission
SFDR	Sustainable Finance Disclosure Regulation
SFT	Securities financing transaction
SGP	Stability and Growth Pact
SI	Systematic internaliser
SIU	EU Savings and Investment Union
SLB	Sustainability-Linked Bond
SMEs	Small and medium-sized enterprises
SMPC	ICMA Secondary Market Practices Committee
SMSG	Securities and Markets Stakeholder Group (of ESMA)
SARON	Swiss Average Rate Overnight
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SPV	Special purpose vehicle
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SRO	Self-regulatory organisation
SSAs	Sovereigns, supranationals and agencies
SSM	Single Supervisory Mechanism
SSR	EU Short Selling Regulation
STS	Simple, transparent and standardised
SWES	System-wide exploratory scenario exercise
T+1	Trade date plus one business day
T2S	TARGET2-Securities
TD	EU Transparency Directive
TFEU	Treaty on the Functioning of the European Union
TLAC	Total Loss-Absorbing Capacity
TMA	Trade matching and affirmation
TONA	Tokyo Overnight Average rate
TR	Trade repository
VNAV	Variable net asset value

ICMA

International Capital Market Association

ICMA Zurich
T: +41 44 363 4222
Dreikönigstrasse 8
CH-8002 Zurich

ICMA London
T: +44 20 7213 0310
110 Cannon Street
London EC4N 6EU

ICMA Paris
T: +33 1 8375 6613
25 rue du Quatre Septembre
75002 Paris

ICMA Brussels
T: +32 2 801 13 88
Avenue des Arts 56
1000 Brussels

ICMA Hong Kong
T: +852 2531 6592
Unit 3603, Tower 2,
Lippo Centre
89 Queensway Admiralty
Hong Kong

icmagroup.org