

The ICMA Commercial Paper Committee

Meeting to discuss proposed reconstitution of the ECP Committee

March 2, 2021

Meeting notes

1) Discussion/agreement of proposal

- It was agreed that the current ICMA ECP Committee should be renamed and reconstituted to include the entire ecosystem, including issuers (financial and corporate), investors, dealers, and infrastructures.

2) Scope, structure, and governance of the CPC

Scope

- The question was raised as to whether the scope of the CPC should be limited to commercial paper, or whether it should cover all short-term fixed income instruments, including short-term government securities (T-Bills) and certificates of deposit (CDs)
- It was generally felt by members that the sovereign bill markets were structured very differently, often with market-making commitments, securities are intrinsically repo-able, and that these markets were already deep, liquid, and largely electrified.
- CDs, however, were considered largely interchangeable with financial CP, although suffered from even less transparency. It was therefore agreed that CDs would be included in the scope of the CPC (effectively the *ICMA CP & CD Committee*).
- It was suggested that 'improved transparency' feature in the outlined scope of the CPC.
- It was agreed that the CPC should not necessarily limit its focus to European markets.

Structure & governance

- It was agreed that:
 - the structure of the CPC should be relatively informal, with members putting forward one Principal Representative, but as many Alternative Representatives as they wish. This would also allow for representation from different functions within firms (e.g. traders, originators, and legal).
 - a co-chair structure, representing each stakeholder group, would also be helpful.

- meetings/calls should be held as often as required, particularly in light of any particular deliverable, but should be a minimum of four times a year (quarterly).
- ad-hoc task forces should also be set-up as required to focus on specific issues or deliverables.
- other relevant associations or bodies would be welcomed to engage in the CPC as appropriate.

3) Key areas of focus & potential deliverables

White paper

- In light of the current work being undertaken by the FSB and IOSCO on how money market funds (MMFs) performed during the Covid market turmoil, it was suggested and agreed that an educational ‘thought piece’ on the European CP and CD markets would be a highly valuable immediate priority.
- The suggested structure for the paper was:
 - A description of the market landscape and structure pre-2020, highlighting any potential vulnerabilities.
 - A description of what happened during the and following the turmoil (with reference to different central bank interventions).
 - Recommendations for market development based on the lessons learned.
- It was agreed that the ICMA Secretariat would begin the process of drafting an outline for the proposed paper for further discussion by the CPC. It was also agreed that members would contribute substance for the narrative.
- It was recognized that data would also be important to help map the current market landscape. [Data providers have agreed to support this.]
- It was suggested that the importance of the role of the short-term funding markets in the real economy should be highlighted in the paper.
- Given the urgency of this work, it was agreed that the aim should be to finalize the paper by end-of-May 2021 at the latest.
- It was confirmed that ICMA’s AMIC would also be establishing a Working Group focused on MMF regulation, which would be run in parallel to this initiative, and that the two groups would interact closely.

Market development

- In terms of the suggested areas for market development, it was pointed out that these are largely interconnected, and perhaps should not be viewed as individual initiatives (e.g. electronification and real-time settlement; secondary market liquidity and developing a repo market).
- It was suggested that the ultimate goal should be improved secondary market liquidity, particularly in times of stress.

- Several members pointed out that market fragmentation was perhaps the biggest challenge, and that there was no single European CP/CD market; rather there was an international ECP market and a number of domestic CP markets, of which the French market was the largest and most developed. Also, there were multiple currencies (with USD and GBP being significant segments of the market), which also needed to be recognized and valued by the European authorities. Furthermore, many issuers were located outside of Europe (e.g. Singapore, Hong Kong, and Australia).
- CMU was cited as being highly applicable in the case of the European CP/CD market, and possibly a good place for the authorities to start.
- There was a discussion about the STEP label, noting that this was also a potential route to securing ECB CSPP/PEPP eligibility, and the question was raised as to whether this could possibly go some way to facilitating market standardization.

Sustainability

- There was a brief discussion on the development of the green and sustainable CP market.
- Two broad approaches used to date were outlined: use of proceeds and a sustainability-linked approach.
- While it was agreed that this was probably not a central theme of the projected paper, there was some interest in pursuing discussions on this specific topic.
- ICMA agreed to set up a meeting to discuss ESG and CP in the coming weeks.

Other matters

- It was agreed that this was also an appropriate forum for discussing and updating on other issues and developments related to the functioning and structure of the CP & CD market, such as processing negative yields or IBOR transition.

4) Next steps

- ICMA will circulate a draft note of the meeting for comments.
- ICMA will ask interested members to forward their proposed Principal and Alternative Representatives for the new CPC. ICMA will also ask for potential co-chairs to put themselves forward.
- ICMA will begin work on drafting an outline for the projected paper and circulate in the next two weeks.
- A subsequent call of the CPC will be convened to discuss the paper.