

# Summary of practical initiatives by ICMA

The practical initiatives on which ICMA has been engaged over the past quarter with, and on behalf of, members, include the following:

## Primary markets

- 1 *Public sector issuers*: The Public Sector Issuer Forum met in The Hague on 13 March to discuss: sustainable finance; counterparty risk; MiFID II/R implementation; and international benchmark reform.
- 2 *MiFID II/R implementation in primary markets*: Taking account of the implementation of MiFID II/R and PRIIPs at the beginning of 2018, ICMA has continued to work with the ICMA Primary Market Practices Committee and the Legal & Documentation Committee on the implications for the primary markets of the MiFID II/R regime for product governance, justification for allocations, and inducements, and the PRIIPs regime, following the circulation of ICMA papers relating to the PRIIPs and MiFID II product governance regime in December 2017 and a paper relating to the MiFID II product governance regime and ECP issuance in February 2018.
- 3 *Transition from IBORs to risk-free rates*: ICMA's work on the transition from IBORs to risk-free rates is summarised in a box below.
- 4 *Prospectus Regulation*: ICMA responded on 8 March to ESMA's consultation paper on draft Regulatory Technical Standards under the new Prospectus Regulation, making technical comments on the proposals relating to key financial information for the prospectus summary, data and machine readability of prospectuses, advertisements, prospectus supplements and prospectus publication. A key concern is the prescriptive nature of the proposals on key financial information in the summary.
- 5 *Private placements*: ICMA responded on 22 February to the European Commission's consultation on *Building a Proportionate Regulatory Environment to Support SME Listing*. The response was limited to the applicability of the MAR soundings regime to private placements.
- 6 *FCA industry codes of conduct*: ICMA has responded to the FCA consultation on industry codes of conduct, noting that it does not expect the proposals to relate to ICMA codes of conduct, but also highlighting some issues that the FCA may wish to consider further in relation to the proposals.
- 7 *Bank of Italy requirements*: ICMA continues to liaise with the Bank of Italy in relation to members' continuing queries and concerns on Article 129 reporting rules. With the support of its lead manager constituency and a leading international law firm, ICMA also supported a letter to the Bank of Italy raising concerns with Italian licence requirements for certain issuers placing securities in Italy.
- 8 *ECP and LCR*: ICMA has responded to the European Commission consultation on amendments to the Liquidity Coverage Ratio (LCR) Delegated Regulation. The ICMA response underscores the ICMA ECP Committee's support for AFME's comments concerning the LCR treatment of ABCP.

- 9 *ECP and DLT*: Building on distributed ledger technology (DLT), which has been developed in collaboration with ING, ABN and KBC, Commerzbank executed a proof of concept transaction, issuing an ECP for KfW with MEAG as the investor in 2017. A demonstration was subsequently arranged for the ICMA ECP Committee, illustrating how DLT could conceptually be utilised to create a more streamlined process for the issuance and redemption of ECP.

## Secondary markets

- 10 *MiFID II/R regional workshops*: Following a series of ICMA workshops in the autumn of 2017 on the implications of MiFID II/R for fixed income trading, ICMA held post-implementation workshops during the first quarter of 2018 in London and Vienna, Hong Kong and Singapore. Further workshops are planned.
- 11 *ICMA SMR&R*: ICMA is consulting members on the impact of MiFID II/R and other proposed new EU regulations on the ICMA Secondary Market Rules & Recommendations (SMR&R).
- 12 *Electronic Trading Council*: The Electronic Trading Working Group and Platform Working Group are being combined to form the Electronic Trading Council (ETC), a technical working group under the umbrella of the ICMA Secondary Market Practices Committee. The ETC will focus on electronic trading and the role of technology in the evolving structure of fixed income secondary markets.
- 13 *Single name CDS study*: The ICMA study by Andy Hill and Gabriel Callsen into the state and evolution of the European single name credit default swap market, drawing on ISDA data, was launched on 15 February.
- 14 *Asian corporate bond liquidity study*: ICMA has been researching the state and evolution of the Asian corporate bond markets, as an extension of its work on the European markets. A separate report is due to be published in the second quarter.

## Repo and collateral markets

- 15 *Year-end repo study*: Following dislocation in the repo market at year-end 2016, ICMA published a report by Andy Hill on the European repo market at year-end 2017, based on market data and interviews with market participants. The 2017 data show that, while there were significant year-end effects on repo rates and on liquidity, these were markedly less severe than in the previous year.
- 16 *Repo market survey*: ICMA has published its 34<sup>th</sup> semi-annual survey of the European repo market, reporting on outstanding business as at close of business on 6 December 2017. Overall, this latest survey shows signs that the repo market is adapting to the new regulatory environment, with the baseline figure being the largest ever recorded by the survey since it began in 2001.
- 17 *ICMA ERCC AGM*: The ICMA ERCC AGM was held in London on 14 March, featuring sessions outlining the ERCC's recent work,

including on the evolution of the GMRA, and a panel discussion on *Unlocking the Value of T2S*.

- 18 *Guide to Best Practice*: An updated version of the ICMA European Repo and Collateral Council (ERCC) *Guide to Best Practice in the European Repo Market* was published with effect from 18 December 2017. This latest revision reflects changes agreed to date, but work is continuing, and further changes can be expected during 2018.
- 19 *ERCC Committee composition*: Following the annual election completed in early February, the composition of the ERCC Committee is more diverse than ever, with successful candidates including those from four buy-side firms - AXA IM, BlackRock, PGGM and Swiss Re - and, for the first time ever, a CCP treasury - LCH. The ERCC Committee met in its new composition on 21 February.
- 20 *SFTR implementation*: ICMA is continuing to help members to implement the EU Securities Financing Transaction Regulation (SFTR), through the ERCC SFTR Task Force.
- 21 *CCPs*: The ICMA ERCC responded on 28 February to ESMA's consultation on EMIR anti-procyclicality provisions for CCPs. The response flags the importance of European repo and collateral markets in the context of CCP clearing; and it argues that great care needs to be taken fully to assess the way in which such anti-procyclicality measures are calibrated.
- 22 *ECB AMI-SeCo*: The ERCC is represented on the ECB's Advisory Group on Market Infrastructure for Securities and Collateral (AMI-SeCo), and is playing an active role on its Collateral Management Harmonisation Task Force and the related workstreams.
- 23 *FinTech mapping*: ICMA's FinTech mapping study, which includes around 100 technology solutions for collateral management and ancillary services, is being kept up-to-date on the ICMA website.

## Asset management

- 24 *AMIC Excom*: At the ICMA Asset Management and Investors Council (AMIC) Executive Committee meeting on 28 February, the FCA made a presentation and answered questions from members on its recent *Asset Management Market Study*.
- 25 *Bail-in*: The ICMA Bail-In Working Group held a workshop in Frankfurt on 28 February, led by Tim Skeet, at which the ECB was a speaker.
- 26 *AMIC Council*: The biannual ICMA Asset Management and Investors Council, chaired by Bob Parker, was held at BNP Paribas Fortis in Brussels on 6 March. Commissioner Katainen was a keynote speaker. Panels at the Council covered: smart beta; corporate governance; and illiquid versus liquid investments.
- 27 *Fund delegation*: The AMIC Executive Committee has approved the launch of a stand-alone AMIC position paper on fund delegation to emphasise the importance of the current fund delegation model to the European asset management industry.
- 28 *Fund liquidity*: The European Systemic Risk Board adopted a recommendation on liquidity and leverage risks in investment funds on 7 December, and IOSCO issued recommendations on liquidity risk management in open-ended collective investment schemes on 1 February 2018. Both of these recommendations are being assessed in the AMIC Fund Liquidity Working Group.
- 29 *Corporate governance*: The AMIC Corporate Governance Working Group, chaired by Georg Grodzki, has responded to the Financial Reporting Council's consultation on revising

the UK Corporate Governance Code and on changing the Stewardship Code.

## Green, social and sustainable bond markets

- 30 *European Commission High Level Expert Group (HLEG) on Sustainable Finance*: The HLEG published its final report on 31 January, including recommendations for an EU Green Bond Standard and a Sustainability Taxonomy. ICMA was represented on the HLEG by Nicholas Pfaff as an observer.
- 31 *European Commission Action Plan on sustainable finance*: The Commission's Action Plan, published on 8 March, follows many of the HLEG's recommendations, including an EU Green Bond Standard and a Sustainability Taxonomy, as well as greater emphasis on sustainability as part of investor duties. A study will also review possible prudential adjustments related to climate change risks. The Commission has called for candidacies for a Technical Expert Group on sustainable finance to be submitted by 16 April.
- 32 *France's Green Evaluation Council*: ICMA has been nominated as an observer on the Evaluation Council of France's green sovereign bond and will be represented by Nicholas Pfaff. The Evaluation Council will define the specifications and schedule for evaluation reports on the environmental impact of France's green sovereign bond.

## Other meetings with central banks and regulators

- 33 *Brexit*: ICMA has continued to keep in contact on Brexit with the UK, the euro area and the EU authorities, and to discuss with members - both in the UK and the EU27 - through ICMA Market Practice and Regulatory Policy Committees how it can best help the international capital markets to prepare.
- 34 *ICMA Regulatory Policy Committee*: Edwin Schooling Latter, Head of Markets at the FCA, joined the ICMA Regulatory Policy Committee on 15 March for a discussion on regulatory developments.
- 35 *ICMA Capital Market Lecture*: Andrew Bailey, Chief Executive of the FCA, gave a Capital Market Lecture, which ICMA organised jointly with AFME and ISDA, at NatWest Markets on 1 March on *Recent Developments in Financial Markets*.
- 36 *Official groups*: ICMA continues to be represented, through Martin Scheck, on the ECB Bond Market Contact Group; through René Karsenti, on the ESMA Securities and Markets Stakeholder Group; and through Godfried De Vidts on the ECB Macroprudential Policies and Financial Stability Contact Group, and on the Consultative Working Group to ESMA's Secondary Markets Standing Committee.

Note: An updated draft of the *ICMA Regulatory Grid* has been posted on a password-protected webpage on the ICMA website.

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