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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 600 members in 65 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.

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Foreword

Asian capital markets

by **Henrik Raber**

Among the many headwinds that credit markets have faced in the last 100 years, the post-pandemic period could rank fairly high. In March following interest rate increases to address inflation, the two-to-ten year US Treasury yield inversion widened to the most since 1981. The pace of interest rate moves has tested the financial system with pressure showing, for example, among the group of US Regional Banks.

Against this background the global capital markets have remained remarkably resilient. Whilst there may be a pause in activity, the primary markets have been agile, re-priced and re-opened swiftly. These are not just due to short-term macro factors at play. It is a result of decades of development and focus by capital market participants and stakeholders – mature regulated markets that can respond to local and global financing needs.

In Asia, the primary markets are off to a strong start in 2023. Not only for G3 issuance (following a subdued 2022) but also the surge of local currency issuance. Primary issuance volumes in offshore CNY, HKD and SGD markets are almost double that of 2022. The ability to finance via onshore or offshore opportunities has created impressively deep support for fast-growing economies.

Strong foundations also support innovation to meet the shifting needs of clients. An example is the progress in sustainable financing in Asia. Estimates vary, but a figure of over USD800 billion per year could be needed to help Asia transition towards a green economy.

Regional capital markets have responded well to this challenge. In 2022, sustainable bonds contributed 30% of G3 currency-denominated debt raised in Asia. This is ten-fold growth over 2017. There have been two big driving forces behind sustainable financing in the region:

(i) *A concerted effort on the part of local governments and regulators to establish progressive policies:* Asian sovereigns have played a leading role in the development of the regional ESG markets – several of these sovereigns, including Singapore and the Philippines, issued their debut green bonds in 2022, catalysing the ESG debt in the region.

(ii) *Advocacy for regulatory clarity among key industry stakeholders:* Standard Chartered, with its 150 years of history in Asia, recognizes the importance of a unified voice to enable progress in a multi-stakeholder market. ICMA has played a hugely important role in driving consultation over regional Green Bond Frameworks, or steering advocacy efforts during the Hong Kong SFC Code of Conduct discussions. Thereby, it is well-deserved that ICMA was recently named "Industry Association Of The Year" at the Regulation Asia Awards for Excellence 2022.

As we look ahead, there continue to be emerging areas of interest in the region, and industry-wide engagement and advocacy will be needed to usher in the next stage of growth. A couple of examples being:

- Greenwashing remains a risk globally. Significant work is already under way in areas such as ESG ratings and use-of-proceeds monitoring. There has also been good progress in the ICMA Repo & Sustainability Taskforce that kicked off in January 2022. We are excited to see how this develops in the coming months.
- Technology will continue to play an increasingly relevant role in the capital markets value chains across the origination, execution, distribution and post-issuance lifecycle. We are already seeing experiments on security token issuances using digital ledger technology aiming towards efficiency in current processes. As global regulations, infrastructure and technology try to keep pace with these changes, the industry will look to gain more clarity on latest developments and the regulatory framework. We look forward to partnering with ICMA and the industry to work towards this end.

Asian countries play a key role in global financial markets, mobilising capital for a region that represents 60% of the world's population. These markets have developed at pace and embraced innovation. We fully expect them to continue evolving to meet the ever-changing financing needs and opportunities for investors in the coming years.

Standard Chartered looks forward to continued opportunities to work with ICMA and our regional stakeholders to enable more resilient and mature Asian capital markets.

Henrik Raber is Managing Director, Global Head, Global Credit Markets, Standard Chartered Bank, and a Member of the ICMA Board.

Cessation of panel bank US dollar LIBOR: implications for bonds under English law

by **Paul Richards**

Summary

Panel bank US dollar LIBOR is due to cease on 30 June 2023. In the US, provision has been made by the Federal Reserve under the US LIBOR Act for a replacement rate for certain legacy contracts, including bonds, from that date with no time limit. The FCA – as the global regulator of LIBOR – announced on 3 April 2023 that, under the UK Benchmarks Regulation, the methodology for US dollar LIBOR will change on the cessation of panel bank LIBOR to synthetic LIBOR for certain legacy contracts, including bonds, until 30 September 2024. It is proposed that the synthetic US dollar rate should be the same as the replacement rate under the US LIBOR Act for as long as the synthetic rate for US dollar LIBOR continues to be published. Before the cessation of synthetic US dollar LIBOR, the FCA is required to review its decision but, in the absence of unforeseen and material events, expects to follow the direction and timeline indicated. The FCA is continuing to encourage active transition of legacy US dollar LIBOR bonds to SOFR in the meantime.

Background

1 The authorities globally have for some time planned the permanent cessation of LIBOR, on the grounds that LIBOR poses clear risks to global financial stability, as the market for unsecured wholesale term lending between banks is no longer sufficiently active to support such a widely used reference rate. Instead, the authorities have encouraged the market to adopt near risk-free reference rates, where the volume of underlying market transactions is greatest.[1]

2 In all five LIBOR currencies, risk-free rates have been adopted instead of LIBOR in *new* transactions: SOFR in US dollars; SONIA in sterling; €STR in euro; SARON in Swiss francs; and TONA in Japanese yen. In each case, the most robust risk-free rates are overnight rates, which are measured by the volume of overnight transactions and do not depend on any use of expert judgment. In some currencies, the overnight risk-free rates are secured, and in other currencies they are unsecured. Overnight risk-free rates compounded in arrears are referenced in the majority of new floating rate note issues in the bond market. Forward-looking term risk-free rates are also used in financial instruments in some limited cases and are preferred by the authorities to credit-sensitive rates, which they consider carry similar risks to LIBOR.

3 *Legacy* LIBOR transactions are being transitioned to risk-free rates, in cases in which this is feasible, as in the case of OTC derivatives, where the ISDA IBOR Fallbacks Protocol has been widely used, and cleared derivatives, which can be converted *en bloc*. In place of panel bank LIBOR rates, synthetic rates have been used in some LIBOR currencies as a temporary bridge to give more time for legacy transactions to mature and for active transition to be undertaken, in particular in the cash markets.

1. Global coordination has been overseen by the FSB Official Sector Steering Group, which is chaired by John Williams, President of the Federal Reserve Bank of New York, and Nikhil Rathi, Chief Executive of the UK FCA. In each LIBOR jurisdiction, the public sector and the private sector have worked closely together through national risk-free rate working groups. ICMA chairs the RFR Bond Market Sub-Group in the UK, working with the FCA and the Bank of England.

Progress to date on the transition away from LIBOR

4 There has already been considerable progress in achieving the authorities' objective of permanent cessation in all five LIBOR currencies. The FCA – as the global regulator of LIBOR – has determined the following:

- At the end of 2021, panel bank LIBOR ceased permanently in 24 of the 35 LIBOR settings in the five LIBOR currencies, including all euro LIBOR and Swiss franc LIBOR settings, and some sterling, Japanese yen and US dollar LIBOR settings. In April 2022, the Financial Stability Board (FSB) noted that the transition from LIBOR, primarily to overnight risk-free rates, had been smooth without any significant market disruption so far.[2]
- In the case of the remaining three sterling and three Japanese yen settings, the FCA instructed the IBA – as the administrator of LIBOR – to change its methodology at the end of 2021 from panel bank to synthetic LIBOR for legacy transactions. Japanese yen LIBOR ceased permanently at the end of 2022. One and six-month sterling LIBOR ceased permanently at the end of March 2023, and three-month sterling LIBOR is due to cease permanently at the end of March 2024.
- Panel bank US dollar LIBOR has continued to be used for legacy transactions. But panel bank US dollar LIBOR is due to cease at the end of June 2023, and all remaining settings other than one, three and six months are due to cease permanently at that point.

The transition away from LIBOR in US dollars

5 Restrictions have been imposed by the US authorities on the use of US dollar LIBOR in *new* transactions since the end of 2021. In place of US dollar LIBOR, SOFR has been used for new transactions for some time.[4] SOFR is underpinned by a daily average of around US$1 trillion in transaction volume, and is now the predominant US dollar reference rate, with almost all US dollar floating rate notes and all US dollar adjustable-rate agency mortgages being tied to SOFR. Almost all new US dollar loans currently reference SOFR, with nearly 100% of US dollar syndicated lending referencing SOFR in December 2022, compared to 30% in December 2021.[5]

6 In the case of *legacy* contracts, the scale of the transition needed from LIBOR to risk-free rates in US dollars is much greater than in the other LIBOR currencies. The US Alternative Reference Rates Committee (ARRC) estimated in March 2021 that roughly US$223 trillion of legacy US dollar LIBOR exposures were outstanding at the end of 2020, of which exposures of US$74 trillion were estimated to mature after 30 June 2023, when panel bank US dollar LIBOR will cease. Around US$5 trillion of the remaining US dollar LIBOR exposures relate to cash products, including bonds.[6] The FSB has estimated that there are around US$2 trillion in bonds, including securitisations, US$2 trillion in business loans, and US$1 trillion in consumer loans.[7]

7 In the bond market, the main outstanding question has been how legacy transactions will be handled for one, three and six-month US dollar settings after 30 June 2023, when panel bank US dollar LIBOR will cease. In the US, it is generally not feasible

EURIBOR

The transition from EURIBOR to risk-free rates is being handled in a different way from LIBOR. In January 2022, ESMA took over the supervision of the EURIBOR administrator, the European Money Markets Institute (EMMI), under the EU Benchmarks Regulation. EMMI undertakes an annual review of EURIBOR's hybrid methodology with a view to confirming that EURIBOR remains robust, resilient and representative of its underlying market, and identifies any recalibrations of the calculation method required. The latest adjustments were implemented by EMMI and the EURIBOR panel banks on 3 October 2022.

The euro short-term rate (€STR), which is an unsecured rate, is the near risk-free rate for the euro area. It has been published by the ECB for five settings since 15 April 2021. €STR has replaced EONIA, an interbank overnight lending reference rate, which was discontinued on 3 January 2022. While EURIBOR continues to be published without a future cessation date, compounded €STR and forward-looking €STR term rates are being promoted for use as fallback rates in new EURIBOR transactions.[3]

2. FSB, *Progress Report on LIBOR and Other Benchmarks Transition Issues,* 16 December 2022.

3. FSB, *Progress Report on LIBOR and Other Benchmarks Transition Issues,* 16 December 2022.

4. The secured overnight funding rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralised by US Treasury securities. It is published daily by the Federal Reserve Bank of New York.

5. FSB, *Progress Report on LIBOR and Other Benchmarks Transition Issues,* 16 December 2022.

6. ARRC LIBOR Legal Playbook, 11 July 2022.

7. FSB, *Progress Report on LIBOR and Other Benchmarks Transition Issues,* 16 December 2022.

actively to transition legacy bonds from LIBOR to SOFR, as consent solicitation is the main route for transitioning legacy bonds by agreement, and consent thresholds for agreement by investors are commonly 100% under US law. The US authorities have introduced federal legislation (through the US LIBOR Act) to provide a replacement rate from 30 June 2023 for bonds and other contracts which have not been transitioned, and in many cases cannot be.[8] The replacement rate will continue to run until maturity of the bonds, as the US LIBOR Act is not time-limited.

Synthetic US dollar LIBOR

8 As the US dollar is the most widely used international currency, there are also a large number of US dollar bonds (and other financial contracts) referencing LIBOR governed by English law and by the laws of some other jurisdictions. The process of transitioning bonds under English law from LIBOR to SOFR is less difficult than under US law, as consent thresholds are commonly significantly lower than 100%. But even so, active transition from LIBOR to SOFR is problematic for tough legacy contracts.[9] Active transition needs to take place bond by bond – the bond market cannot use a protocol in the same way as the derivatives market can use the ISDA IBOR Fallbacks Protocol. Active transition in the bond market takes time, involves expense, and success is by no means guaranteed. In some cases, active transition may not be feasible at all.

9 The FCA announced on 3 April 2023 that, when panel bank US dollar LIBOR ceases on 30 June 2023, synthetic US dollar LIBOR will succeed it for all legacy contracts (other than cleared derivatives) in one, three and six-month settings.[10] This should provide continuity of contract for legacy bonds, including those likely to have fallbacks to a fixed rate which will be triggered on permanent cessation of LIBOR (ie the opposite of the floating rate agreed when the bond was issued) for as long as synthetic US dollar LIBOR is published.[11] The synthetic US dollar rate proposed by the FCA is the same as the rate in the US proposed by the Federal Reserve: the relevant CME Term SOFR Reference Rate plus the respective ISDA fixed adjustment spread. International consistency through alignment is particularly important in international markets.

10 The UK approach to winding down US dollar LIBOR is not the same as the US approach, though the result should be the same as long as synthetic US dollar LIBOR continues to be published. The FSB has noted that, while legislative approaches may differ, there has been close coordination between the authorities with the aim of ensuring that these different approaches will complement one another.[12]

- The US approach under the LIBOR Act involves contractual override, as a result of which references to US dollar LIBOR in legacy bond issues outstanding at 30 June 2023 are replaced by references to CME Term SOFR plus the ISDA fixed adjustment spread.
- The UK approach involves keeping LIBOR for legacy bond issues outstanding at 30 June 2023 but changing its methodology from panel bank LIBOR to synthetic LIBOR, which will also consist of CME Term SOFR plus the ISDA fixed adjustment spread.[13]
- So the UK approach should achieve the same result as the US approach for as long as synthetic US dollar LIBOR continues to be published. But whereas there is no time limit under the US LIBOR Act, synthetic US dollar LIBOR is subject to a time limit of a maximum of 10 years under the UK Benchmarks Regulation, with an annual review of whether synthetic US dollar LIBOR continues to be necessary in the meantime.

11 It is also important to note that the UK Benchmarks Regulation has been amended by the Critical Benchmarks Act, which was introduced in 2021 by HM Treasury to provide

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8. The US LIBOR Act was enacted in March 2022 to establish a uniform process for replacing US dollar LIBOR in ”tough legacy” contracts governed by US law that do not provide a clearly defined and practicable benchmark replacement: FSB, *Progress Report on LIBOR and Other Benchmarks Transition Issues,* 16 December 2022.

9. Tough legacy contracts are defined by the Federal Reserve System as contracts referencing US dollar LIBOR which will not mature by 30 June 2023, but which lack adequate fallback provisions providing for a clearly defined or practicable replacement benchmark following the cessation of US dollar LIBOR*: Regulation Implementing the LIBOR Act, December 2022.* The FSB defines tough legacy contracts as “contracts that do not contain a workable fallback, and cannot, or cannot easily be amended in time before the transition deadline.”: *Progress Report on LIBOR and Other Benchmarks Transition Issues,* 16 December 2022.

10. FCA decision on synthetic US dollar LIBOR, 3 April 2023. New use of synthetic US dollar LIBOR will not be permitted.

11. For LIBOR bonds governed by English law, fallback triggers typically work as follows: “Type 1” bonds fall back to a fixed rate at permanent cessation of LIBOR, which was not envisaged when the bonds were issued with a floating rate; “Type 2” bonds fall back to a floating rate at permanent cessation; and “Type 3” bonds – and ARRC-recommended fallbacks for LIBOR bonds – fall back to a floating rate at pre-cessation, if and when LIBOR is declared or becomes “unrepresentative” of its underlying market. These examples do not describe every case. It is important to note that the operation of Type 1 bond fallbacks is subject to reference bank polling, which will no longer be fit for purpose once LIBOR ceases. Under the US LIBOR Act, the reference bank polling mechanism is disapplied for financial instruments in scope of the legislation.

12. FSB: *Progress Report on LIBOR and Other Benchmarks Transition Issues,* 16 December 2022.

13. FCA decision on synthetic US dollar LIBOR, 3 April 2023.

continuity of contract in law between panel bank LIBOR and synthetic LIBOR. The legislation is currency agnostic: in other words, in the same way as there is continuity of contract between panel bank and synthetic sterling LIBOR under English law, there should also be continuity of contract under English law between panel bank and synthetic US dollar LIBOR.

12 In the case of sterling, the introduction of a synthetic rate for legacy LIBOR transactions in place of panel bank LIBOR has worked well so far. As bonds have to be transitioned bond by bond, the availability of the synthetic rate has given more time for legacy bonds to mature or to be transitioned (eg through consent solicitation) to SONIA, where feasible, though there are still a number of legacy sterling bonds outstanding for three month settings, where the permanent cessation date is the end of March 2024.

13 While active transition of legacy sterling LIBOR bonds has made considerable progress, the transition of legacy US dollar LIBOR bonds under English law is a more challenging task: there are more US dollar LIBOR bonds to transition than sterling, and transition is expected to be more complex, as many US dollar LIBOR bonds are held by investors – including retail investors – internationally, given the US dollar's international role. This is not just a feature of the bond market. The LMA has estimated that there are around 100 jurisdictions affected globally in the loan market.

14 Some legacy bonds – including capital instruments – contain a reference to US dollar LIBOR-based benchmarks, such as the US dollar LIBOR ICE Swap Rate, rather than LIBOR itself. The US dollar LIBOR ICE Swap Rate is due to cease on 30 June 2023: ie the same date as panel bank US dollar LIBOR. The ARRC has noted that legacy bonds referencing the US dollar LIBOR ICE Swap Rate are not covered by the US LIBOR Act and has published a recommended fallback formula for these rates when the US dollar LIBOR ICE Swap Rate ends on 30 June 2023. But the fallback rates can only be implemented if the contractual fallback language allows for that. The ARRC recommends that issuers take active steps to address securities that do not have workable fallback language.[14]

The target date for permanent cessation of synthetic US dollar LIBOR

15 The FCA announced on 3 April 2023 that 30 September 2024 will be the target date for the permanent cessation of synthetic US dollar LIBOR.[15] Setting a realistic target date should encourage active transition in the meantime, and in some cases (eg private placements) this should be relatively straightforward. But cessation on 30 September 2024 gives a relatively short time for transition from LIBOR to SOFR of the large number of legacy US dollar LIBOR bonds outstanding with maturities beyond that date.

16 As a result, the FCA is playing a prominent role in encouraging the active transition of legacy US dollar LIBOR bonds, and supervisors are drawing the need for active transition to the attention of the banks they supervise. Given the global role of the US dollar, it is also important that the authorities promote active transition of legacy US dollar LIBOR contracts globally, especially in jurisdictions where awareness is low. The most appropriate global institution to take the lead is the FSB Official Sector Steering Group, which has overseen the transition from LIBOR to risk-free rates globally since the beginning of the process.

17 In response to official encouragement, bond market participants need to transition legacy US dollar LIBOR bonds wherever they can, in particular because some legacy US dollar LIBOR bonds – particularly those issued before around the beginning of 2018 – are expected to fall back to a fixed rate on permanent cessation of synthetic US dollar LIBOR. That is the opposite of the floating rate originally intended. Permanent cessation will also end alignment with the US, where legacy bonds will continue to reference a floating rate under the US LIBOR Act until maturity.

18 The FCA stated on 3 April that: "We intend that publication of the one, three and six-month synthetic US dollar LIBOR settings will cease on 30 September 2024. We will review our decision, in line with the requirements of the Benchmarks Regulation. However, unless unforeseen and material events were to happen, we expect to follow the direction and timelines we have indicated. We consider providing early notice of this is helpful for market participants. Firms must therefore continue to actively transition contracts that reference US dollar LIBOR."[16]

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14. ARRC LIBOR Legal Playbook, 11 July 2022.

15. FCA decision on synthetic US dollar LIBOR, 3 April 2023.

16. The FCA has also stated: "Under the BMR, we are required to review any compulsion decision before the end of the relevant compulsion period to assess whether an extension is necessary for an orderly wind-down." The FCA considers that "it is possible for cessation to be orderly even if not every contract has transitioned away or been equipped with a workable fallback, provided there is not sufficient scale of un-remediated contracts to post a threat either to market integrity or to an appropriate degree of protection for consumers.": CP 22/21 (3.17), November 2022.

Building resilience in the global bond markets

by **Bryan Pascoe**

Markets in financial assets are proving increasingly difficult to navigate around and predict, at a time when market access and consistency are critical to provide the tools for cohesive economic growth and stability. The bond market is arguably the most critical, fundamental and pervasive element within the interwoven international financial system, and with that in mind I would like to reflect on the topic of building resilience in the global bond markets, a key issue which is increasingly keeping policy makers, regulators and market participants of all kinds awake at night. I will touch on several points: Firstly, the role played by ICMA in the international bond markets. Secondly, the essential role and importance of the bond markets in financing long-term sustainable growth for the real economy in a flexible way providing a broad range of funding sources. Thirdly, some of the issues and structural weaknesses we have seen emerge, particularly in recent times, which have brought into question the robustness of the bond market as a reliable, consistent and effective means of connecting users and providers of debt capital, and that acts as a source of economic stability. And finally, developments and undertakings that are in train to help build the market's structural and operational resilience and flexibility.

At ICMA, we are a Zurich-headquartered trade association with offices in London, Brussels, Paris and Hong Kong, focused on the fixed income markets and operating across primary, secondary and repo and collateral markets, with sustainable finance and digitalisation embedded as key themes and drivers across all our areas of market operation. In sustainable finance in particular you may already be familiar with our work and market leadership position as the Secretariat for the Green, Social, Sustainable and Sustainability-Linked Principles which act as the go-to standard for international best practice in the debt capital markets, and on which the Green Loan Principles are based. We have over 600 members in 65 countries globally representing all players in the market – issuers, underwriters, traders and brokers, investors, market infrastructure providers, rating agencies, law firms, tech solution vendors and official institutions. In that sense we truly are the voice of the bond markets. And in Asia-Pacific our footprint is strong and growing, with over 80 members in 13 jurisdictions. Our mission is to provide effective and focused advocacy with key regulators and stakeholders on behalf of our members, and symbiotically, to set frameworks and standards for best practice across all areas of operation. Examples of such standards include our Primary Market Handbook for bond issuance best practice, Secondary Market Rules and Recommendations which provide the framework for trade and settlement dispute resolution, and the Global Master Repo Agreement and associated legal opinions, providing the documentation underpinning the majority of the international repo market activity. In this regard we have a central role to play in promoting, supporting and driving efficient, robust and resilient cross-border bond markets.

Turning now to the bond markets more broadly. The size of the international bond market is vast, with over US$130 trillion equivalent outstanding across sovereigns, supranationals, agencies, corporates and financials, providing typically a huge amount of flexibility in currency, maturity and size of issuance which is of critical importance in managing investment, financing and redemption profiles. The US bond market remains by far the largest representing around US$45 trillion of total issuance, with China now the second largest market at around US$25 trillion and the European Union – to the extent it can be considered as a single market – in third. Sovereign bonds, financing budgets, infrastructure and social programmes account for around 75% of total global issuance. Notably, the markets have expanded significantly since the global financial crisis in 2008, and subsequently the European sovereign debt crisis around 2012, with a significant expansion in the market for credit and corporate bonds in addition to government bonds. In Asia, for example, until recently we saw huge growth in the appetite for and issuance of high-yield bonds, and in the emerging markets more broadly overall outstanding debt volumes almost trebled in the 10 years to the end of 2021 standing at over US$3 trillion of international issuance. This has been supported on the investor side by the proliferation of bond funds and ETFs, increased involvement from private

banks, leveraged buyers entering the fixed income market and, most notably since 2015, the extraordinary expansion of central bank balance sheets which have – artificially – vastly increased the demand for government and corporate bonds in the extremely low-yield environment. It is worthwhile noting that, despite recent market growth, bond financing in Asia is still a low proportion of total borrowing compared to the loan market, certainly relative to the US and also Europe. In that regard the bond market in the region has significant unrealised potential both in G3 and local currency funding. ICMA spotlights the Asian bond markets now in an annual study which is supported by the HKMA.

A major theme through this cycle of broader bond market growth has been the explosion of green bonds and other ESG-related issuance which has now, positively, become a mainstay of the international markets, accounting already for around 15% of all annual international issuance. There is huge further potential upside to this market, now accounting for around US$1 trillion of supply annually and it is critical that industry standards, taxonomies, reporting and disclosure requirements evolve in a harmonised and interoperable way to foster market integration and accessibility. Initiatives such as the Common Ground Taxonomy between China and the EU and the work of the International Sustainability Standards Board on standardised baseline reporting and disclosure requirements are key to this.

Back to the broader market, significant market dislocations have seemingly become more frequent and visible in recent times, rightly prompting questions on market structure and resilience. The beginning of the COVID crisis in early 2020 initially led to strong demand for low-risk assets but very soon the desire for cash led to a sell-off in the most liquid instruments that were easiest to sell, including US Treasuries. This resulted in a major sell-off and precipitous drying-up of liquidity that sent shock waves through the bond markets globally and prompted major reviews and recommendations for improvements in market structure from official bodies such as the FSB and G20. This also manifested itself through significant redemption pressures on open-ended money market funds which pro-cyclically sold their most liquid holdings adding to market strains. New regulatory measures across the US, EU and UK are now focusing closely on the structure and operation of such funds to avoid a repeat in future times of stress.

The market has also been severely tested by the confluence of economic factors witnessed over the last two years. While the bond market has by no means been alone in being negatively impacted, the very sharp rises in interest rates from extremely low levels as central banks aggressively hiked rates driven by fears of runaway inflation and the war-induced energy crisis coupled with recession, as well as the impending reduction of central bank holdings of government and corporate bonds – also known as Quantitative Tightening or QT – had a direct effect leading to unprecedented spikes and volatility in government bond yields with dealers unable or unwilling to step in. Apart from all but the highest quality and most defensive credits we saw, as a result, a temporary paralysis in the primary markets globally, which depend on the transparency and liquidity in secondary markets to provide executable trading levels to support the price discovery process of new issues and give investors confidence. This was particularly the case in corporate, emerging market and higher yielding credits where liquidity temporarily became effectively non-existent. In Asia, for example, volumes fell nearly 50% compared to 2021. While higher rates were by no means unexpected, the speed of change caught the market off-guard, and it took time for equilibrium and a two-way market to re-emerge, helped by an improving outlook.

Against this backdrop, one of the major structural issues within the market has been the dramatic reduction of balance sheet liquidity provision capability in banks and trading operations as market outstanding volumes have grown. Bank intermediation remains critical in the bond market which – by its nature and very different to the equity market – remains largely institutional and wholesale in nature, dominated by dealer-driven over-the-counter execution.

Regulation, targeted principally at reducing counterparty risk in the banking system through both capital and liquidity coverage ratios, has increasingly constrained risk appetite and the capacity of banks to hold, warehouse and recycle risk assets. This has continued to the extent that, while global bond market volumes have almost doubled since 2010, dealer capacity has at best remained static. The prudential regulation has certainly been impactful and successful in building balance sheet resilience and reducing counterparty risk in the banking system, but at the same time it has led to heightened liquidity risk and the concentration and build-up of exposures in less well-regulated non-bank financial institutions. This became crystal clear for example in the recent LDI-driven turmoil in the UK gilt market precipitating the intervention of the Bank of England to stabilise market sentiment. Indeed, the involvement of central banks in secondary markets has been critically important on several occasions in recent times.

There continues to be a proliferation of ongoing regulation targeted principally at banks focused on areas such as trading book capacity, margin and collateral requirements and repo market activity, but now increasingly funds and money market funds are also being brought into the fold. Very careful consideration needs to be given to the unintended – and usually negative – consequences that application of regulation on one specific group of market participants or area of activity can have on the broader marketplace.

In response to this issue ICMA has created a liquidity and resilience taskforce with our members, with representation from all types of market participant, to try to pre-empt

and identify the emergence of unforeseen risk issues and inform regulators and official sector stakeholders. We have carried out significant work with IOSCO in particular on market resilience initiatives, and myself and senior members of the ICMA team meet regularly with the leadership at key official bodies such as the European Securities and Markets Authority, European Commission, European Central Bank, Bank of England and the Financial Conduct Authority in the UK to discuss and feed back on market conditions, our members' concerns and our views on how best to tailor regulatory measures to ensure they are robust but do not choke off market activity or lead to reduced or fragmented liquidity concentration.

We are working consistently with many of these stakeholders to review and promote structural and regulatory initiatives to improve the operational efficiency and resilience of the market, such as enhanced market transparency through the introduction of a consolidated tape for bonds, the acceleration of settlement cycles, collateral usage and efficiency, review of leverage ratios to increase banks' capacity to hold government bonds in times of stress, broader usage of central clearing and better calibration of margin requirements and supportive developments in the repo market such as the introduction of standing repo facilities or the broadening of counterparty eligibility.

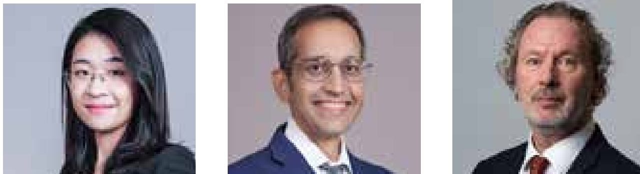
Digitalisation and electronification represent a critical area where great potential exists to improve market efficiency, transparency and resilience. The wholesale and dealer-driven model I touched on earlier, and still central to secondary market activity, in no way dilutes the importance of technology and digitalisation initiatives to improve market liquidity, enhance reporting capabilities and reduce risk. While we have seen the growth of so-called "all-to-all" trading platforms which can reduce the need for bank intermediation, automated portfolio trading where investors ask dealers to bid on large blocks of individual bonds and execution and order management systems, all of which have improved liquidity and resilience to some degree, their impact so far in the bond markets has yet to be material. The market essentially remains over-the-counter and voice-driven, particularly in times of stress. More fundamentally, transformational initiatives such as the use of Distributed Ledger Technology in bond market issuance and securities' lifecycle management remain very much in the testing and pilot phase. We saw one important such innovation in Hong Kong recently with the Government issuing the first ever Government digital green bond globally. Again, ICMA is fully involved in market developments through its FinTech Advisory Committee made up of members from all areas of market activity with a key focus to ensure market initiatives and regulatory engagement, promote harmonisation and operational efficiency and reduce fragmentation across the industry. Any broad-based and scalable benefits from the application of such technology are still realistically several years away.

In concluding, and focusing on the present, the market globally got off to a very strong start in 2023 but uncertainty over the rates outlook and the broader implications of the SVB collapse and Government-orchestrated takeover of Credit Suisse by UBS have soon drawn a line under that. We cannot afford to be complacent at any time. And we should not underestimate the scale and importance of the global bond markets which provide a critical function in economic stability and growth and will be highly instrumental in meeting the financing needs of the transition to net zero in the next 20-30 years. The market is certainly not bullet-proof and has been challenged, and weaknesses exposed, by a number of significant market, operational and regulatory developments and shocks leading to the build-up of concentration, unforeseen risks and market bottlenecks that I have mentioned. That said, the market continues to function largely well, and we need to focus on improvements.

Encouragingly, awareness of the issues faced by the market is high among practitioners and regulators, who are increasingly working together to bridge gaps and facilitate structural changes. Well-calibrated regulation is important but it needs to be proportionate and to better assess potential impacts across the entire bond and repo market ecosystem. We need to boost the uptake and use of automated trading and other digitalisation initiatives to improve liquidity and transparency, which in turn will encourage the involvement of more retail investors to invest in bond funds and bring greater breadth to the underlying buyer base. Further, improvements in settlement processes and the use of central clearing should be fostered to build robustness in market structure and reduce risk where appropriate. There is too much at stake not to have a robust and integrated international bond market and I believe this only reinforces the role of trade associations such as ICMA to identify and assess issues and challenges, bring stakeholders together and provide solutions that optimise market efficiency and resilience through the setting of market standards and effective advocacy.

Bryan Pascoe is Chief Executive of ICMA. The text is principally based on a speech he gave to the APLMA Global Loan Market Summit, Hong Kong, on 1 March 2023.

The Asian International Bond Markets: Development and Trends



by **Yanqing Jia, Mushtaq Kapasi** and **Andy Hill**

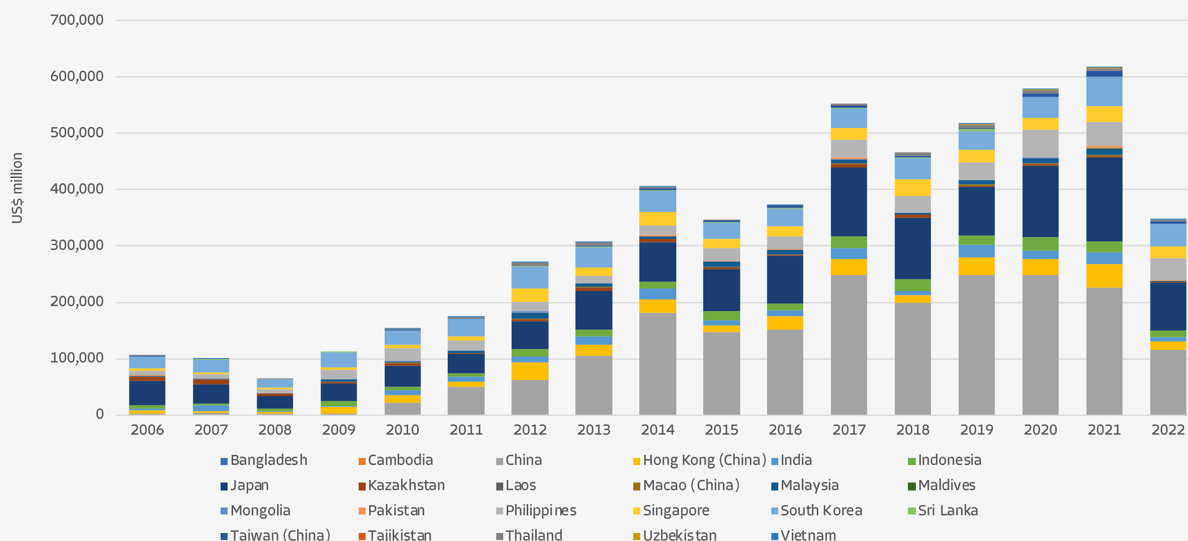
On 29 March, ICMA published the report: *The Asian International Bond Markets: Development and Trends*. This is the third edition of the annual report, providing global market stakeholders with an updated overview of market development and analysis of market events through the end of 2022.

The report is also published in Chinese and was launched at an event hosted by the Hong Kong Monetary Authority on 30 March.

Primary markets

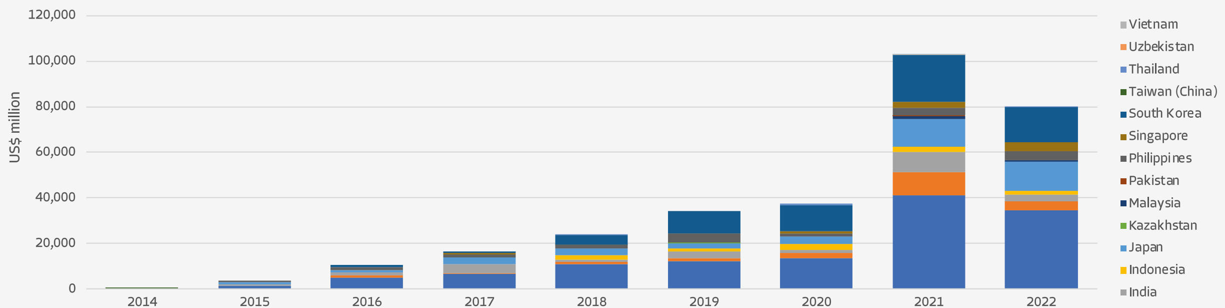
The year 2022 was challenging for the international bond markets in Asia. The interest rate hikes by many central banks around the globe, geopolitical tensions, and sectoral credit events together contributed to the end of more than a decade of issuance growth for international bonds in Asia.

The annual issuance volume of international bonds in Asia declined 44% from the record value of over USD610 billion in 2021 to USD346 billion in 2022, near the level in 2015. Looking at the international issuance in Asia by deal nationality, China accounted for 33% in 2022 and continued to be the largest source of issuance, followed by Japan and South Korea. International issuance volume by South Korean issuers remained relatively resilient compared with other jurisdictions, with USD40 billion in 2022, only a 25% decrease from 2021.



Source: ICMA analysis using Dealogic data (January 2023)

International sustainable bond issuance in Asia – by deal nationality



Source: ICMA analysis using Dealogic data (January 2023)

Green, social, sustainability and sustainability-linked bonds (all together "sustainable bonds") followed the overall trend and also experienced a decline in issuance amount by 22% to USD80 billion in 2022, but its proportion in all international issuance in Asia rose from 16% to 23%, evidencing the attractiveness of sustainable bonds as a financing instrument for issuers.

Behind the headline numbers, issuers, confronted with higher cost of issuing bonds in G3 currencies this year, tended to diversify into other funding sources including bank loans and the domestic bond markets and tap the international bond markets with shorter tenor, waiting for more clarity on the rate hike schedules. Meanwhile, investors indicated they remain generally interested in Asian G3 credits but have become more vigilant on pricing and credit risk.

Despite the unfavourable factors affecting the bond markets in Asia, there have been increasing efforts to test out the application of innovative technologies and promote digitalisation in the Asia bond markets.

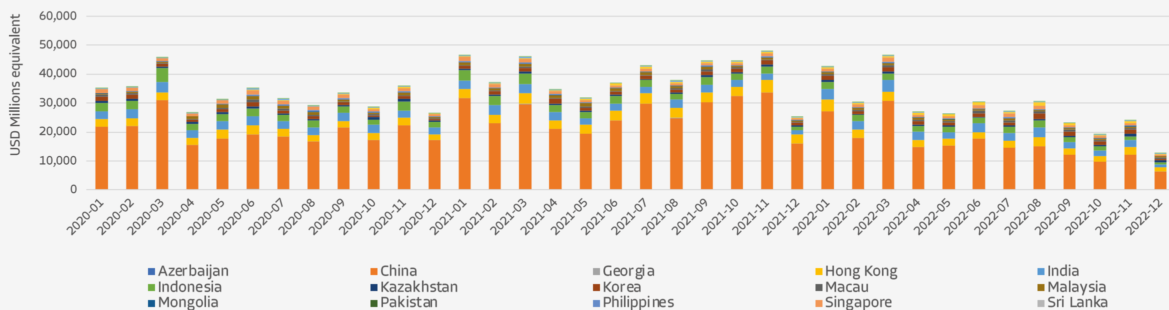
Secondary markets

As with the primary market, the Asia international secondary bond market faced a confluence of headwinds over the course of 2022. Interview participants suggest that secondary market conditions were challenging, particularly in some segments, with overall traded volumes lower than 2021, and with regular episodic spates of illiquidity and heightened price volatility.

Interviewees suggest that reduced liquidity, as seen in lower secondary market volumes, is in part a response to higher yields and widening credit spreads, which increase uncertainty for investors and risks for market makers. This can also be attributed to a reduction in primary market activity.

Interviewees note that as a result of large moves and heightened volatility some secondary market liquidity providers suffered meaningful losses in the first half of 2022, which had repercussions for the market for the remainder of the year.

Asia international credit (NFCs) secondary market traded volumes by country of ultimate risk



Source: ICMA analysis using TraX Data from MarketAxess (March 2023)

Interviewees comment that the use of electronic venues to transact in the secondary market continues to become more entrenched. Historically this has been mainly prompted by efficiencies, with most e-trading in smaller trade sizes and in more liquid, investment grade names. More recently, however, this increasingly has been driven by the need for price discovery and the search for liquidity. Accordingly, in the past twelve months we have seen a growth in the adoption of protocols other than RFQ, including all-to-all and portfolio trading.

Interviewees suggest that liquidity in both the Asia cross-border repo market and the index CDS market held up well during the market moves of 2022. Liquidity in the single-name CDS market, however, continues to wane.

Looking ahead

Interviewees are starting 2023 more optimistic, both with respect to the primary and secondary markets. More stability in the macroeconomic outlook and a sense that the worst is behind us with respect to the Chinese property sector, as well as the opening up of China's economy post-COVID, are expected to provide a more stable footing for the market in the months ahead, while noting that significant uncertainty remains, not least around geopolitical risks.

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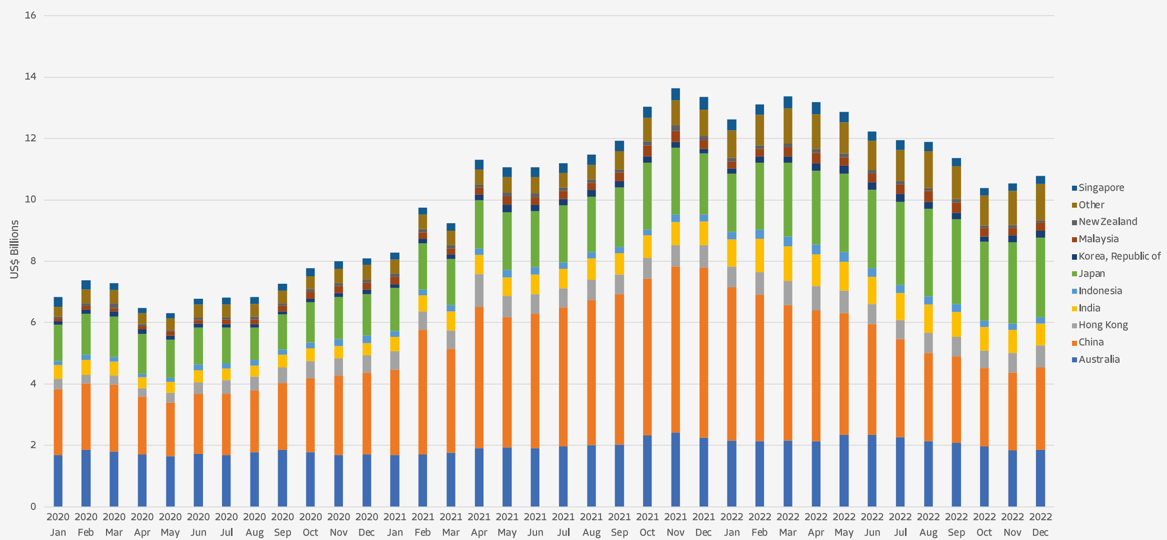
Asia international credit on loan – average monthly balances by country/jurisdiction of issue



Source: DataLend (February 2023)

European secondary bond market data report

by **Andy Hill**

ICMA is publishing its second semi-annual report on *European Secondary Bond Market Data: H2 2022.* The purpose of the report, which is an initiative of ICMA's Secondary Market Practices Committee, is to capture and represent aggregated bond market data as reported under the MiFID II/MiFIR obligation. ICMA has leveraged the capabilities of Propellant.digital for the purpose of this report.[1]

This second report, which follows the report published for H1 2022, provides the first full year of bond market data, covering the period of *January through December 2022,* for both sovereign and corporate bonds traded in the EU and the UK. Working with Propellant, ICMA believes that this latest data set is also a more accurate reflection of trading activity in the underlying market than the previous report.

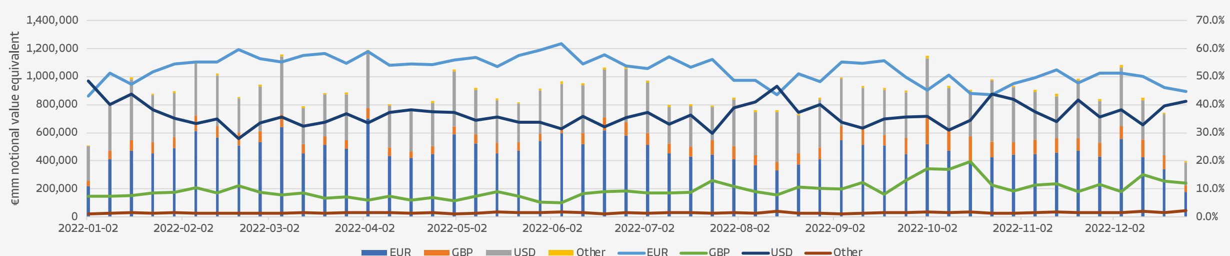
ICMA intends to update the report on a semi-annual basis in order to be able to track long-term trends in secondary bond market structure.

Sovereign bond volumes

The total notional value of sovereign bonds traded in 2022 was €46,571 billion, including 2,679 discrete ISINs, made up of more than 8.4 million transactions. This is an average weekly notional value of €894.6 billion. 52.8% of total traded notional (€24,570 billion) was EUR denominated, with 36.2% (€16,847 billion) USD denominated. GBP denominated sovereign volumes made up 9.6% (€4,461 billion) of the total, with an increase in activity following the October "mini-budget episode". Other currencies account of 1.5% of total notional value (€496 billion).

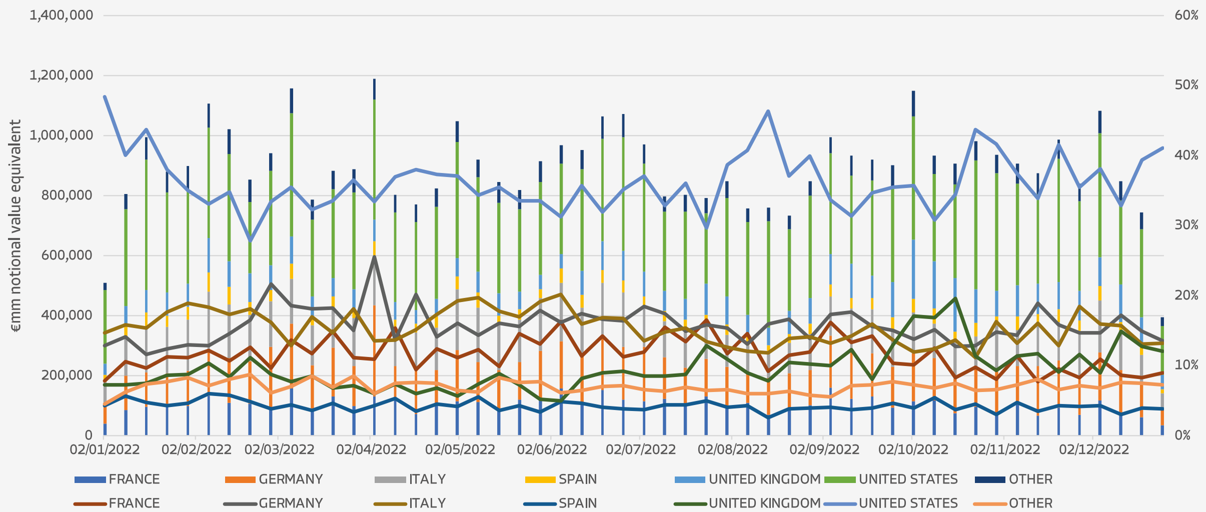
With respect to underlying sovereign issuers, the US accounts for the largest share of total volumes, constituting 36.1% (€16,797 billion notional equivalent). This is followed by Germany with 15.9% of total traded notional volume (€7,404 billion), Italy with 15.5% (€7,197 billion), France with 11.7% (€5,435 billion), the UK with 9.6% (€4,460 billion), and Spain with 4.3% (€2,002 billion). The UK has seen the most notable change from H1 2022, up from 7.2%.

Weekly Sovereign Bond Volumes by Currency



1. Propellant is software solution that provides market participants functionality to enable them to aggregate transparency data of up to 55 Trading Venues (TVs) and Approved Publication Arrangements (APAs).

Weekly Sovereign Bond Volumes by Sovereign Issuer

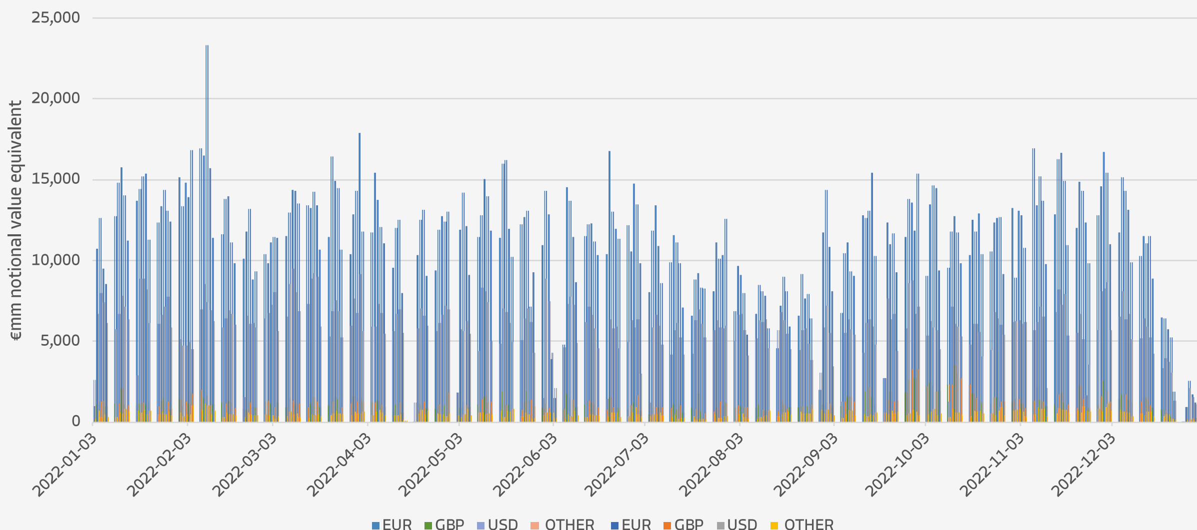


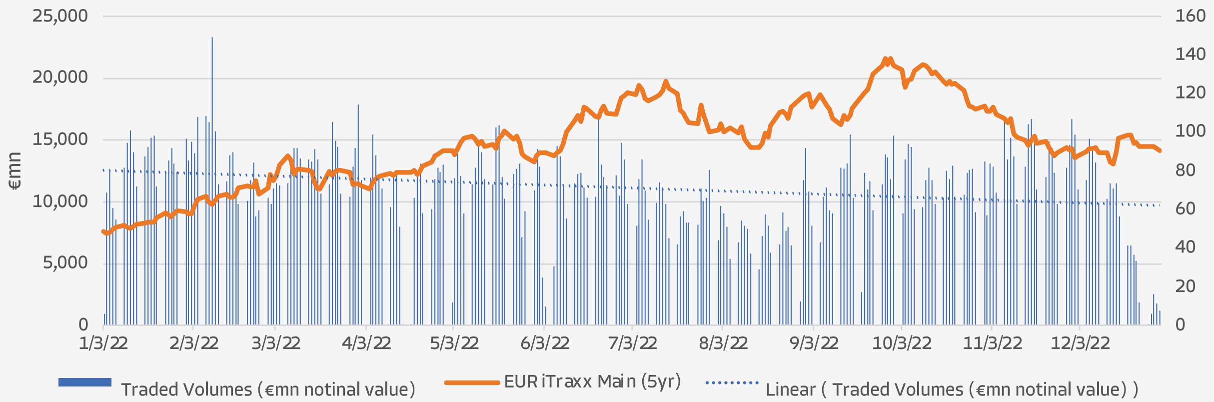
With respect to sovereign bonds, the report also covers trade count and trade sizes, trade size distribution channels (trading venue or systematic internaliser), trade size distribution by distribution channel, regulatory jurisdiction (EU or UK), deferrals, and the Top 10 traded bonds (EU and non-EU). A special section looks more closely at how the UK gilt market performed following the September mini budget.

Corporate bond volumes

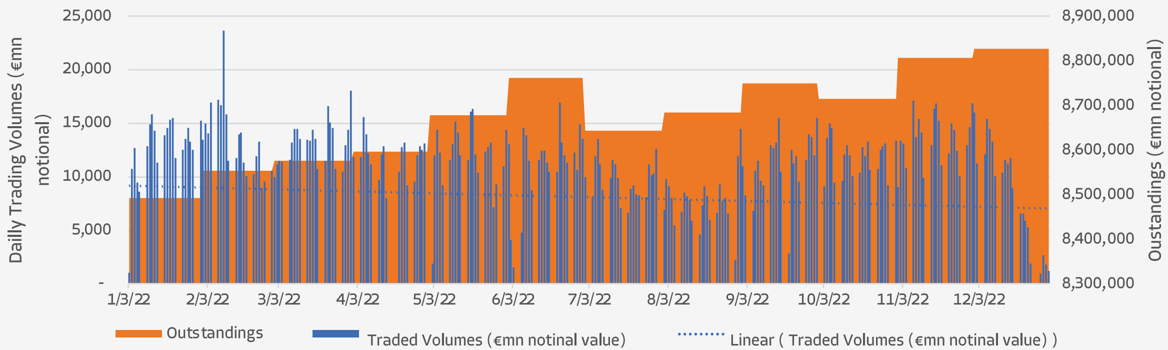
The total notional value of corporate bonds traded in 2022 was €4,845 billion, made up of 5,838,745 transactions in 40,218 discrete ISINs. This is an average daily notional value of €18.6 billion. 59.7% of total traded notional (€2,893 billion) was EUR denominated, with 31.1% (€1,505 billion) USD denominated. GBP denominated corporate volumes made up 6.5% (€313 billion) of the total. Other currencies account of 2.8% of total notional value (€134 billion).

Daily Corporate Bond Volumes by Currency





IHS Markit iTraxx data extracted from Bloomberg



Mid-month outstandings of EUR corporate bonds extracted from Bloomberg (ICMA analysis)

EUR denominated corporate bonds

The total notional value of EUR denominated corporate bonds traded in 2022 was €2,893 billion. This is an average daily notional value of €11.1 billion. In terms of trends, there is a drift lower in daily traded volumes over the course of 2022. While this could be related to the overall trend in credit spread widening during this period, it is notable that volumes decrease sharply during August, during a brief reversal in the widening trend. Volumes pick up again during the October-November rally, before dropping sharply in December into year-end. This is despite a small uptick in outstanding underlying issuance over the period.

There appears to be no obvious correlation between traded volumes and the size of the market, with outstandings of EUR corporate bonds steadily increasing over the year. This can also be seen in the estimate of monthly turnover (traded volumes as a percentage of outstanding market size), which trends lower through to August (with a high of 3.5% in March, and a low of 2.1% in August), before picking up from September through November (where it reaches 3.4%), and then moving sharply lower in December (2.0%).

With respect to corporate bonds, the report also includes trade count and trade sizes, trade size distribution, trade distribution channels (venue or SI), trade size distribution by distribution channel, and regulatory jurisdiction.

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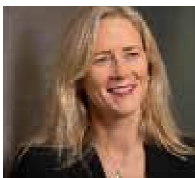
ICMA's drive to support industry innovation through FinTech and Digitalisation



by **Georgina Jarratt**

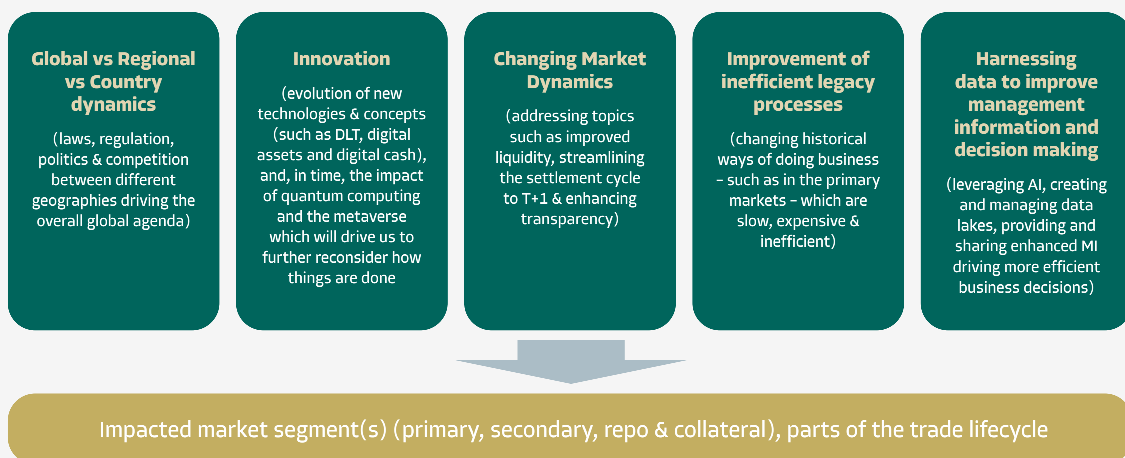
Summary

The transformation of the debt capital markets industry is moving along differing axes and at differing speeds around the world. The vision and strategy for the future continues to evolve in a complex "dance" between technological innovation, regulatory evolution, adaption of the legal frameworks under which we operate, and the various agendas of the different countries, regions and institutions involved in the global network. ICMA is taking a leading position on monitoring and demystifying this agenda, effectively connecting and sharing experience and best practice amongst our membership and the regulators.

Background

ICMA's mission is to promote resilient and well-functioning international debt capital markets. The industry transformation agenda, which is underpinned by evolution in FinTech and Digitalisation, is vast and complex. It cuts across all segments of the market: primary, secondary, repo and collateral, and also across the end-to-end trade lifecycle *(see Figure 1 below)*. All elements of market electronification, automation and standardisation need to be considered, and the Association has an important role to play in supporting and driving this complex agenda.

Figure 1: Industry wide transformation drivers



The team is small (currently three FTE, imminently growing to five with two junior associates joining the association to support our work on Primary, Secondary and FinTech and Digitalisation), but the network and community active in this topic is large.

ICMA focuses on four key activities:

(i) *Providing market intelligence and horizon scanning.*

(ii) *Promoting best practice:* delivering open and common models and standards, thereby avoiding fragmentation, driving industry cohesion and consistency and encouraging interoperability.

(iii) *Advocacy & regulatory engagement:* promoting innovation whilst ensuring safe and effective outcomes for all market participants.

(iv) *Running and delivering education & events:* building and deepening the networks across our membership, raising awareness of the themes of change, understanding and debating relevant transformation topics.

Almost all our membership (over 600 firms) are involved in the transformation agenda: driving and shaping the way the industry will evolve *(see Figure 2 below)*:

The themes driving transformation are consistent:

(i) *Active experimentation with "Digital bonds",* and the *emergence of Distributed Ledger Technology (DLT)* - there have been circa 50 bond issuances using DLT over the past five years, and a myriad of other secondary market, repo and collateral activity (circa 100 examples) which we actively track – we also issued a comprehensive set of FAQs on this topic.

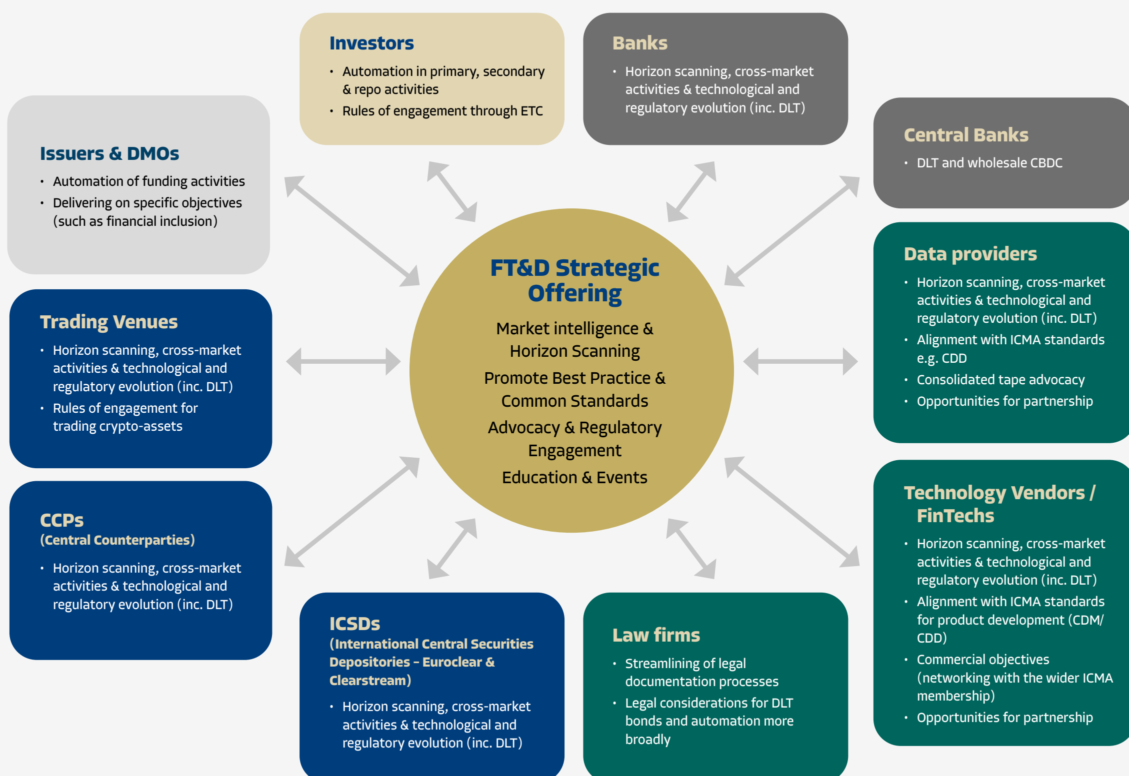
(ii) Evolution of *Digital forms of cash:* Central Bank Digital Currencies (CBDCs) & tokenised private sector cash (Fnality, JPM Coin, tokenised CHF etc).

(iii) The *evolving global regulatory agendas and legal frameworks* required to effectively support and harness automation and innovation – including cross border activity.

(iv) The potential *impact of technology and innovation on enhancing liquidity and shortening the settlement cycle* (eg moving to T+1 in Europe – and possibly "atomic" settlement ("T" – where T+0 is end of day, and atomic is instantaneous) with DLT).

(v) And on the longer-term horizon, the *emergence and impact of potentially important future topics* such as artificial intelligence (AI), Cloud, the metaverse and quantum computing (QC).

Figure 2: FinTech and Digitalisation topics that are important to our different member groups



Monitoring these themes, identifying where and how they are impacting is a dynamic activity that will evolve and change over time, and it is an important focus of our work to effectively monitor, articulate and share this information with members. Issuing thought leadership around these themes will be critical, and we have initiated discussions with potential partner firms who do this kind of work.

Expanding our work on digital bonds is an important priority for the coming months and years, and we are currently working with our members to understand what we should do next to support this important area of innovation. We recently launched the DLT Bond FAQs (which can be seen here), which were a useful initial set of coordinated, consolidated definitions to help demystify what a "DLT bond" is, and to attempt to answer many misconceptions around them. This is a "living" document and will continue to evolve. We have also recently run five dedicated (small) roundtables with issuers, investors, law firms, underwriters and market infrastructure providers to discuss "what next" for ICMA in this important area of our work. Findings will be shared with the broader DLT Bonds Working Group in the first instance, then with our FinTech Advisory Committee, and ultimately with the ICMA Board. More to come in future ICMA Quarterly Reports. There seems to already be strong support for us to develop a standard global model (or framework) to support this evolution as the current activity is quite varied and fragmented.

Driving the adoption of the two models we have built, which will effectively underpin standardisation, simplification and streamlining of the industry, is an important area of focus for us. The Common Domain Model (CDM) and the Bond Data Taxonomy (BDT) were issued recently to our membership:

- The *Common Domain Model* (CDM) for repo and bonds was created in conjunction with ISDA and ISLA and was released to the broader community via FINOS – the FinTech Open Source Foundation - earlier this year in order that the market begins to more broadly adopt and test it. Phase 1 was completed in July 2021, and focused on trade execution, clearing and settlement of fixed-term repos. Phase 2 was completed in January this year, and extended the product model and event model to cover open term and floating rate repurchase agreements, and the associated lifecycle events.
- The *Bond Data Taxonomy* (BDT – formerly known as the Common Data Dictionary, or CDD) was launched earlier this month to our membership. It provides an agreed language to promote automation and reduce the risk of fragmentation across the issuance process standardising key economic terms of a vanilla bond (eg nominal amounts, denominations, currencies, prices, net proceeds, interest, and interest payment related information), key dates (eg pricing, settlement, issue dates) among other information (eg whether bearer or registered, status of the note, relevant parties, ratings). It includes machine-readable definitions of key fields, expected values, and relevant ISO elements, as well as examples and a user guide.

Reporting and tracking clear "use cases" for these models as these emerge will be key, and we will report more on this in future editions of the ICMA Quarterly Report.

Our continuing work with regulators, central banks, and all relevant member firms around the world to effectively support relevant consultations and market wide experimentation activities to progress the testing of new technologies and innovations is also a key priority for the team:

- The *UK FMI Sandbox* is the UK's version of the EU DLT pilot regime. It is hoped that it will be more flexible than the EU regime. Following an informal consultation response, ICMA ran a roundtable for members (with HM Treasury, FCA and the Bank of England attending) in November 2022 to provide early feedback into the process. The formal consultation period is expected to come into force imminently, with full implementation predicted to be in H2 2023. We will actively support the consultation process to ensure the industry is effectively represented and the sandbox is fit for purpose for our members.
- The *EU DLT Pilot Regime* came into force on 23 March 2023. ICMA will continue to actively support this important experimentation activity. The regime will run for three years (until March 2026), at which point it may end, or be extended another three years until 2029. Termination conditions are being discussed as participants apply, via their National Competent Authorities (NCAs), whereby they are also discussing amendments to individual regulations – which are then discussed with ESMA.
- Work also continues in *Asia Pacific* driven by various market participants, including the *HKMA and the MAS* on regional testing activities.

More and more we are seeing the community coming together to drive innovation. We are effectively linking these activities between the regions, sharing lessons learned, approaches taken etc.

Deepened engagement with our FinTech, Big Tech, Data and Market Infrastructure vendor communities (current and potential future ICMA members) is important. The space is crowded, with over 330 solutions in the market across the trade lifecycle that we are actively tracking (on a Global basis). It is our intention to run an ICMA Global FinTech event in London in Q4 2023. This will be akin to the Global FinTech Forum which was last held pre-COVID in 2019. We hope that this will give a true platform to the industry's solution vendor firms enabling them to effectively network with, and demonstrate their products to, the DCM business community.

Later in the year we will also be launching two FinTech and Digitalisation specific education courses: *Introduction to Digital Assets* and *Primary Market Financial Technology*. We hope to have these available in Q4.

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Spotlight on the ICMA Asset Management and Investors Council (AMIC)

by **Nicolette Moser** and **Irene Rey**

ICMA is one of the few member associations that includes representation from both the buy side and the sell side. Back in 2008, the then CEO of ICMA, René Karsenti, identified that the voice of the buy side was missing from discussions within ICMA. Recognising that it takes a village to raise a child, René enlisted the help of a team of supporters from across the spectrum of the buy-side industry, including Bob Parker (then at Credit Suisse), to establish the Asset Management and Investors Council (AMIC), which Bob chaired for many years, also working with René's successor as CEO, Martin Scheck. They regarded as essential the need to include the "I" within AMIC, bringing together not just the expertise and experiences of asset managers but also asset owners, sovereign funds, private banks etc. It was never their intention to compete with the established national and European specialist investment associations. Still today, AMIC regards itself as complementary to, and not in competition with, other buy-side associations. From the outset, it was always envisaged that AMIC members would enable ICMA to bring together the expertise of the buy side and sell side on topics of mutual interest.

The very first meeting of AMIC was held in Zurich in 2008, chaired by Bob Parker. Since that first meeting, the AMIC has continued to follow the original mission. Today, the broader buy-side community of AMIC still sits under the umbrella of ICMA and continues to amplify the buy-side voice not only via AMIC but also by contributing directly to ICMA's various committees and working groups. Over its 15-year history, AMIC has also engaged with policy makers and regulators to provide testimonies and evidence to support efficient market functioning, as well as joining the sell side under the ICMA umbrella to provide commentary covering a comprehensive overview of market functioning. As an example, the recently launched Bond Market Liquidity Taskforce brings together expertise from a broad range of market participants from both the buy and sell sides.

It is the AMIC Committee which drives strategy, meeting on a quarterly basis to discuss topics relevant to the buy side as well as engaging in constructive conversation with regulators and policy makers. Since 2020, the AMIC Committee has been co-chaired by Stéphane Janin of AXA IM and Massimiliano Castelli of UBS. AMIC Committee members continue to be drawn from across the broader buy-side community and consequently look to address a wide range of topics, covering both market practice and regulation, leveraging when needed the technical market expertise existing within ICMA. Market resilience and industry trends continue to be topics that remain as relevant today as they were in 2008.

Post pandemic, AMIC is also seeking to relaunch its in-person forum and activities. An event in Zurich is being planned for the autumn, and there will be a buy-side specific panel at this year's ICMA Annual Conference in Paris as well as significant buy-side representation across the event. While the current membership of the AMIC Committee has a European focus, markets are global and the Committee seeks to advocate for global regulatory coherence. As ICMA builds its presence in Asia Pacific, AMIC is seeking to support ICMA in welcoming the buy-side voices in those markets. With the new co-chairs at the helm, AMIC is looking ahead to the next 15 years and beyond.

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Diversity, equity and inclusion at ICMA

by **Katie Kelly**

Diversity, equity and inclusion (DE&I) has long been a focus at ICMA, driven by not only a moral imperative to ensure a diverse and inclusive workplace, but also based on myriad findings reflecting the strong business case for DE&I.[1]

ICMA is therefore fully committed to creating a diverse and inclusive environment within our industry, as well as internally. In line with our DE&I framework, our aim is to promote inclusion, respect, and fairness for all within ICMA's staff and membership and to ensure that we do not discriminate on the grounds of any protected status.

DE&I transcends the outward-facing characteristics of a workforce's composition. That said, ICMA scores well in some diversity metrics: out of 54 employees worldwide, 18 different nationalities are represented among 28 females and 26 males.[2] 30% of our current Board is female, which aligns with for instance the 30% Club metrics. Moreover, ICMA has committed in HM Treasury's Women in Finance Charter to having 45% female representation in our senior management by June 2024, up from 33% in June 2022, and higher than the average of 40%.[3]

DE&I is often described as a journey rather than a destination, and each one of us needs to take ownership to ensure diversity goes beyond simply what a workforce looks like. So in aiming to create a workplace which is inclusive and supportive, where everyone can bring their whole self to work, ICMA addresses DE&I from the very top, from Board level down to all staff, and has taken a number of steps to demonstrate its root and branch commitment to the journey.

For instance, an independent advisor has carried out DE&I training with the ICMA Excom to address how DE&I is defined, different types of diversity, the business case for DE&I, priorities at ICMA and assessment of progress. Elsewhere, ICMA has launched its inaugural staff survey, which will take the current temperature of the workplace and will help to inform senior management of any relevant association-wide actions and best practice, and steer ICMA's culture.

ICMA has also set up an internal DE&I Forum, which is charged with considering inclusion efforts at ICMA more generally, looking at ourselves through both an external and an internal lens. For instance, measures initiated to ensure inclusivity of those with hidden disabilities, and to galvanise and motivate staff in order to optimise wellbeing, are small steps but ones which are putting us on the right pathway.

Social inclusion and mobility are important components of our DE&I strategy, and although they can be difficult to embed in a small association, we are making progress. A number of scholarships are made available to young people from selected countries in Sub-Saharan Africa, Asia and Latin America who are interested in a career in finance but are unable to pursue a financial qualification due to their economic circumstances. On a more micro level, we have also committed to taking on work experience students from a London comprehensive secondary school to allow them a window into the world of finance that they might not otherwise have.

The ICMA Women's Network (IWN) and ICMA Future Leaders Committee (IFL) are also important tools in our DE&I armoury; and although there is a strong nexus between the IWN, the IFL and DE&I more generally, these important groups also benefit from having separate identities.

The IWN provides a global, impartial and open forum to encourage, support and inspire women at all stages of their career and to further the aim of gender equality within the bond markets. Comprising over 3,000 individuals, the IWN is

1. For example, see: How diversity, equity, and inclusion (DE&I) matter | McKinsey

2. As at the date of writing.

3. See Fig. 24: PowerPoint Presentation (publishing.service.gov.uk)

open to all employees of all genders from ICMA member firms, with international connectivity being achieved through active IWN committees operating worldwide.

The IFL is designed to benefit the younger generation of finance professionals in ICMA's membership, connecting them with the services and networking opportunities which can enhance their careers in debt capital markets. IFL focuses on three core areas: career progression, education and networking.

While ICMA has made progress on DE&I, we are acutely aware that the diversity spectrum is vast, and that there is much further to go. Recognising this, we consider that it is incumbent upon all of us to make sure we do not stall in our efforts, be it from ensuring diversity of talent and equal opportunities for all, setting ourselves high standards in terms of workplace culture and behaviours, and fostering belonging for everyone along the diversity spectrum.

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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.

Regulatory policy

1 *RPC/CRR cooperation:* ICMA's Regulatory Policy Committee (RPC) and Committee of Regional Representatives (CRR) are working closely together in the financial centres in which the RPC meets to review ICMA's regulatory policy work and engage in discussion with the official sector.

2 *UK regulation post-Brexit:* ICMA has accepted an invitation to join HM Treasury's Future Regulatory Framework implementation group for engagement with the industry, alongside a number of other associations, the FCA and the Bank of England.

Primary markets

3 *EU and UK listing regimes:* ICMA has continued to engage with members and policy makers on proposals to reform the listing regimes in the EU and UK, including proposed reforms to the EU and UK prospectus regimes, the EU market abuse regime and the UK PRIIPs regime.

4 *ICMA primary market events:* ICMA's European Primary Bond Markets Regulation Conference was held on 7 February at Allen & Overy in London, including participation from DG FISMA in the European Commission, ESMA, the AMF, BaFIN, Central Bank of Ireland, CSSF, HM Treasury and the FCA. The ICMA Asia Pacific Primary Market Seminar & Forum was held on 16 February at SGX in Singapore.

5 *ICMA PSIF:* ICMA's Public Sector Issuer Forum (PSIF) met on 22 March in The Hague, chaired by BNG.

6 *Commercial paper:* The results of a recent survey on transparency in the commercial paper market (anonymised and consolidated) have been shared with the ICMA Commercial Paper Transparency Taskforce. The results of the survey will help to inform next steps of this Taskforce.

7 *Primary markets technology directory:* ICMA has published the latest version of its primary markets technology directory, which identifies several new and emerging platforms designed to facilitate the issuance of debt instruments.

Secondary markets

8 *ICMA Bond Market Liquidity Taskforce:* ICMA has set up a Bond Market Liquidity Taskforce which brings together market experts from different ICMA Committees with a view to making recommendations for improving the functioning of markets, both in terms of market practice and regulation.

9 *MiFIR and bond market transparency:* ICMA has continued to engage with EU authorities on the topic of bond market transparency as part of the MiFIR Review. On behalf of its members, ICMA has flagged a number of important issues, including the importance of aligning price and volume deferrals and the importance of outstanding bond issuance as a determinant of liquidity classification.

10 *Trading from home survey:* On 23 February, ICMA launched a survey on the trading from home arrangements and policies of ICMA members. In the light of the results, ICMA will consider carefully whether and, if so, how and to whom to disseminate them.

11 *CSDR mandatory buy-ins:* ICMA has continued to engage with the EU authorities on the proposal that CSDR mandatory buy-ins should be retained as a last resort. The vote in the ECON Committee of the European Parliament on 1 March was quite positive. Trilogue negotiations are due to start soon. It is understood that the Swedish Presidency wants to finalise the negotiations by the end of June.

12 *Secondary market data:* ICMA is publishing its second semi-annual report on European secondary bond market data.

Repo and collateral markets

13 *Repo year-end report:* On 26 January, ICMA published the European repo market at 2022 year-end report.

14 *ICMA ERCC Committee elections:* On 9 February, ICMA announced the results of the 2023 ERCC Committee elections, based on valid votes received from 80 of the 115 ERCC member firms. The 19 individuals elected to the ERCC Committee will serve for a term of approximately one year.

15 *ICMA GRCF:* The launch meeting of ICMA's new Global Repo and Collateral Forum (GRCF) took place on 23 February with over 100 member participants.

16 *Repo advocacy:* ICMA continues to be actively engaged on three key EU repo-related advocacy issues: (i) the proposed punitive RWA weightings for short-term SFTs with non-bank counterparties under CRR3; (ii) the ability for EU regulated money market funds to access repo clearing in third country CCPs; and (iii) an unhelpful Q&A by the EBA on the treatment of open reverse repos under LCR.

17 *Settlement efficiency:* Improving settlement efficiency has been a key concern for ICMA's ERCC for some time, in particular in the context of the ongoing CSDR discussions. The ERCC ran a second member survey on the topic which concluded in February and is considering next steps.

18 *T+1:* In this context, ICMA is also following closely the evolving discussion on a possible shortening of the settlement cycle to T+1. ICMA is part of a UK Taskforce on Accelerated Settlement launched by HM Treasury and, on the EU side, has been invited to participate in a cross-industry Taskforce being established on the same topic. ICMA also participated in an ICSA global briefing on T+1 for ICSA members on 23 March.

Sustainable finance

19 *ESG Practices in China:* in January, ICMA published a White Paper on *ESG Practices in China.*

20 *Call for evidence on greenwashing:* on 12 January, ICMA responded to ESA's call for evidence on greenwashing.

21 *FCA's consultation:* on 25 January, ICMA responded to the FCA's consultation on *Sustainability Disclosure Requirements (SDR) and Investment Labels.*

22 *Response to ESMA:* On 20 February, ICMA responded to *ESMA's Guidelines on Funds' Names using ESG or Sustainability-related Terms.*

23 *EU GBS:* On 1 March, ICMA published a news statement expressing its support of voluntary nature of EU Green Bond (EuGB) label and of wider sustainable bond disclosures, following provisional agreement on EU Green Bond Standard (EU GBS).

Asset management

24 *ICMA AMIC strategy:* The strategy of ICMA's Asset Management and Investors Council (AMIC) Committee has been reviewed in conjunction with its Co-Chairs and its ICMA Board sponsors.

25 *AIFM and UCITS:* The AMIC Committee is engaging on the AIFM and UCITS Directives' reviews in the current trilogue discussions.

26 *AMIC Committee:* The AMIC Committee met in Madrid on 16 March. Tajinder Singh, Deputy Secretary General of IOSCO, joined the meeting as guest speaker and discussant.

FinTech and digitalisation

27 *CDM for repo and bonds*: ICMA has completed phase 2 of its Common Domain Model (CDM) project for repo and bonds in the first quarter of 2023 as planned. The CDM is now available under the FINOS open-source framework.

28 *CDM showcase event*: On 21 February 2023, ICMA, ISDA, and ISLA held a joint event to showcase how the CDM has been or is being implemented to assist market participants to automate repo trading and post-trade processing, reduce operational risks and costs, and facilitate reporting, for example, of derivative transactions under CFTC Rewrite.

29 *DLT bond roundtables*: ICMA held a series of roundtables with issuers, underwriters, market infrastructures, law firms and investors on how to promote scalable, efficient and liquid cross-border DLT bond markets.

30 *ICMA Bond Data Taxonomy (BDT):* The BDT Working Group has published a "BDT Pack" which provides an agreed language to promote automation and reduce the risk of fragmentation across the issuance process.

Transition from LIBOR to risk-free rates in the bond market

31 *LIBOR transition in the bond market:* ICMA has continued to Chair the RFR Bond Market Sub-Group, working with the FCA as the global regulator of LIBOR and the Bank of England. The focus has increasingly been on the transition away from US dollar LIBOR to SOFR.

Key ICMA regulatory policy messages

by **Julia Rodkiewicz**

ICMA is engaged with a wide range of policy makers and regulators in cooperation with our members. Our key messages and information for the regulatory and policy initiatives on which we are most actively engaged are summarised below. Information on other regulatory and policy initiatives on which ICMA is focusing can be found elsewhere in this Quarterly Report.

Contact: Julia Rodkiewicz
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EU Central Securities Depositories Regulation (mandatory buy-in regime)

- **Regulatory initiative:** Review of the EU Central Securities Depositories Regulation (CSDR).
- **Key issues:** Settlement discipline (SD), including revised mandatory buy-in (MBI) proposal.
- **Key messages:** ICMA continues to caution against imposing an MBI regime, particularly for bond markets. Penalties should first be allowed time to run and possibly be recalibrated. In parallel, other measures to improve settlement efficiency should be exhausted in the first instance (either market-based or regulatory, eg auto partialling, auto borrowing and lending facilities). In the absence of a full deletion of MBI provisions ICMA advocates for a number of improvements in order to make sure MBIs can only be implemented as a last resort measure after strict conditions are met and that explicit exemptions apply, eg for securities financing transactions (SFTs).
- **Legislative stage:** The Council of EU Member States (Council) and the European Parliament (EP) have both finalised their respective positions on the European Commission's (EC) CSDR review proposal and are about to enter into trilogue discussions to agree on a final compromise text. Trilogues are expected to be finalised by the end of the Swedish Presidency of the Council in June 2023.
- **UK related developments:** In 2020, HM Treasury (HMT) elected not to implement the EU's settlement discipline regime, including MBIs. As part of the Edinburgh Reforms, announced on 9 December 2022, the UK Government launched the Accelerated Settlement Taskforce to, *inter alia*, evaluate current settlement discipline and examine potential reforms in the UK.

- **ICMA engagement and materials:** Meetings with the EC, EP and Council representatives. ICMA published its feedback on the EC proposal in May 2022 and a briefing note in September 2022. ICMA is a member of the UK Accelerated Settlement Taskforce.

Contacts: Andy Hill and Alexander Westphal.

Working Group/Lead Committee: CSDR-SD Working Group/Secondary Market Practices Committee (SMPC).

More information: The Secondary Markets section of this Quarterly Report and ICMA's dedicated webpage.

EU MiFIR and UK Wholesale Markets Review

- **Regulatory initiatives:**

  - EU Review of the Markets in Financial Instruments Regulation (MiFIR) and certain elements of Markets in Financial Instruments Directive (MiFID).

  - UK Wholesale Markets Review (WMR).

- **Key issues:** Pre- and post-trade transparency and consolidated tape for bond markets, SFT reporting.

- **Key messages:** ICMA members would like to see the introduction of an effective, appropriately calibrated and dynamic post-trade transparency regime for all bonds, including corporate and sovereign bonds. In particular, large and extra-large illiquid trades should benefit from delayed publication of both price and size to prevent undue risk to counterparties involved. Once deferrals have expired, all bond trades should be published in a centralised place (a single-source bond consolidated tape) on a trade-by-trade-basis. Separately, ICMA is advocating for all SFTs to be exempted from EU MiFIR transaction reporting because the MiFIR regime does not cater for the specific nature of SFTs and is inconsistent with SFT Regulation (SFTR). In the UK, SFTs with the Bank of England have already been removed from the scope of UK MiFIR reporting.

- **Legislative stage:**

  - EU: The Council and the EP have both finalised their respective positions (MiFIR/MiFID and MiFIR/ MiFID) on the EC's MiFIR review proposal of November 2021 and are about to enter into trilogue discussions to agree on a final compromise text. Trilogues are expected to be finalised by the end of the Swedish Presidency of the Council in June 2023.

  - UK: The Financial Services and Markets Bill (FSMB), published in July 2022, will introduce powers for HM Treasury to repeal the current UK MiFIR (as well as other retained EU financial services regulation) and introduce a new regime in line with the March 2022 outcome of HM Treasury's July 2021 WMR consultation. In some areas, including UK MiFIR, the FSMB amends the current legislative framework, for example to simplify the fixed income transparency regime. As part of the Edinburgh Reforms, HM Treasury is also committing, alongside the UK Financial Conduct Authority (FCA), to having a regulatory regime in place by 2024 to support a consolidated tape for market data. Reportedly, the FCA is planning to publish consultations on a consolidated tape in June 2023 and on fixed income and derivatives transparency requirements in October 2023.

- **ICMA engagement and materials:** Meetings with representatives of the EU institutions and relevant UK policy makers. ICMA published a position paper on post-trade transparency for corporate bonds in December 2021, feedback to the EC's proposal in March 2022 and its response to the WMR consultation in September 2021.

Contacts: Andy Hill and Alexander Westphal.

Working Group/Lead Committee: MiFID II/R Working Group (MWG) Transparency Taskforce/ Secondary Market Practices Committee (SMPC).

More information: The Secondary Markets section of this Quarterly Report.

EU Alternative Investment Fund Managers Directive

- **Regulatory initiative:** Review of EU Alternative Investment Fund Managers Directive (AIFMD).
- **Key issues:** Liquidity management tools, delegation, loan originating funds and reporting.
- **Key messages:** ICMA's Asset Management and Investors Council (AMIC) in general welcomes the EC's targeted review of the AIFMD and supports the Council's and EP's proposals for recognising the critical risk management responsibilities that should remain with Alternative Investment Fund (AIF) managers. However, there are several outstanding concerns regarding loan originating AIFs and newly introduced provisions on undue costs and fees as well as on fund labels.
- **Legislative stage:** The Council and the EP have both finalised their respective positions (the Council and the EP) on the EC's AIFMD review proposal of November 2021 and have now entered into trilogue negotiations with a view to reaching an agreement on a final compromise text in the first half of 2023.
- **ICMA engagement and materials:** Meetings with representatives of the EC, EP and Council. ICMA AMIC's response to the EC's proposals on AIFMD was published in January 2021.

Contacts: Nicolette Moser and Irene Rey.

Working Group/Lead Committee: AMIC Risk Management Working Group/AMIC Committee.

EU Green Bond Standard

- **Regulatory initiative:** The EU Regulation on European Green Bonds (EU GBS).
- **Key issues**: The voluntary nature of the EU GBS and of wider sustainable bonds disclosures, up to 15% flexibility pocket for certain activities (eg activities not yet covered by the EU Taxonomy technical screening criteria (TSC)), grandfathering, and registration and supervision of external reviewers for EU GBS.
- **Key messages:** ICMA welcomes the voluntary nature of the EU GBS and of wider disclosures templates for sustainable bonds. ICMA will continue to make recommendations to ensure, among other things, that the proposed voluntary disclosure templates minimise duplication or inconsistencies across other EU sustainable finance legislation. The future uptake of the EU GBS will be closely correlated with the resolution of the considerable usability challenges of the EU Taxonomy identified in the extensive report of the EC's Platform on Sustainable Finance (PSF) as well as ICMA's earlier report (eg widespread data unavailability, heavy reliance on EU legislation and criteria (hindering the assessment of non-EU projects), and lack of assessment of proportionality for smaller projects and SMEs).
- **Legislative stage:** On 28 February 2023, the EU institutions reached a provisional agreement on the EU GBS Regulation (see the EC's initial proposal of July 2021, as well as the Council's and the EP's negotiating positions). The final text of the Regulation is expected to be published within the next few months.
- **ICMA engagement and materials:** On 1 March 2023, ICMA published a statement on the EU GBS provisional agreement (see previous ICMA's position papers). ICMA will continue to engage with EU institutions and national competent authorities, who will now focus on drafting implementing legislation.

Contacts: Nicholas Pfaff and Ozgur Altun.

More information: The Sustainable Finance section of this Quarterly Report.

EU and UK Prospectus Regimes

- **Regulatory initiatives:**

  - EU Listing Act package (part of the wider CMU clearing, insolvency and listing package), including proposed changes to the EU Prospectus Regulation as well as to other legislation.

  - UK: Prospectus regime replacement (part of the UK's Edinburgh Reforms).

- **Key issue:** Appropriately calibrating the EU and UK prospectus regimes to allow smooth and efficient cross-border bond issuance in Europe.
- **Key messages:** The reasonably efficient functioning of wholesale bond markets in Europe under the current EU and UK Prospectus Regulations must be preserved.

  - EU: Such preservation seems to be the case under the EC's proposals. However (i) the *status quo* should remain for fungible issuance exemptions, (ii) it should be clear that future financial statements can indeed be

incorporated by reference into base prospectuses, (iii) incorporation by reference should not be mandatory, (iv) "tripartite" prospectuses should benefit from the same alleviations as other prospectuses and (v) there should not be restrictions (such as page limits and mandatory formats) on an issuers' ability to include material information in a prospectus.

- UK: Whilst such preservation also seems to be the substantive intention of the UK authorities, many aspects will require clarification given the significant change in format being pursued.

Generally, in relation to retail bond markets and SME bond markets, the prospectus regime is only one factor among various other regulatory, commercial and market drivers (internationally as well as domestically). Constructing an appropriate regulatory regime in this respect requires holistic consideration of various regulatory tools and incentives.

- **Legislative stage:**

  - EU: The EC adopted a proposal for a Listing Act Regulation on 7 December 2022 following its consultation of November 2021. It also published a proposal to repeal the EU Listing Directive and make certain other changes to rules relating to listing securities in the EU. The EC proposals are now subject to review by the Council and the EP.

  - UK: The FSMB will introduce powers for HM Treasury to repeal the current UK Prospectus Regulation and introduce a new regime in line with the outcome of HM Treasury's consultation on the UK Prospectus Regulation. As part of the Edinburgh Reforms, the UK Government published on 9 December 2022 a Draft Statutory Instrument - Admissions to Trading and Public Offer Regime which demonstrates how these new powers will be used.

- **ICMA engagement and materials**: In addition to bilateral engagement with relevant policy makers and regulators, ICMA submitted:

  - EU: on 13 March, comments on the EC's proposals;

  - UK: on 14 February, comments on the above Draft Statutory Instrument (including in terms of expectations concerning underlying FCA rules).

Contact: Ruari Ewing.

Working Group/Lead Committee: Prospectus Regulation Working Group/Legal & Documentation Committee.

More information: The Primary Markets section of this Quarterly Report and ICMA's Prospectuses webpage.

UK PRIIPs regime

- **Regulatory initiative:** UK proposals to repeal and replace the UK's Packaged Retail Investment and Insurance Products (PRIIPs) disclosure regime.
- **Key issue:** How retail investors can make informed investment decisions.
- **Key messages:** The proposed repeal of the UK PRIIPs regime and seemingly intended exclusion of mainstream bonds from the FCA's replacement disclosure regime are both welcome. (This is because there seem to be significant limitations to disclosure as a retail investor protection tool and the PRIIPs regime has been a significant disincentive to retail bond availability.) The exclusion however needs to be clear and could track the existing exclusions from the UK's new Consumer Duty in this respect. As noted above regarding the EU and UK prospectus regimes, the PRIIPs Regulation is also only one factor requiring holistic consideration in relation to retail bond markets.
- **Legislative stage:** As part of the Edinburgh Reforms, the UK Government consulted on repealing the UK PRIIPs legislation and leaving the FCA to regulate on retail disclosure. In parallel, the FCA issued a discussion paper on various aspects of a future disclosure framework.
- **Related EU developments:** The EC is reportedly considering a review of the EU PRIIPs regime, as part of the expected Retail Investment Strategy, possibly to be published in the first half of 2023.
- **ICMA materials**: Various ICMA position papers and other materials can be found on ICMA's PRIIPs KIDs webpage (including ICMA's response to the UK Government consultation and ICMA's response to the FCA's discussion paper) and its Retail Access to Bond Markets webpage.

Contact: Ruari Ewing.

Working Group/Lead Committee: PRIIPs/MiFID II Product Governance Working Group.

More information: The Primary Markets section of this Quarterly Report.

EU MAR market sounding regime

- **Regulatory initiative:** EU Listing Act package (part of the wider CMU clearing, insolvency and listing package), including proposed changes to the EU Market Abuse Regulation (MAR).
- **Key issue:** An appropriately calibrated market sounding regime helping borrowers to avoid undermining market confidence and resilience by launching and then cancelling bond issues due to terms that do not fit market dynamics.
- **Key messages:** The incidence of market sounding is substantially reduced since the introduction of the MAR sounding regime in 2016, as the provisions were felt to be too onerous (especially to the extent they

were held out as mandatory even when sounding information that is not inside information). The EC's proposal to confirm the regime as just providing a safe harbour for sharing inside information within its defined limits is welcome and should be adopted.

- **Legislative stage:** The EC adopted a proposed Listing Act Regulation, including amendments to the MAR sounding regime, on 7 December 2022 following its consultation of November 2021. The EC proposals are now subject to review by the Council and the EP.

- **ICMA materials**: Various ICMA position responses and other papers can be found on ICMA's Market Abuse Regulation (MAR) - Primary Market Aspects webpage, including ICMA's 13 March comments on the EC's proposals.

Contact: Ruari Ewing.

Working Group/Lead Committee: Primary Market Compliance Forum.

More information: The Primary Markets section of this Quarterly Report.

EU Capital Requirements Regulation 3

- **Regulatory initiative:** Review of the EU Capital Requirements Regulation (CRR), the so-called CRR3 proposal, which is a part of a broader review of EU prudential rules for banks.

- **Key issue:** Capital treatment of Securities Financing Transactions (SFTs).

- **Key message:** ICMA advocates for the recognition of the short-term nature of SFT transactions in risk weighted assets (RWA) calculation under the standardised approach with respect to banks' counterparty credit risk exposures to non-banks.

- **Legislative stage:** The Council and the EP have both finalised their respective positions (the Council and the EP) on the EC's CRR3 proposal of October 2021 and have entered into trilogue discussions to agree on a final compromise text, over the coming months.

- **ICMA engagement and materials:** Outreach to key representatives in the Council and EP. ICMA published a briefing note in July 2022.

Contacts: Andy Hill and Alexander Westphal.

Working Group/Lead Committee: European Repo and Collateral Council (ERCC) Committee.

More information: The Repo and Collateral Markets section of this Quarterly Report.

Wholesale Central Bank Digital Currency (wCBDC)

- **Regulatory initiative:** European Central Bank (ECB) consultation on the potential use of new technologies such as Distributed Ledger Technology (DLT) for wholesale central bank money settlement.
- **Key issue:** Whether to introduce a wholesale digital euro (CBDC) for wholesale payments, securities settlement and collateral management or use the existing TARGET platform via a so-called "trigger solution".
- **Key message:** ICMA advocates for a wholesale digital euro (CBDC) to support next-level automation, more efficient securities settlement and post-trade processing and increase the attractiveness of capital markets as a source of funding for the real economy.
- **Policy development stage:** Following the consultation and a stakeholder meeting in September 2022, the ECB is considering next steps. On a related note, following its call for evidence in April 2022, the EC is expected to adopt a legislative proposal on a retail digital euro for the EU in the second quarter of 2023.
- **ICMA engagement and materials:** ICMA responded to the ECB consultation in June 2022, published a one-page viewpoint on wholesale CBDC and participated in an ECB stakeholder meeting in September 2022. ICMA also published FAQs on DLT and blockchain in bond markets in September 2022. ICMA continues to engage with the ECB and relevant stakeholders on the topic of DLT and wholesale CBDC in the EU and beyond.

Contacts: Georgina Jarratt, Gabriel Callsen and Rowan Varrall.

Working Group/Lead Committee: DLT Bonds Working Group.

EU and UK Money Market Funds Regulations

- **Regulatory initiatives:**
  - EU: Review of the EU Money Market Funds (MMF) Regulation.
  - UK: Review of the UK Money Market Funds (MMF) Regulation.
- **Key issues:** MMF market and fund composition, measures to enhance resilience and EU MMFs' access to third country repo clearing.
- **Key messages:**

  - ICMA highlights the unintended consequences of changes to the composition of certain MMF structures. In addition, ICMA suggests a shift of focus towards strengthening the efficiency and resilience of the underlying market, noting ICMA's *The European Commercial Paper and Certificates of Deposit Market White Paper* of September 2021.

  - ICMA also raises member concerns related to a provision in the EU and UK MMF Regulations which restricts the ability of regulated MMFs to access third-country CCPs for transacting cleared repo. ICMA suggests that authorities discuss reciprocal arrangements for repo clearing access for MMFs with their relevant international counterparts.

- **Legislative stage:**

  - EU: Following the EC's consultation of April 2022, its report is expected in 2023 at the earliest.

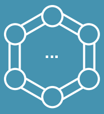
  - UK: A consultation may be released following the joint FCA and Bank of England *Discussion Paper on the Resilience of MMFs* in May 2022.

- **International context**: On 10 November 2022, the Financial Stability Board (FSB) published a progress report on its work to enhance the resilience of non-bank financial intermediation (NBFI), presenting its main findings to date as well as a number of recommendations. The report discusses, *inter alia*, the FSB's intention to conduct a stock-taking exercise by the end of 2023 on its jurisdictions' adopted and planned measures on Money Market Funds (MMFs).

- **ICMA engagement and materials:** Outreach to key representatives in EC, Council and EP. ICMA responded to the EC's consultation in May 2022. ICMA responded to the FCA and Bank of England Discussion Paper in July 2022.

Contacts: Nicolette Moser and Irene Rey and, on repo clearing, Andy Hill and Alexander Westphal.

Working Group/Lead Committee: AMIC Risk Management Working Group/AMIC Committee.



Primary Markets

by **Ruari Ewing and Katie Kelly**

UK Edinburgh Reforms: prospectus regime

On 14 February (and following prior reporting in the First Quarter 2023 edition of this Quarterly Report in the context of the UK's Edinburgh Reforms announcement), ICMA published comments on the UK Treasury's draft statutory instrument (SI) *Financial Services and Markets Act 2000 (Public Offers and Admissions to Trading) Regulations 2023* (8th draft 01/12/22).

ICMA generally noted the intention to keep the *status quo* in many areas in relation to the existing UK prospectus regime and that the SI sets out *limited detail* regarding the new UK prospectus regime, with much being left to FCA or primary MTF operator rules and ICMA consequently unable to comment in depth (but listing areas that the FCA would be expected to then address: see further below).

ICMA queried the new regime's *scope* relating to "relevant securities", being distinct from the separate concept of "transferable securities" and potentially inappropriately catching instruments other than securities – such as OTC derivatives, loans and securities financing transactions. ICMA also queried short-term money market instruments being carved out of only one, but not the other, of these two concepts (expecting this to be addressed in the FCA rules as noted below) and as well as an exclusion for issues by qualifying bodies not covering the use of common SPV structures (even though the credit exposure is the same).

ICMA expressed disappointment that the *necessary information test* (NIT) for bonds covers the issuer's prospects including its creditworthiness, rather than just the issuer's creditworthiness (instead of its prospects) as ICMA had previously requested – thus worsening the NIT's clarity rather than improving it. ICMA requested that the *status quo* remain if it is not possible to line up with ICMA's prior request. ICMA also queried the NIT covering underlying assets in the context of asset-backed securities and structured products, which seems too blunt given the range of different products and the NIT anticipating that the information will vary depending on context – with specifics then best left to be addressed in FCA rules.

ICMA presumed that *withdrawal rights* will continue to follow publication of a supplement, but also requested it be made clear that such rights do not arise following "admission-only" supplements.

In terms of *exemptions*, ICMA queried (i) the total consideration exemption having a £100,000 threshold while the minimum denomination exemption has a £50,000 threshold, (ii) application of the public offer exemption for issues "conditional" on regulated market or primary MTF admission (bearing in mind that retail offers typically start some time prior to admission) and (iii) primary MTF admission in a retail context (bearing in mind that bond primary MTFs such as the London Stock Exchange's Professional Securities Market and International Securities Market have been institutional-only markets).

ICMA noted the new *forward-looking statement provisions* could be useful (subject to the FCA's detailed rules), though issuers in cross-border transactions will also need to consider potential liability in other jurisdictions. ICMA also queried underwriters not being covered by the provisions.

In terms of areas expected to be addressed by *FCA (or primary MTF) rules*, ICMA notably cited continuity in terms of (i) existing admission to trading exemptions (including re. money market instruments as noted above), (ii) wholesale disclosure standards, (iii) retail offers preceding admission and (iv) the existing Prospectus Regulation's Article 18 omission provisions. ICMA's comments also picked up on various other aspects in passing.

ICMA will continue its engagement on the UK's replacement of the prospectus regime, notably in terms of anticipated subsidiary work by the FCA.

Contact: Ruari Ewing
ruari.ewing@icmagroup.org

UK Edinburgh Reforms: PRIIPs regime

On 3 March (and following prior reporting in the First Quarter 2023 edition of this Quarterly Report in the context of the UK's Edinburgh Reforms announcement), ICMA responded to the UK Treasury's *PRIIPs and UK Retail Disclosure* consultation.

ICMA agreed with the repeal of the PRIIPs regime, expecting that bonds do not need to be covered by the replacement disclosure regime being developed by the FCA and will be unambiguously excluded from its scope (noting the PRIIPs regime has been highly problematic in the bond markets and materially contributed to bond issuers being disincentivised from making bonds available to retail investors).

The response notably stated:

(1) short form disclosure cannot include all information material to an investment decision (raising prohibitive liability risks for issuers) and has had high misunderstanding rates among retail investors;

(2) the PRIIPs regime attempt to compare "substitute" products arguably mis-calibrated what is substitutable, and disclosing for comparability is difficult to achieve in a way that is meaningful;

(3) prescriptive/inflexible requirements can be unhelpful (prescriptive metrics having been heavily criticised as being actively misleading) and should be left for application only if and when deemed necessary by the FCA (rather than entrenched up front in legislation);

(4) disclosure requirements more generally are best left to subsidiary FCA rulemaking;

(5) beyond the PRIIPs regime repeal, providing for the wholesale disclosure standard to be of general application would address a fetter on retail supply (though this would remain otherwise constrained by overseas regulations and logistical/commercial frictions);

(6) it should be clear, on a holistic basis, how retail investor engagement in bond markets can realistically work in practice and then calibrate regulation to deliver that outcome.

Then on 7 March, ICMA responded to the FCA's related *Future Disclosure Framework* discussion paper (DP22/6).

ICMA noted its understanding that the debt capital markets are not currently intended to be within the scope of the FCA's replacement regime and that such exclusion could then track the existing exclusion from the UK's Consumer Duty (subject to a pending amendment reported separately in this edition of the Quarterly Report).

ICMA's limited response detail then illustrated why such exclusion is appropriate, notably mentioning:

(1) the intrinsic limitations of retail disclosure (including material rates of investor misunderstanding);

(2) that attempting to "future proof" the PRIIPs regime (in the hope of catching unknown or future products that might otherwise skirt around the regime) made it disproportionally and ambiguously wide and that, instead, market developments should be monitored and regulation efficiently updated if and when necessary;

(3) responsibility for disclosure should start at the point of sale (subject to arrangement otherwise);

(4) a "manufacturer" should only be liable for the retail sale of a product with no KID to the extent it was complicit in making the product available to retail. (Manufacturers consequently adopted mitigating steps restricting retail bond supply, illustrating why debt capital markets should be excluded from the FCA's replacement regime).

Whilst ICMA will continue its engagement with the UK's replacement of the PRIIPs regime, it will also be interesting to see what the European Commission intends regarding the EU's PRIIPs regime – with an Investment Package (including improving the retail investment framework and a retail investment strategy) slated for the 3 May meeting of the European Commissioners. (ICMA responded in August 2021 to the Commission's May 2021 consultation on a retail investment strategy for Europe, including on PRIIPs, as reported in a related article from the Fourth Quarter 2021 edition of this Quarterly Report.)

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UK Consumer Duty

On 16 January, ICMA responded to the FCA's Quarterly Consultation No. 38 (CP22/26) regarding a proposed amendment to the scope provisions of the new Consumer Duty (which will apply to new products from the end of July).

ICMA had previously found that the scope of the duty set out in FCA's final Policy Statement (PS22/9) was much improved compared to the initial proposals set out in FCA's prior Consultation Paper (CP21/36) that ICMA had responded to in January 2022 (as reported in the Second Quarter 2022 edition of this Quarterly Report) – in terms of clear exclusions for:

- institutional bond activity, pursuant to the "non-retail financial instrument" definition (notably in its paragraph (2) regarding a £50,000 minimum denomination) at pages 3 to 4 of PS22/9's Appendix 1; and
- listed retail bonds, pursuant to an exception to the "retail market business" definition (in its paragraph (3)) at pages 4 to 6 of PS22/9's Appendix 1.

Regarding the latest CP22/26, ICMA noted FCA's wish (at pages 34-35), to clarify the Consumer Duty's application provisions where a firm is "only approving or communicating a financial promotion". ICMA however noted the proposed guidance and formal rule amendments might be construed to undermine the two existing and clear exclusions noted above. (This also bears in mind the relatively wide nature of what constitutes a "financial promotion".)

Then, on 30 March, the FCA adopted the *Consumer Duty (Amendments) Instrument 2023* which amends the FCA's Principles for Businesses sourcebook (PRIN) to read: "3.2.6 R (2)(b) Principle 12 and PRIN 2A do not apply to the communication or approval of a financial promotion to the extent that the financial promotion relates to an activity that is excluded from the definition of retail market business by virtue of limbs (1) to (6) of that definition." Since the definition of retail market business also includes (at limb (2)) activities carried on in relation to non-retail financial instruments, it seems that the two existing and clear exclusions noted above will not be impacted by the other amendments relating to financial promotions. ICMA will engage with its members to confirm this.

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EU Listing Act: prospectus, market abuse and listing regimes

On 13 March (and following prior reporting on the EU Listing Act publication in the First Quarter 2023 edition of this Quarterly Report), ICMA submitted its comments on the European Commission's proposed Listing Act Regulation/COM(2022) 762 (LAR, notably amending the EU's Prospectus Regulation and Market Abuse Regulation) and proposed Listing Act Directive / COM(2022) 760 (LAD, notably repealing the EU's Listing Directive).

Prospectus Regulation (PR) amendments

ICMA was pleased to note the PR's "core" regimes (relating to single document base prospectuses and standalone prospectuses) have been mostly maintained, together with some helpful improvements in reducing administrative burdens for issuers (also touching some of the more "specialist" regimes relating to tripartite prospectuses and secondary issuance/follow-on prospectuses).

ICMA's comments however flagged some further improvements (including specific drafting suggestions) and other points relevant to the Listing Act's policy intentions of promoting European public market activity in the context of CMU. These notably emphasised:

(a) the need to retain the *status quo* for fungible issuance exemptions, given investor protection and liability concerns;

(b) it should be clear that future financial statements can indeed be incorporated by reference into base prospectuses;

(c) that incorporation by reference should not be mandatory, since comprehensibility and legibility risks can sometimes arise in this respect (but noting also that the scope of any mandatory requirement would not be as wide as it might first seem);

(d) that "tripartite" prospectuses (consisting of registration document or universal registration document, securities note and if applicable a summary) should benefit from (i) the new EU follow-on prospectus regime (subject to the general query below), (ii) the ability to incorporate future financials by reference (as noted above) and (iii) the ability to be updated in respect of a new registration document or universal registration document;

(e) that imposing restrictions on issuers such as page limits and mandatory formats is inconsistent with the overriding policy purpose of helping issuers and encouraging access to public markets by easing administrative burdens (bearing in mind the significant civil liability faced by issuers if they do not clearly include material information in a prospectus);

(f) it should be clear that, in line with the intention stated in the relevant recital, the disclosure requirement regarding sustainability reporting and the related assurance opinion does not apply in a non-equity context;

(g) that whilst the centralisation of third country equivalence is welcome, some of the proposed requirements are quite granular and it would be unfortunate if this meant it would be challenging to reach any decisions on equivalence (ICMA's prior position was that equivalence should focus on whether a third country regime provides adequate investor protection in line with the PR's objectives rather than being exactly identical).

The ICMA comments also queried whether the new EU follow-on prospectus regime would be of use in the bond context, to the extent many of its requirements seem equity-like and/or imposing more onerous requirements than the "core" PR regimes relating to bonds (with various examples being listed).

Market abuse regime (MAR) amendments

ICMA welcomed the amendments confirming the soundings regime as a voluntary safe harbour from the prohibition on unlawful disclosure of inside information (without prejudice to disclosure of inside information being otherwise lawful). In this respect, ICMA noted the need for consequent amendment in due course of the related technical standards.

Listing Directive repeal

ICMA also noted that while the provisions of the Listing Directive are considered to be largely historic and/or redundant, they are understood to underpin certain national "listing" regimes that it would be useful to keep. (ICMA's comments referenced the Securities Official List of the Luxembourg Stock Exchange, in terms of its size and compatibility with distributed ledger technology bonds that are ineligible for full MiFID trading platforms.)

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Transparency in commercial paper

As reported in the Quarterly Report Q1 2023, a survey on the need for transparency in commercial paper (CP) markets was conducted by ICMA, the anonymised results of which have now been made available to the ICMA Commercial Paper and Certificates of Deposit Committee (CPC). The survey was driven by discussions within the ICMA Commercial Paper Transparency Taskforce (the Taskforce), taking into account potential regulatory discussions relating to transparency across CP markets.

The survey elicited good quality, substantive inputs. In terms of summary findings, the emerging consensus themes include the fact that transparency of CP is generally considered to be adequate given data availability *on individual market bases,* such as on the Banque de France's website for NEU CP and the ECB's website for STEP-labelled CP. This data, which is available free of charge, is also supplemented by private providers (who may also provide data from other markets). So generally, although from different sources, data is not considered to be particularly difficult to find, although its quality can differ in terms of reference points and consistency.

But even still, some suggest that using all available sources, the whole of the market is not covered, that it is difficult to assess if there has been double-counting of transactions, or whether there is simply data missing. Added to this is the fact that reliable and consistent data is not always available or is more patchy in some domestic CP markets, such as in the Spanish, UK, Italian, German and Belgian CP markets. Additionally, it is considered important that the cost of subscribing to private data providers should not be a potential barrier to access for any market stakeholders.

The difference in reference points, consistency in existing data sources, potential cost of accessing data from private sources and the patchy reporting in certain markets inevitably leads to challenges with comparability of CP, and a lack of common reliable aggregator of the various markets. More aggregation would allow a holistic picture to emerge across markets, and could accommodate the development of generic curves which would help potential new issuers assess their own relevant level of issuance (mindful however that it may be possible to identify single issuers if curves are based on, for instance, a particular industry, geographical region and credit rating).

Elsewhere, the survey respondents largely considered that more transparency on primary issuance would not necessarily help to catalyse activity in the secondary market. In fact, it was suggested that this should not even be an ambition because CP tends to be issued on a buy and hold basis, rather than actively traded (although liquidity is deep enough to accommodate trading, if required). That said, transparency and availability of easy-to-use data could lead to positive effects on the volumes of the primary issuance and, as a consequence, possibly on the secondary market.

Finally, the survey respondents considered that pricing transparency could be useful as a measure for improving the valuation process, strengthening price formation and discovery for primary issuances. However, a detrimental consequence for issuers could be misinterpretation of funding intentions, thereby exacerbating funding sensitivities, particularly in times of stress. In turn, this could drive issuers away from accessing the CP market and towards other markets (such as private placements) which may be less attractive from a pricing perspective in normal market conditions but could be less harmful in times of stress, as information is less widely shared.

In conclusion, the main message from the survey is that there may be a need for existing, accessible data to be harmonised across different CP markets in terms of reference points and consistency (but not including pricing data), which could then lead to easier aggregation and possibly, publication of curves if feasible. But the question that ICMA is seeking to explore further with members is whether, given the existing availability of data in some areas, and its limited potential to effect secondary market activity, the market is actually suffering from such a lack of consistent information that a market-wide exercise to harmonise CP data would make enough of a difference to be merited (including as to cost), and the relevant benefits of including pricing data within the remit of any such exercise.

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Digital evolution in debt issuance: ICMA primary markets technology directory review

The digital evolution of issuing bonds is driving both new solutions and at the same time vendor consolidation. ICMA's most recent assessment of its primary markets technology directory has identified several new and emerging platforms designed to facilitate the issuance of debt instruments. However, the review also highlighted that certain previously listed solutions are no longer available or in development. As of the time of publication, the directory comprises a total of 45 solutions, representing a slight decrease from Q4 2021, and more than double the number available when the directory was launched in 2018.

The directory seeks to provide greater transparency in a rapidly expanding competitive marketplace by comparing the key features and capabilities of technology solutions available to automate all or part of the process of issuing debt securities. The scope includes bonds, but also other types of debt instruments such as commercial paper, loans and Schuldscheine. It highlights whether the various solutions are aimed at underwriters, investors, issuers or others, at what stage of the issuance process they can be utilised, supported issuance methods as well as connectivity options. Key observations:

- *Distributed ledger technology:* As more participants look toward the potential gains of using DLT, several platforms have emerged to provide tokenisation-related services for debt securities. Bonds in a tokenised form may for instance allow for allocations and interest payments to be automated with the use of smart contracts, while other vendors leverage DLT to provide users with a "source of truth" for transaction details.
- *Connectivity:* Several vendors announced enhanced connectivity between their solutions and other market platforms, such as linking buy-side OEMS with syndicate banks as part of the bookbuilding process.
- *Prior solutions:* Since the initial tracking of issuance technologies, 14 solutions have been removed from the directory. Reasons range from consolidation and re-branding following acquisitions or partnerships, to platform unwinding due to unfavourable conditions or uptake. Prior solutions are listed within a separate tab.

Various other enhancements have also been announced by vendors such as increased product scope and jurisdiction coverage. Some platforms have also extended their support to additional issuance methods, for example supporting syndication after an initial focus on private placement.

Against the backdrop of growth in vendor solutions and the risk of fragmentation, ICMA and its primary market constituents have developed a Bond Data Taxonomy (BDT) to provide data definitions for over 90 fields representing key economics, dates, and other information typically included within a term sheet for vanilla bonds, in a structured and machine-readable format. The BDT provides a vendor-agnostic common language when exchanging data electronically across the issuance process.

The primary markets technology directory is a unique resource available to members and regulators through the ICMA website.

The directory does not constitute an exhaustive list of providers in the market. Other relevant providers that are not yet covered by the directory and wish to join are welcome to do so. Please contact us for further details.

ICMA's technology directories are also available to non-members on a subscription basis. See the product information page for further details.

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Secondary Markets

by **Andy Hill and Alexander Westphal**

ICMA Bond Market Liquidity Taskforce

Background

At a meeting of ICMA's Committee of Regional Representatives (CRR) in November 2022, it was suggested that ICMA leverage its various initiatives related to fixed income market structure and liquidity to take a more holistic market view, looking also at the inter-dependencies of different markets, to identify potential risks and vulnerabilities. This would include an analysis of the impacts and interplay of prudential, market, and fund regulation. This multi-dimensional perspective is intended to inform recommendations to improve overall market resilience and liquidity.

The Taskforce

In response to the suggestion, ICMA proposed to create and mobilise a Bond Market Liquidity Taskforce in the first half of 2023 to drive this initiative. The Taskforce is to be made up of interested ICMA members, representing sovereign, corporate, short-term, or repo markets, including sell side, buy side, and relevant financial market infrastructures.

Accordingly, ICMA reached out to its various market-facing committees in January 2023 to invite members to join the Taskforce. To date, more than 30 member firms have nominated relevant experts to participate in the Taskforce. These include traders, market structure specialists, risk managers, and regulatory affairs practitioners, with expertise in bond, repo, or short-term markets.

Next steps

ICMA is currently in the process of identifying gaps in the Taskforce membership to ensure a balanced representation of different markets, regions, and roles. In particular, ICMA is keen to ensure that more sell-side and buy-side fixed income traders are involved.

The first call of the Taskforce is anticipated to be held in April 2023, which will be aimed on narrowing the scope, governance, and output of the Taskforce.

Members interested in contributing to the work of the Taskforce should contact Andy Hill, Secretary to the Secondary Market Practices Committee, or Nicolette Moser, Secretary to the Asset Management and Investors Council.

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MiFIR Review and bond market transparency

On 1 March 2023, the European Parliament's Committee on Economic and Monetary Affairs (ECON) finalised its position with respect to the ongoing MiFIR and MiFID Review. Importantly to ICMA and its members, this included Parliament's proposed amendments to the provisions outlining the creation of an EU consolidated tape for bonds and the corresponding transparency regime under MiFIR. This follows the proposals from the European Commission and the European Council.

Bond consolidated tape and transparency: the co-legislator positions

Some of the more relevant points and different positions of the co-legislators follow:

(i) The deferral regime

- The Commission proposes that NCAs can defer prices to end of day, and volumes up to two weeks.
- The Council has proposed a multi-bucket deferral regime, largely similar to the ICMA corporate bond proposal of December 2021, with scope for deferrals up to four weeks for the very largest trades ("category 5"). In the case of large trades in liquid bonds ("category 3"), the price is deferred to the end of the next day, and volume for one week. In the case of large trades in illiquid bonds ("category 4"), the price is deferred for one week, and volume for two weeks.

- The Parliament position is a nuanced variation on the Council proposal. This also allows for a four-week deferral of both price and volume for the very largest trades ("category 5"), while for large trades in liquid bonds ("category 3") the price is deferred to end-of-day and volume for up to one week, and for large trades in illiquid bonds ("category 4"), the price is also deferred to end of day, and volume for up to two weeks.

(ii) Deferrals for sovereign bonds

- The Commission proposes that National Competent Authorities (NCAs) can omit the publication of the volume for individual transactions in sovereign bonds for an extended period, or to aggregate several transactions for an unlimited period.
- The Council proposes that NCAs can omit the publication of the volume for individual transactions in sovereign bonds for an extended period, or to aggregate several transactions for up to six months.
- The Parliament proposes that NCAs can omit the publication of the volume for individual transactions in sovereign bonds for up to six months, or to aggregate several transactions for up to six months.

(iii) Criteria for determining deferrals and liquid bonds

- The Commission proposes that deferrals should be based on the size of transaction ("Large In Scale"), and whether the underlying bond is rated as investment grade (IG) or high yield (HY).
- The Council proposes that deferrals should be based on the size of the transaction as well as a determination of the liquidity of the underlying non-equity, including average size/frequency of trades in the asset class, number and type of market participants, average bid-ask spreads, and, in the case of bonds (except covered bonds), the issuance size
- The Parliament proposes something similar to the Council, except that issuance size is only a consideration in the case of corporate bonds.

ICMA's position

It is difficult to reach consensus views on certain aspects related to a regulatory transparency regime for bonds. However, there are a number of points on which ICMA continues to advocate, and for which there is broad membership support. These are summarised as follows:

(i) Deferral regime for non-equities

- On balance, members would prefer for the appropriate deferral categories and periods to be determined by the Level 2 legislation and based on analysis of the underlying market structure and liquidity.
- In any event, the maximum deferral for the largest transactions should be at least four weeks and apply to both price and volume.
- Importantly, in the case of any deferral, price and volume should be aligned. This is because the publication of price alone provides enough market information to determine whether the trade is a risk position, the direction of the trade, and the relative size of the transaction. Therefore, deferring the publication of the trade volume will not offer any protection to the liquidity provider.

(ii) Deferrals for sovereign bonds

- ICMA members support the publication of volumes and the disaggregation of all sovereign bond transactions after a period of time, and that this should be applied consistently by all NCAs.
- Members hold different views on the appropriate timeline before disaggregation, with some suggesting that this should be informed by analysis and determined in the Level 2 Regulation.

(iii) Criteria for determining liquidity

- In the case of corporate bonds, ICMA members believe that the distinction between investment grade and high yield is an important liquidity determinant for corporate bonds. IG and HY markets are structurally distinct, and have very different liquidity profiles.
- ICMA members also support the possibility for outstanding issuance size to be used as a determinant of liquidity for all bond classes (not just corporate bonds), given the high correlation between outstanding issuance and liquidity.

Next steps in the EU

Following a preparatory Council working group meeting chaired by the Swedish Presidency on 31 March, Member States were asked to provide their written comments on the three co-legislator texts by 3 April. The first political trilogue is expected to be on 18 April. It is not clear at this stage whether a final legislative text will be agreed before the end of the Swedish Presidency, which runs until the end of June.

Any members who would like to be involved in ICMA's advocacy work related to the MiFIR/MiFID II Review with respect to secondary bond markets, or who simply wish to be kept updated of relevant developments, is welcome to join ICMA's long-established MiFID Working Group.

In the UK

The UK has its own plans to produce a consolidated tape for bonds and a complementary transparency deferral regime, as part of the Wholesale Market Review and the Edinburgh Reforms. Given the UK's stated vision for "an open, sustainable, technologically advanced financial services sector that is globally competitive", many anticipate that this may result in some degree of divergence from the EU framework.

The UK's FCA is expected to publish a consultation paper on its proposal for a consolidated tape for bonds in June 2023, with a further consultation on the bond transparency and deferral framework in October 2023. The go-live for a UK consolidated tape is likely to be early 2025.

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CSDR mandatory buy-ins

On 1 March 2023, the European Parliament's Committee on Economic and Monetary Affairs (ECON) finalised its position with respect to the ongoing CSDR Review. From a secondary bond market perspective, the most important, and contentious, component of the proposal relates to the mandatory buy-in framework.

After the implementation of mandatory buy-ins (MBIs) was suspended at the end of 2021, it was widely expected by the market that the widely unpopular and highly problematic regime would be removed completely as part of the CSDR Review, allowing regulators to focus on more proportionate and targeted policy tools to support settlement efficiency. Somewhat surprisingly, the European Commission decided to hold on to the possibility of MBIs, albeit with some helpful revisions to the process framework, and now contingent on a number of considerations related to settlement efficiency rates in the EU. Essentially, MBIs would become a regulatory intervention of "last resort".

Disappointingly, the Council voted to support the Commission's proposal for the so-called "two-step approach" for MBIs. Accordingly, removing the MBI requirement cleanly and completely was not an option of the European Parliament. However, the Parliament has put forward a number of constructive proposals to mitigate the risks associated with the MBI regime and to reduce the likelihood of it ever being implemented.

Key revisions in the European Parliament proposal

- The conditions for the proposed two-step approach are now cumulative, rather than either/or.
- The existence of contractual buy-ins is an explicit consideration in the two-step approach.
- The comparison with settlement rates in other jurisdictions is deleted (noting that this is the Commission's main argument for keeping MBIs).
- Securities financing transactions (SFTs) are explicitly exempted.
- The payments for both buy-in and cash compensation differentials are explicitly symmetrical.
- There is explicit recognition of the importance of other settlement tools (shaping, auto-partialling, and auto-borrowing) with a mandate for ESMA to explore these further.

While ICMA and its members continue to argue that MBIs are an unjustifiable, and potentially unimplementable, regulatory requirement, ICMA views the Parliament's position as broadly positive and a welcomed "second best" outcome.

Next step

The first trilogue meeting of the co-legislators is expected to take place in April. It is expected that the process could be relatively quick, with possibly only two meetings required. While the removal of the MBIs is highly unlikely, the industry will hope for a final text that is as close to the Parliament's proposal as possible.

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Update to members on Credit Suisse/ UBS merger and the trading of Credit Suisse AT1 bonds*

"The recently announced combination of Credit Suisse and UBS together with the write down of Credit Suisse AT1 bonds has led to market participants not being able to settle trades that were agreed prior to issue of the write down notice.

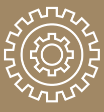
ICMA continues to actively engage with its members during this period, as well as relevant regulators, clearing houses and exchanges.

In the interests of orderly and resilient markets, ICMA has highlighted members' interests in resolving unsettled trades to the Depository Trust and Clearing Corporation (DTCC), the International Central Securities Depositories (ICSDs - Euroclear and Clearstream) and to SIX Swiss Exchange - some of which have allowed trades to settle for limited periods this week.

As a result of discussions with members, regulators, and other market participants, ICMA currently understands that some market participants are continuing to trade the affected bonds and seeking to settle such trades, if possible, through the usual clearing systems rather than directly with their counterparties outside the clearing systems.

We endeavour to keep members informed, so should members have further queries please contact: LegalHelpdesk@icmagroup.org".

*** Published on 24 March 2023**



Repo and Collateral Markets

by **Andy Hill, Alexander Westphal and Zhan Chen**

The ICMA ERCC Committee in 2023

The ICMA European Repo and Collateral Council (ERCC) Committee is the governing board of the ERCC and is elected on an annual basis by all ERCC member firms. On 9 February, ICMA announced the results of the 2023 ERCC Committee elections. The results were based on valid votes received from 80 of the total 115 ERCC member firms. As usual, the 19 individuals elected to the ERCC Committee will serve for a term of approximately one year, ending with the conclusion of the next elections. Besides the very good participation in the voting, we were particularly pleased to see that 30 candidates stood in the 2023 elections, which marked a new record for the ERCC and certainly attests to the standing of the Committee and the active involvement of all ERCC members. Following the elections, on 21 March, the Committee came together for its first meeting in the new composition which was hosted by Société Générale in London. The next meeting will take place on 21 May in Brussels, kindly hosted by Euroclear in the margins of their annual Collateral Conference.

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ICMA's Global Repo and Collateral Forum (GRCF)

On 23 February, ICMA's newly established GRCF held its inaugural meeting. The virtual meeting was attended by over 120 participants, ranging across ICMA's global membership. The meeting was split into two main parts. Following introductions by Bryan Pascoe, ICMA's Chief Executive and ERCC Chair Gareth Allen (UBS), the first section of the meeting focused on organizational questions. Live polls during the meeting allowed ICMA to get a representative picture from the whole group with questions ranging from the overall GRCF objectives to potential sub-groups and key topics that members would like to see covered by the GRCF. The second part of the meeting was dedicated to more topical discussions, focusing on some of the key themes of ICMA's global repo and collateral work, including the role of the GMRA and related legal developments as well as repo market development in emerging markets. On the latter topic, Frontclear a development organization that ICMA closely collaborates with, gave a presentation on its important work in the repo space. Going forward, the GRCF will meet on a quarterly basis. The next meeting will be scheduled shortly and will be held in early June.

To sign up for the GRCF, please send us an e-mail and we will add you to the distribution list.

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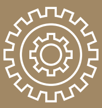
Settlement efficiency

Understanding and improving settlement efficiency in Europe continue to be important priorities for the ERCC. This work is coordinated by the ERCC Operations Group. As reported in the previous edition of the Quarterly Report, in December 2022 the ERCC launched a second member survey on the topic which closed in February. The 28 responses received from members provide an updated picture of firms' views and efforts related to settlement efficiency. Among other things, the survey focused on the usage of the three settlement optimisation tools that had been identified in previous discussions as most impactful, namely (i) shaping, (ii) auto-partialling and (iii) auto-borrowing, and how their usage has evolved over the past year, considering particularly the introduction of CSDR cash penalties in February 2022. The survey also asked members about ways to ensure wider adoption of the tools. Interestingly, there was broad support among respondents for automating and/or mandating the usage of shaping and auto-partialling. This provides an interesting link to the ongoing CSDR Refit discussions and ICMA's related advocacy in relation to mandatory buy-ins



(MBIs) (see the Secondary Market section). As ICMA has argued consistently in this context, we consider it critical that all other measures and tools to improve settlement efficiency are fully exhausted before even considering the imposition of the "nuclear" option of MBIs. This has already been reflected partly in the European Parliament's CSDR Refit position, which recognises the importance of alternative optimisation tools and would introduce a mandate for ESMA to further assess these. This would provide a good opportunity for ICMA and the wider industry to engage with ESMA in a constructive discussion on the best and most effective ways to improve settlement efficiency in Europe and the role regulation can play in this context.

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T+1 discussions in Europe

ICMA is following closely the evolving discussions on a possible shortening of the settlement cycle to T+1, further to the decision in the US to go ahead with the move to T+1 in May 2024. ICMA is part of a UK Taskforce on Accelerated Settlement launched by the UK Government and, on the EU side, has been invited to participate in a cross-industry Taskforce coordinated by AFME on the same topic which is currently being establiahsed.

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The European repo market in figures

Latest edition of the European Repo Market Survey

On 15 March, the ERCC released the results of its 44th semi-annual survey of the European repo market. The survey, which measured the amount of repo business outstanding on 8 December 2022, from the returns of 61 financial institutions, sets the baseline figure for the European repo market size at a new high of EUR10,374 billion, up by 7.2% from EUR9,680 billion in the June 2022 survey and an increase of 12.8% year on year (although some of these increases reflected new participants into the survey). After several years of significant growth, this is the first time the survey's headline figure breached EUR10 trillion.

For a more detailed overview of the results, we recorded a short webinar with Richard Comotto, the author of the European Repo Market Survey, who takes us through the key findings of this latest Survey and the underlying trends in the European repo market.

SFTR public data in 2022

On 31 March, ICMA released a report which takes a closer look at the SFTR public data elements that are being released by the trade repositories on a weekly basis. The report focuses on the reporting data for 2022, providing an interesting reference point for the data collected through the European Repo Market Survey, despite the significant differences in methodology and scope. This follows up on ICMA's initial report on SFTR public data which was released in September 2021 and looked at the first year of SFTR reporting for repo. In line with the SFTR data itself, the latest analysis distinguishes between the EU and the UK repo market, given that these are reported separately. The report shows that in 2022 the EU repo market saw an average daily turnover of EUR2,261 billion and an average end-week balance of outstanding repos of EUR11,796 billion. The UK repo market, on the other hand, recorded an average daily turnover of GBP1,520 billion (EUR 1,786 billion) and an average end-week balance of GBP7,900 billion (EUR9,234 billion).

In addition to the occasional detailed reports, ICMA continues to collect and aggregate the SFTR public data on a weekly basis. For a more detailed breakdown and related charts for both UK and EU SFTR and to access the reports, please visit our SFTR public data page.

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SFTR reporting

Go-live of reconciliation phase 4: The fourth phase of SFTR reconciliation went live on 11 January 2023, with 30 additional data fields becoming mandatory for matching. The additional fields included critical data points such as the floating rate, security price, as well as the clearing timestamp, minimum notice period, earliest call-back date and termination optionality. Unsurprisingly this has led to a significant uptick in matching fails.

ESMA updated validation rules: On 8 March, ESMA published a set of long-waited updates to the SFTR validation rules on its SFTR webpage, which are set to be implemented from 11 September 2023. The changes have been reviewed by ICMA and discussed with the members of the ERCC's SFTR Task Force. The updates have also been incorporated in the latest version of the ICMA SFTR recommendations which was published on 5 April. ICMA's detailed SFTR Guide was initially published in February 2020 and updated previously in September 2022. We will continue to publish occasional updates as the official guidance and best practices related to SFTR reporting evolve.

US considers daily trade reporting for bilateral repo: In early January, the US Department of the Treasury's Office of Financial Research (OFR) proposed new daily reporting obligations for certain brokers, dealers, and other financial companies with large exposures to the non-centrally cleared bilateral repo market. The goal is to improve transparency and risk supervision in the US repo market. The proposal requires transaction-level data, covering 33 fields on both trade and collateral information, to be collected on a daily basis.

After discussions with market participants, consultations with the Council, as well as a data collection pilot programme, the OFR has opted to move forward with a permanent data collection initiative. The Proposed Rule was open for consultation until early March.

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EBA Q&A on LCR treatment of open reverse repos

On 30 September 2022, the EBA published a Q&A [Question ID 2021-6163] in response to a question about the LCR treatment of open maturity reverse repos. The EBA has answered: "reverse repos with open maturity not formally called for within the 30-day horizon and contingent on the option for the reporting institution of the reverse-repo to trigger the liquidity inflow, shall not be considered as inflows in the LCR."

This conflicts with the general treatment of open SFTs as rolling short-term SFTs, based on the relevant notification period of the transaction (which in most cases is 24 or 48 hours, and which is the contractual right of both parties), and which is also consistent with previous EBA guidance.

The ERCC, anticipating such a possible interpretation of the Regulation, wrote to the EBA and ECB in January 2022. The industry concern is that the likely outcome of this guidance would be for the market to switch to rolling short-term SFTs, in place of open trades, resulting in significant additional costs and operational inefficiencies for market users, with a likely increase in settlement fails, while having no impact on the overall LCR calculation.

In December 2022, ICMA discussed the industry concerns with the EBA. The EBA explained the rationale for its guidance, which is based on: (i) the assumption that where a loan is subject to a call, under stressed conditions there is a risk that the lender may elect not to execute the option to recall the loan (eg for reputational reasons); and (ii) the fact the Regulation does not provide for any exceptions in the treatment of contingent inflows/outflows. The EBA further suggested that where the reverse repo is against HQLA, the lending (reversing) party has the ability to include the HQLA in their LCR calculation, which could be seen as an advantage.

In February 2023, ICMA held a further call with the EBA, this time with ERCC members who were able to outline the industry concerns, particularly with respect to the operational implications and related risks that this will cause, particularly in the context of non-HQLA. Given that open-SFTs are widely used in financing dealers' trading positions in credit and EM, this is turn could have consequences for liquidity provision in these bond markets.

The EBA is keen to continue the dialogue with ICMA and its members, particularly with a view to being able to obtain a quantitative view of the impacts, as well as the extent to which this guidance could disadvantage EU-regulated banks relative to those regulated in other jurisdictions. ICMA has committed to provide such insights, and welcomes affected members to help in supporting this effort.

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CRR3 and the treatment of RWA weightings for SFTs

The ERCC has been focused on a critical element in the European Commission's Banking Package related to the capital risk weighting of SFT in CRR3. One of the key provisions of the Final Basel III framework is a more granular but less sensitive recalibration of the credit risk (CR) weighting calculations under the Standardised Approach (SA). This is particularly punitive in the case of SFTs since it does not recognize the relatively short-term nature of SFTs in the case of exposures to non-banks. Accordingly, this results in the Risk Weighted Asset (RWA) computations for SFTs with many key market participants under the SA being multiples of those calculated under banks' Internal Model Approach (IMA). This contrasts to the treatment of short-term SFT exposures to banks for which Final Basel III recognises their lower risk. Furthermore, this detrimental treatment will also impact banks relying on the IMA with the introduction of the Output Floor (intended to align more closely the SA and IMA). There is no explanation as to why short-term exposures with non-banks are treated less favourably.

Ahead of the Council and European Parliament discussions on the CRR3 proposal, the ERCC shared and discussed a position paper widely with Member States and MEPs. The ERCC recommends the introduction of a maturity adjustment under the SA-CR for short-term SFTs. This would be consistent with other aspects of CRR2 and CRR3 that take into account maturity sensitivities in the SA.

As outlined in previous Quarterly Reports, the Council unfortunately proposed that the new calibration remain, but that the EBA, in close collaboration with ESMA, report

to the Commission by the end of 2025 an assessment of whether a recalibration of the associated risk weights in the Standardised Approach is appropriate, given the associated risks with respect to short-term maturities, specifically for residual maturities below one year. On the basis of this report, the Commission could propose legislative changes by the end of 2027.

While originally a number of MEPs seemed to side with the ERCC's position of a more proportionate RWA calibration for short-dated SFTs with non-banks, this view began to drift toward the Council's proposal during discussions, and was confirmed in the final Parliament position following the ECON vote in January 2023.

While it seems highly unlikely that a change could be effected during the upcoming trilogue process, the ERCC will continue to engage with the co-legislators, particularly given the recent challenges observed in the European repo market with respect to buy-side access, not least in times of heightened volatility or market stress, recognising that this is yet another economic disincentive for bank intermediation.

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Sustainable Finance

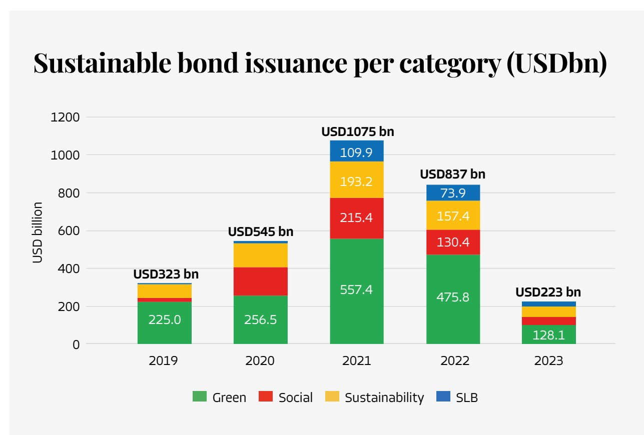
by **Nicholas Pfaff, Valérie Guillaumin, Simone Utermarck, Ozgur Altun, Yanqing Jia** and **Stanislav Egorov**

Summary

After commenting on issuance activity in the sustainable bond market this quarter, we share our analysis of the provisional agreement on the EU GBS. We then summarise our extensive response to the ESAs' Call for Evidence on greenwashing, as well as our feedback respectively to the FCA and ESMA on fund labelling and naming. We then report on other international regulatory developments. We otherwise provide short updates on the Annual Conference of Principles taking place on 28 June in Singapore with the support of the Monetary Authority of Singapore, on 2022 data illustrating the global uptake of the Principles as an issuance standard and, finally, on the release of specific guidance by ICMA and ELFA for High Yield SLBs.

Sustainable bond market update

The sustainable bond issuance volume reached USD227 billion in 2023 as on 23 March, surpassing the total issuance over the same period in 2022 by 14% and indicating that issuance in 2023 may be equivalent to the record set in 2021.



Source: ICMA based on Bloomberg Data – as of 23 March 2023

Green bond issuance reached USD128 billion (vs USD102 billion over the same period in 2022, representing a 25% increase) and accounted for over 50% of total sustainable bond sales year-to-date. The European Investment Bank (EIB) issued most green bonds, raising over USD13 billion in total under its Climate Awareness Bond Framework in 2023. On the sovereign side, Israel and India sold their inaugural green bonds in Q1, USD2 billion 10-year and a total of INR80 billion (USD1 billion), in a dual-tranche transaction, respectively. Following its debut issuance in 2022, Saudi Arabia's Public Investment Fund returned to the sustainable bond market and completed a USD5.5 billion triple tranche green bond sale (USD1.75 billion 7-year, USD2 billion 12-year, USD1.75 billion 30-year). In addition, KFW further grew its green bond portfolio by issuing a EUR3 billion 10-year bond.

Corporates were also active, with Rivian Auto entering the sustainable bond market for the first time by issuing a USD1.5 billion 6-year convertible green bond. Another new issuer from the automotive sector was Stellantis, which issued a EUR1.25 billion 7-year green bond. Both Rivian and Stellantis are intending to finance clean transportation projects.

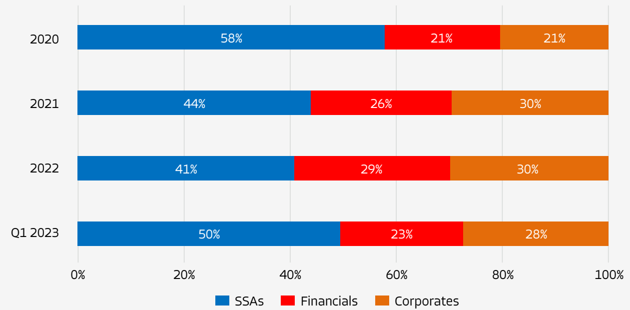
Social bond sales declined by 10% year-on-year and topped USD28 billion, with almost 50% of all issuance attributed to CADES: EUR5 billion 5-year, EUR4 billion 7-year, USD4 billion 3-year bonds. La Banque Postale Home Loan issued its first social bond, EUR1.25 billion 8-year, focusing on social home ownership loans.

Sustainability bond issuance exceeded USD44 billion, with IBRD raising over USD13 billion under its Sustainable Development Bond Framework. Top-3 transactions by size include USD5 billion 7-year, EUR3 billion 10-year and USD1.75 billion 4-year bonds. Among other issuers which returned to the market, Agence Française de Développement and Slovenia issued EUR1.5 billion 7-year and EUR1.25 10-year bonds, respectively.

The sustainability-linked bond market expanded by USD21 billion in Q1 and continued attracting new issuers. Specifically, Air France-KLM completed a dual tranche transaction raising EUR1 billion (EUR500 million 3-year and EUR500 million 5-year bonds). In addition, HeidelbergCement entered the SLB market for the first time by issuing a EUR750 million 9-year bond. Pandora also issued its first SLB, EUR500 million 5-year. Lastly, Enel returned to the SLB market closing a dual trance deal: EUR750 million 8-year and EUR750 million 20-year. The transaction became one of the first to link the KPIs to the EU Taxonomy. Specifically, Enel intends to ensure that taxonomy-aligned proportion of capital expenditure exceeds 80% between 2023 and 2025.

From an issuer category perspective, SSAs are leading in sustainable bond issuance, although their share has declined from 58% in 2020 to 50% in 2023. Corporates increased their share from 21% to 28% since 2020, while the proportion of financial issuers reached 29% in 2022 and decreased to 23% in 2023.

Sustainable bond issuance over time by sector



Source: ICMA based on Bloomberg Data – as of 23 March 2023

The 9th Annual Conference of the Green, Social, Sustainability and Sustainability-Linked Bond Principles (collectively known as the "Principles") will be returning to Asia this year!

The Annual Conference of the Principles will come to Singapore for the first time on 28 June 2023. Previous editions, in Asia and in Europe, enjoyed strong international participation, reflecting the global nature of the market.

The roster of speakers includes senior officials from national and international regulators, representatives from corporate, sovereign and SSA issuers of sustainable debt, banks and investors, with the participation of service providers eg rating agencies, law firms and external reviewers.

The full day conference agenda combines keynote speeches and panel discussions featuring leading market figures and experts in sustainable finance. It also features key updates on the 2023 guidance from the Principles, the Asia Pacific perspective, as well as the critical topics being debated in sustainable finance including regulation, market integrity and climate transition finance.

Jingdong Hua, Vice Chair, International Sustainability Standards Board (ISSB) and Mary Schapiro, Vice Chair, Glasgow Financial Alliance for Net Zero (GFANZ) will deliver keynote speeches on the international standards for sustainability disclosures and on best practices to accelerate the development and implementation of net-zero transition plans.

There will be a livestreaming of the conference, which attracted more than 600 international delegates last year, open to all interested market participants, observers, commentators, official authorities and media. To register and to find out the detailed programme, see ICMA's website.

S

Provisional agreement on the EU GBS

On 28 February 2023, the EU co-legislators reached a provisional agreement on the Regulation for European green bonds (EU GBS) under the Swedish Presidency, marking a milestone for the EU's long-waited official standard.

While the details of the agreement are yet to emerge, the voluntary nature of the EU GBS as well as of the much-debated disclosures for the broader market have now been confirmed. ICMA released a statement welcoming the voluntary approach and highlighted that the uptake of the EU GBS will be closely linked to the resolution of the Taxonomy's usability challenges. ICMA will also continue to engage with the EU to ensure, among other things, that the voluntary market templates are consistent and non-duplicative.

Summary of the key positions of EU legislators and the provisional agreement

Key issues	EC	Council	EP	Provisional Agreement
Nature of the EU GBS	Voluntary	Voluntary	Voluntary with a review clause	Voluntary
Scope of the EuGB Reg.	EU GBS + External Reviewers (ERs) of EuGBs	EU GBS + ERs of EuGBs	EU GBS + all ERs (practically) + Mandatory disclosures for all green UoPs bonds and environmental SLBs	EU GBS + ERs of EuGBs + Voluntary disclosures for all green UoPs bonds and environmental SLBs
TSC flexibility	No	Up to 20% : for (i) activities with no TSC and (ii) internationally reported green finance flows)	No, but a "Taxonomy equivalency" mechanism has been proposed.	Up to 15%: for (i) activities with no TSC and (ii) (potentially) internationally reported green finance flows)
Grandfathering	Partial 5-years (with EC stating that it concerns unallocated proceeds).	Full	Partial 5 years for UoPs other than debt (with no forced re-allocation of already allocated proceeds) and 10-years (under portfolio-based approach)	Some reports referring to an agreement on 7 years grandfathering, but no clarity yet on the treatment of already allocated / committed proceeds.

Solving the Taxonomy's usability issues is also the priority for the Commission and its Platform on Sustainable Finance 2.0. The Platform published an extensive report on these usability issues in October 2022. We also published a report on the Taxonomy's usability issues in February last year. Most topical to the EU GBS, these usability issues relate to the Do No Significant Harm (DNSH) and Minimum Safeguards (MS) requirements including widespread data unavailability, heavy reliance on EU legislation and criteria (hindering the assessment of non-EU projects), and lack of assessment proportionality for smaller projects and SMEs.

Beyond the usability issues, the emerging low Taxonomy alignment data reflect the current non-alignment of the economy with the Paris Agreement, among other things. A recent Danske Bank research report showed that the actual Taxonomy alignment reported by corporates was negligible in the Nordics region while a November 2022 study estimated the overall alignment of euro area investor portfolios to be at 2.8%. These highlight the need for new capital investments towards transition and underpinning the importance of usability and practicality of the CapEx plan mechanism under the EU GBS. Beyond its uptake, the use of the EU GBS for transition will also be an important success metric.

Otherwise, we anticipate that EU SSAs and pure play renewable energy projects in the EU from European companies and utilities are the ideal candidates as early testers of the label. In terms of timeline, technical details of the text still need to be worked out among the co-legislators. We also understand that the final text may have one year gap between the entry into force and the application of the regulation.

You may find here our more detailed note on the EU GBS provisional agreement.

ICMA Principles remain global issuance standard in 2022

As in the past years, our analysis based on the data from the LuxSE DataHub, developed by the Luxembourg Stock Exchange, shows that the Principles remain the global market standard. Specifically, USD740 billion equivalent of sustainable bond issuance in 2022 aligned with the GBP, SBP, SBG and the SLBP, representing 98% of total global issuance.

S ICMA's response to the ESAs' Call for Evidence on greenwashing

Greenwashing concerns continue to be high on the EU sustainable finance regulatory agenda as well as being highlighted in numerous media reports. On 15 November 2022, EU supervisors ESMA, EBA, EIOPA (all together, ESAs) launched a Call for Evidence (CfE) to gather stakeholder input and evidence on the "greenwashing" phenomenon, occurrences, and risks. As background, in June 2022, the European Commission mandated the ESAs to investigate greenwashing and assess the adequacy of sustainable finance tools as a response. The findings under this CfE will feed into an interim report by the ESAs to be delivered by May 2023 and a final report in 2024. Tackling greenwashing is also a major priority under ESMA's 2022-2024 Sustainable Finance Roadmap.

In our response, we argued that the core features of greenwashing as presented in the CfE were excessively broad and therefore unhelpful in the context of developing a regulatory approach to greenwashing. We recommended that regulators aim for a clear, fair, calibrated, and actionable definition of greenwashing in the financial sector and proposed the following: "For financial regulatory purposes, greenwashing is a misrepresentation of the sustainability characteristics of a financial product and/or of the sustainable commitments and/or achievements of an issuer that is either intentional or due to gross negligence."

We also underlined the importance of distinguishing between what could be considered as "greenwashing" for regulatory oversight and enforcement, and the areas of concern typically expressed by stakeholders. When it comes to sustainable bonds, these have historically focused on:

- *lack of ambition,* ie projects not believed to be sufficiently "green" or "sustainable";
- *mismanagement of wider sustainability risks* (eg not having appropriate process to identify and manage wider sustainability risks and trade-offs akin to the DNSH concept);
- *strategic inconsistency* (eg lack of a broader strategy that accompanies a labelled bond or clear inconsistency between the green label and what the issuer does beyond the label); and,
- *actual deception* (eg the unlikely cases where an issuer did not allocate the proceeds to green projects except due to reasons beyond its control, or if an issuer manipulated its KPIs or omitted material information.)

In the funds space, we categorised the concerns as "vague or ambiguous responsible investment methodologies", "unclear or misleading fund labelling and naming", and "actual deception".

We explained how numerous existing EU regulations and proposed legislative initiatives such as the Taxonomy Regulation, CSRD, CSDD Directive and SFDR address these concerns, and emphasised that the focus should be on improving their implementation and usability. On the market side, we also identified the important mitigants provided by initiatives such as the Principles with embedded mechanisms focused on disclosures on projects as well as issuer-level strategy, management of environmental and social risks, reporting and external verification. We explained how the Principles also provide wider guidance relevant to mitigating greenwashing through recommended issuer-level disclosures on transition with the Climate Transition Finance Handbook, and guidelines for external review scrutiny.

Responding to the question on additional measures that EU supervisors could take to mitigate greenwashing risk, we proposed that regulators (i) call for voluntary adoption of the Principles (with reference to precedents in other jurisdictions); (ii) recognise the equivalency and allow the use of other leading official and market-based taxonomies; and, (iii) call for voluntary alignment of external reviewers with ICMA's Guidelines for External Reviewers while considering additional guidance for them.

Finally, our response includes a table in the Appendix with an overview of the concern areas, selected examples, the existing legislative/regulatory responses as well as market-based mitigants (see below for sustainable bonds).

For sustainable bonds (use-of-proceeds bonds and sustainability-linked bonds)			
Concern areas	**Selected examples**	**Legislative/regulatory mitigants**	**Market-based mitigants**
Lack of ambition	• In UoPs bonds, projects or parts of those found insufficiently green or sustainable • SLBs with targets seen as easily achievable or close to a "business as usual" trajectory	• EU Taxonomy • Potential requirement under the CSDD Directive for companies to adopt transition plans compatible with 1.5 °C objective of the Paris Agreement • CSRD/ESRS which will include Taxonomy and transition plan disclosures, as well as other forward-looking disclosures related to various areas of sustainability	• The Principles' requirements/ recommendations/guidance: (1) for UoPs bonds: on environmental objectives and high-level project categories, disclosure of external taxonomies, green eligibility and exclusion criteria, allocation and impact reporting and relevant guidance, etc.; (2) for SLBs: on ambitiousness of targets which should go beyond business-as-usual, recent KPI registry with 300 KPIs, etc. • The Climate Transition Finance Handbook's recommendation for science-based targets. • External review scrutiny and ICMA Guidelines for External Reviews • Market-based taxonomies (CBI, MDBs-IDFC, ISO)
Mismanagement of wider sustainable risks	• Lack of an appropriate process to identify and manage wider environmental/social risks and trade-offs for sustainable projects	• The DNSH and Minimum Safeguards concepts in the EU Taxonomy • The CSDD Directive's compliance obligations regarding human rights and environment related risks • CSRD/ESRS disclosures on the management of environmental and social risks at an entity-level	• The Principles' requirement to disclose complementary information on processes by which issuers identify and manage perceived environmental and social risks related to projects • The Principles' encouragement to identify mitigants to know material environmental and social risks
Strategic inconsistency	• Lack of a broader sustainability/ environmental strategy that accompanies a green bond • Clear inconsistency between the green label and what the issuer does beyond the label	• CSRD/ESRS disclosures which will include Taxonomy, transition plan disclosures, and forward-looking disclosures related to various areas of sustainability	• The Principles' requirements/ recommendations/guidance related to: (1) for UoPs bonds: on the communication of overarching objectives, strategy, policy and/ or processes on sustainability; (2) for SLBs: requirement for KPIs to be core, material, and relevant and targets to be "strategically consistent at the issuer level", recent KPI registry with 300 KPIs • The Climate Transition Finance (CTF) Handbook's recommended disclosures including on climate transition strategy and governance • External review scrutiny and ICMA Guidelines for External Reviews • TCFD and other entity-level sustainability disclosure frameworks
Actual deception	• Not allocating the proceeds to green projects in a green bond except due to reasons beyond control • Manipulating KPIs and relevant data • Omitting material information	• Securities and markets regulations • Civil, criminal and regulatory liability, tort law, etc.	• The abidance of market participants to the applicable legal and regulatory framework • Allocation reporting • External review scrutiny and ICMA Guidelines for External Reviews

ICMA and ELFA publishing practical recommendations for High Yield Sustainability Linked Bonds

The European Leveraged Finance Association (ELFA) has partnered with the International Capital Market Association (ICMA) to create a set of recommendations for the high yield market in line with the Sustainability-Linked Bond Principles (SLBP).

Whilst the SLBP and the subsequently released SLB Related Questions apply to any kind of debt instrument, including sub-investment grade bonds, some of the unique features of these instruments warrant specific consideration and market guidance for the sub-investment grade segment. This set of recommendations will provide practical guidance on applying the SLBP to high yield bonds containing the features of an SLB. High yield bonds possess distinct characteristics compared to investment grade bonds, which this document will seek to address, including typically:

- redemption provisions;
- covenant provisions;
- shorter tenor; and
- higher representation of private companies (not publicly listed), which has implications for disclosure and reporting.

For the avoidance of doubt, high yield SLBs are not an asset class of their own. They are high yield bonds to which the SLB label has been applied, as per the SLBP. This document is designed to address the specific needs of the sub-investment grade bond market in respect of these core components where bond characteristics or market practice depart from the investment grade bond market. As such, it should be read alongside the SLBP. For clarity, high yield SLBs should be aligned with the five core components of the SLBP.

S Regulatory consultations on sustainable fund labelling and naming

FCA SDR consultation response

On 25 January 2023, ICMA responded to the FCA's consultation (CP 22/20) on *Sustainability Disclosure Requirements (SDR) and Investment Labels* (introduced in the last Quarterly Report).

Overall, we were supportive of the FCA's proposal which may be comparatively easier to implement than SFDR in the EU. We agreed that the newly proposed sustainability labels could help retail investors better understand which funds reflect their intentions.

Importantly, we noted that the three labels "sustainable focus", "sustainable improvers" and "sustainable impact" seemed to all have a link to real world impact (although it is only explicitly mentioned for the third one) by classifying and labelling a product based on "how the fund may plausibly achieve a positive outcome for environmental or social sustainability". In addition, we suggested that the FCA should consider creating a fourth label for funds focusing on the consideration of ESG risks, opportunities and impacts material to the issuer, rather than on sustainable outcomes or improvements.

More specifically, our main comments on the three proposed labels were that the product category "Sustainable Focus" was not sufficiently clear with regards to, for example, what would be considered a credible standard that 70% of investments have to meet and what the other 30% could be invested in. "Sustainable Improvers" we said was important for progress towards achieving the goals of the Paris Agreement, however, again more clarification regarding the assets in transition and assessment of related KPIs was needed. We mostly agreed with the category of "Sustainable Impact", but we considered the additionality condition to be unworkable for investing in a large portion of the sustainable bond market.

Furthermore, we pointed out that most green bond funds could fall under all of the three proposed categories and provided examples for how the ICMA Principles and related guidance such as the "Climate Transition Finance Handbook" could be useful in categorising investments.

Lastly, we appreciated the proposal making reference to existing frameworks and legislative initiatives such as TCFD, TPT and ISSB which market participants will have to increasingly get more familiar with anyway.

ESMA Fund Naming consultation response

On 20 February 2023, ICMA responded to a consultation on Guidelines on *Funds' Names using ESG or Sustainability-related Terms* proposed by the European Securities and Markets Authority (ESMA).

Following its supervisory briefing on sustainability risks and disclosures in the area of investment management published in May 2022, ESMA sought market feedback on more specific guidance related to the use of ESG or sustainability-related terms in funds' names. The proposal is in line with ESMA's general mission to enhance investor protection as well as its priority to tackle greenwashing as listed in its Sustainable Finance Roadmap 2022-2024. ESMA's main concern relates to funds that are disclosing under Article 8 of the Sustainability Finance Disclosure Regulation (SFDR) ie promoting an environmental or social characteristic, without any commitment to a minimum proportion of investments used. The main elements of the proposal (and those that ICMA commented on) are:

- Minimum safeguards (exclusion criteria based on Paris-Aligned Benchmarks (PAB)) applied to all investments of the fund.
- Thresholds of 80% where the fund name contains any ESG or impact-related words and an additional 50% where the fund has the word "sustainable" or a similar term in its name.
- Funds referring to impact should also make investments with the intention to generate social or environmental impact.
- Additional open questions on, for example, transition funds.

Before providing feedback on the main proposal points, we set out our view that to tackle the issue of greenwashing and enable investors to better navigate the landscape of products offered to them, it was vital to differentiate between three main types of fund labels based on the sustainability objective they are seeking to achieve which should then also be reflected in the fund names:

(1) Funds that focus on "ESG integration", ie the consideration of ESG risks, opportunities and impacts that may be material to the future financial performance of a company or funds that employ strategies such as "exclusion/negative screening" or basic "ESG tilts".

(2) Funds that contain companies or financial instruments that are sustainable as measured by their effect on the environment and society.

(3) Funds that contribute to a measurable improvement such as financing the transition to net-zero.

In our response we aimed to consolidate input received from ICMA's buy-side constituency, the Asset Management and Investors Council (AMIC). We were generally supportive of introducing the concept of minimum safeguards in the form of exclusions although in a calibrated and differentiated manner. As such, we did not see the exclusions for EU Paris-aligned Benchmarks (PAB) listed under Article 12 (1) and 12 (2) of the Benchmarks Regulation as a suitable proxy and instead suggested adopting the EU Climate Transition Benchmark (CTB) exclusions set out in Article 12(1), points (a) (controversial weapons), (b) (tobacco) and (c) (UN OECD Guidelines) of the EU Benchmark Delegated Regulation.

While we also supported the introduction of quantitative thresholds, we underlined the many practical challenges for their conception and implementation, as well as possible alternatives. Some asset managers agreed that ESMA's approach would allow the quantitative threshold of 80% to apply at the level of the whole investment strategy but others considered it either too high altogether or in the case of less traditional asset classes. It was also remarked that the calculation should exclude cash assets and differentiate between funds applying KPIs at asset vs portfolio level. Regarding the 50% threshold, we broadly supported the idea of a more stringent threshold for funds having a sustainability-related label but there was more scepticism among asset managers about setting a threshold for sustainable investments, especially in the absence of further clarification on the term which is expected to be provided by the EU Commission only later this year.

With regards to impact, we pointed out that funds using any impact-related term in their name should only need to meet thresholds for environmental or social characteristics. Imposing the sustainable investment threshold would seem mostly contrary to what impact funds seek to achieve, which is a real-world change.

On transition, we underlined that recognising transition-related terminology for the naming of funds with related investment strategies would be very beneficial given the very significant transformative sustainability improvements such investments can deliver. However, we argued against introducing specific provisions that might have the unintended effect of limiting the diversity of approaches to transition investing that are developing. Furthermore, we emphasised that transition strategies take time to come to fruition and, accordingly, the minimum time for demonstrating improvements of transition funds should be at least three years.

Finally, we stressed the importance of avoiding too much global fragmentation on fund labelling or even guidelines for fund names. In the EU, ESMA's provisions should supersede any existing or potential local rules on ESG or sustainability-related fund names. As a next step, ESMA will consider the feedback it received and expects to issue the final Guidelines by Q2/Q3 2023.

S Other international regulatory developments

The Australian Securities & Investment Commission has been investigating a number of listed entities, super funds and managed funds in relation to their green credentials claims since October 2022, after it issued Information Sheet 271 on how to avoid greenwashing when offering or promoting sustainability-related products in June 2022. The information

sheet primarily focuses on funds, but its principles may apply to green bond issuers and listed companies.

The Australia Sustainable Finance Institute, an industry-led initiative with the endorsement of the Australian Government, published a paper in December 2022, making recommendations on key considerations for developing an Australian sustainable finance taxonomy and seeking comments on the approach to integrate transition activities into the taxonomy.

The Hong Kong Government launched its Pilot Green and Sustainable Finance Capacity Building Support Scheme in December 2022. The scheme provides a subsidy of up to 80% of programme fees for Hong Kong residents and up to 100% for full-time business students. ICMA's two sustainable finance courses have been approved as eligible programmes. If you are interested, please send an email indicating the course(s) you would like to attend.

HKMA released a circular on *Due Diligence Processes for Green and Sustainable Products* in December 2022 with an Annex of suggested good practices. The circular was published after HKMA undertook examinations on FIs' practices in development and ongoing management of green and sustainable products.

In December 2022, the Bank of Thailand and Thai SEC published (in Thai only) the Draft Thailand Taxonomy Phase 1, which adopts a traffic light system and aims to be consistent with the ASEAN Taxonomy.

The Singapore GFIT published its third consultation paper on its taxonomy in February 2023. It proposes: (i) technical criteria for green and transitional activities for the remaining 5 focus sectors to the Environmental Objective of Climate Change Mitigation; (ii) DNSH criteria. For the amber category it proposes a "measure-based approach", putting forward a list of eligible technologies or measures that substantially contribute to reducing short-term emissions. The consultation is for the GFIT Taxonomy itself, not for its application to financial markets, green bonds, corporate disclosure regulations or its voluntary or mandatory status, which is yet to be decided.

SEBI revised its green bond regulation on 6 February 2023, aligning this with the latest version of the Green Bond Principles and the Guidance Handbook, as well as introducing some additional disclosure requirements. SEBI also published a circular on *Dos and don'ts Relating to Green Debt Securities to Avoid Occurrences of Greenwashing*, to provide guidance for green bond issuers.

In March 2023, the ASEAN Capital Markets Forum, the group of ASEAN capital market regulators, agreed in principle to develop broad, principle-based transition guidelines to promote transition towards the Paris Agreement Goals in the region.

The ASEAN Taxonomy Board released in March 2023 the ASEAN Taxonomy for Sustainable Finance Version 2. Version 2 consists of (a) the complete Foundation Framework comprising detailed methodologies for assessing economic activities; and (b) Technical Screening Criteria (TSC) for the first focus sector: ie Electricity, Gas, Steam and Air Conditioning Supply sector (Energy sector) under the Plus Standard.

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ICMA-CCDC White Paper on *ESG Practices in China*

by **Ricco Zhang and Yanqing Jia**

SA ICMA and the China Central Depository & Clearing Co., Ltd. (CCDC) published in January 2023 a White Paper on *ESG Practices in China*, detailing ESG development trends in China with relevant case studies. The White Paper focuses on two aspects. First, it summarises China's ESG-related policies and implementation progress in its financial market. Second, it demonstrates the evolving landscape of China's financial market by presenting the actual situation of ESG information disclosure and ESG performance of Chinese enterprises, based on widely collected, company-level data.

ESG-related policies in China

In 2016, the People's Bank of China, the Ministry of Finance, the National Development and Reform Commission (NDRC), the former Ministry of Environmental Protection, the former China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission, and the former China Insurance Regulatory Commission jointly issued the Guidelines for Establishing the Green Financial System, which established the top-level structure of China's green financial system. Since this establishment, various types of high-level guidance, incentive and restrictive mechanisms, information disclosure systems, and financial instrument guidance have been introduced, covering the main aspects of the ESG investment and financing processes.

Comparison of ESG information disclosure policies

While the EU and the US mandate financial institutions to disclose the impact of ESG factors on asset returns and investments in investment documents and official websites, China's disclosure regulations for financial institutions remain voluntary, focusing on the environmental risk management of financial institutions and the possible impact of invested assets on the environment. In terms of mandatory disclosure content, metrics mandated for disclosure by the EU and the US mainly include greenhouse gas emissions, pollutant emissions, insider control, corruption, transparency of proxy voting system, human rights and rights of employees, while China focuses on internal control systems related to a company's environmental management, pollution prevention, performance of directors and supervisors, and related transactions.

Status quo of China's sustainable finance market

Green bonds in China's onshore market are regulated by different authorities and are subject to different rules respectively. The different authorities imposed two different sets of definitions of green for green bonds and different requirements on the percentage of proceeds that should be used for green projects. To unify the definitions of green for green bonds and gradually achieve convergence with global standards, the PBOC, the NDRC, and the CSRC jointly issued

the Green Bond Endorsed Projects Catalogue (2021 Edition) in 2021. In a call for further harmonization of the domestic green bond regulations, the China Green Bond Standard Committee announced the China's Green Bond Principles (China GBP) in July 2022. Based on the ICMA Green Bond Principles, the China GBP clearly stipulates the definition of green bonds and the four core components of green bonds and articulates that 100% of the proceeds of a green bond should be used for green projects.

Over the years, guidance documents for other types of sustainable bonds have also been published. NAFMII published in May 2021 a Q&A guidance for sustainability-linked bonds based on the Sustainability-Linked Bond Principles, and in November 2021 a Q&A document for piloting social and sustainability bonds in the interbank bond market based on the Social Bond Principles and the Sustainability Bond Guidelines.

Since the first green bond was issued in 2016, the cumulative issuing volume of green bonds in China's domestic markets reached RMB1,729 billion (USD251 billion) by the end of 2021, with an average annual growth rate of nearly 25% over the past five years. When ranked by type, green medium-term notes represent the largest category, accounting for about 28%, followed by green asset-backed securities, green financial bonds and green corporate bonds. By industry breakdown, electricity, heat, gas and water production and supply, finance, transportation, warehousing and postal services are the major issuer industries in 2021. In addition to green bonds, 26 sustainability-linked bonds were issued in China in 2021, with issuance amount totaling RMB36.8 billion (USD5.3 billion).

At present, there are various ESG third-party services available in the local market, including financial infrastructure, professional ESG data providers, comprehensive financial information service providers, credit rating agencies, and academic research institutions. Although the methodologies of ESG evaluation differ by service providers in China, they generally refer to relevant international ESG standards while accounting for the nature of China's policy environment and market. The localized methodologies, for example, include key topics such as financial services for poverty alleviation, rural revitalization, and common prosperity, and determine the best practice parameters by carefully considering industry differences and referring to the development plans and standards of various industries in China.

Incentive mechanisms to further grow China's ESG ecosystem

Since 2012, the former CBRC, the PBOC, and the MOF have successively released documents to incorporate ESG in the performance evaluation of financial institution, including metrics such as the proportion of green loans, green bonds, and small and micro enterprise loans to total credit outstanding. Then, in 2013, the former CBRC and the PBOC established a green credit statistical system to gather data for green finance-related incentive policies and to monitor financing support for a low-carbon economy. Other more recent incentive policies, such as the provision of financial subsidies, as well as the establishment of local green finance innovation pilot zones are hoped to further incentivize onshore issuers and investors to consider sustainable financing.

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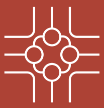

FinTech and Digitalisation

by **Georgina Jarratt, Gabriel Callsen and Rowan Varrall**

ICMA FinTech Advisory Committee

ICMA's FinTech Advisory Committee held meetings on 30 November 2022 and 2 March 2023. The purpose of the meetings was to exchange views on the strategic direction of ICMA's FinTech priorities and governance and review progress on key deliverables, notably phase 2 of the CDM project for repo and bonds and the Bond Data Taxonomy (formerly known as the Common Data Dictionary). Further information can be found in this edition of the Quarterly Report and on ICMA's dedicated FinTech webpage.

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ICMA DLT Bonds Working Group

Fostering the market development of DLT-based securities is a key objective of ICMA's DLT Bonds Working Group. ICMA held a series of roundtables with different constituents of the DLT Bonds Working Group in the first quarter of 2023. The purpose was to exchange views and receive initial guidance from issuers, investors, underwriters, market infrastructures, and law firms on how to support scalable, efficient and liquid cross-border DLT bond markets. ICMA's DLT Bonds Working Group will continue focusing on this critically important topic with a view to building consensus amongst its diverse stakeholders across the value chain of bond markets. Further resources, including the *FAQs on DLT and Blockchain in Bond Markets* are available on ICMA's website.

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CDM for repo and bonds

ICMA completed phase 2 of its Common Domain Model (CDM) project for repo and bonds in the first quarter of 2023 as planned. The CDM is now available under the FINOS open-source framework. The objective of ICMA's CDM project is to support market efficiency, promote interoperability and foster innovation.

Repo and collateral markets are critically important for the functioning of capital markets. They are characterised by interconnectedness, complexity and high volumes. The total value, at close of business on 8 December 2022, of repos and reverse repos outstanding on the books of the 61 institutions who participated in ICMA's latest European repo market survey exceeded EUR10.3 trillion.

ICMA and its CDM Steering Committee have extended the CDM in phase 2 to facilitate automation of the more complex spectrum of repo transactions, including open and floating-rate repos. The CDM now enables firms to automate trade execution, clearing, settlement and associated lifecycle events and processes of a wide array of repo transactions and features:

- fixed-rate and floating-rate repos;
- fixed-term and open repos, repos with an extended notice period (known as "evergreens"), extendibles;
- lifecycle events and processes, including re-rate, repricing, interest payments, opening and closing of positions, collateral substitution, partial delivery, shaping, pair-offs and termination.

When translating the features of a repo into code, for example, the notion of price (including margin), changes of a repo (interest) rate or terminating a trade, each market stakeholder and their developers and IT specialists will inevitably have a slightly different interpretation. This increases operational costs and risks, hampers interoperability and may give rise to disputes.

By using the CDM, market participants, market infrastructures, and technology providers are able to automate repo trading, post-trade processes and reporting based on a common, unambiguous understanding of repo structures and associated lifecycle events. Importantly, all the above features are expressed in code, accelerating design and build of software solutions.

The CDM is based on cross-industry collaboration between ICMA, ISDA and ISLA. The CDM now supports trade processing of repo and securities lending, bond and derivatives transactions. The three associations held a joint CDM showcase event in February 2023. The purpose was to illustrate how the CDM has been or is being implemented, for example, ICMA's CDM proof-of-concept presentation for automating repo transactions, as well as the revised derivatives reporting regime in the US, known as CFTC Re-write, in addition to panel discussions on the direction of travel.

As announced on 16 February 2023, the CDM is open source and publicly available in FINOS, which is part of the Linux Foundation. As a reminder, FINOS was selected by the three associations to provide a repository for the CDM following a competitive RFP process last year. FINOS provides a robust, open-source governance framework which will be critical to facilitate adoption and promote interoperability across capital markets.

Looking ahead, ICMA's focus is to promote adoption of the CDM in line with ERCC priorities, further expand CDM functionality for collateral management in collaboration with ISDA and ISLA, and explore synergies between the CDM and ICMA's Bond data taxonomy (BDT) to support issuance, trading and settlement of DLT bonds. Further information (including demos) is available on FINOS as well as ICMA's CDM resources webpage. Member firms who would like to learn more about the CDM or become involved are encouraged to get in touch.

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Bond Data Taxonomy

As the digital transformation of primary bond markets continues to accelerate, ICMA and its primary market constituents have built consensus to represent key bond information. The Bond Data Taxonomy (BDT), formerly known as the Common Data Dictionary, provides an agreed language to promote automation and reduce the risk of fragmentation across the issuance process.

ICMA is pleased to announce the launch of the ICMA Bond Taxonomy Pack which standardises key economic terms of a vanilla bond (eg nominal amounts, denominations, currencies, prices, net proceeds, interest, and interest payment related information), key dates (eg pricing, settlement, issue dates) among other information (eg whether bearer or registered, status of the note, relevant parties, ratings) typically included within a term sheet as the initial use case and scope of work. The BDT Pack includes machine-readable definitions of key fields, expected values, and relevant ISO elements, as well as examples and a user guide.

The BDT as a "common language" is expected to:

- promote straight-through-processing (STP) and interoperability, assisting firms involved during the issuance process and streamlining post-trade operations;
- be vendor agnostic, facilitating the exchange of data between multiple solutions and systems;
- lay a common foundation for leveraging new technologies, such as distributed ledger, and developing new services.

The BDT is available to both members and non-members to foster interoperability and adoption.

ICMA will review the Bond Data Taxonomy periodically through its BDT Working Group and expand its scope in line with market developments and member demand. All market constituents are welcome to engage in its development going forward. The group is open to all ICMA members and represents a broad constituency from banks, investors, issuers, market infrastructures, law firms and vendor firms. The group may also invite guests and observers to attend meetings. Please contact us if you would like to join.

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FinTech regulatory developments

BIS: Innovation Hub Eurosystem Centre

On 28 March 2023, the BIS announced the opening of its Innovation Hub Eurosystem Centre. The Centre will have offices in Frankfurt and Paris, hosted and supported by the Deutsche Bundesbank and the Banque de France. The European Central Bank will coordinate the interactions of the Eurosystem with the Centre. The Centre's project focus areas will relate to cyber security and quantum computing (Project Leap), climate-related disclosures (Project Gaia), DeFi (Project Atlas), and CBDCs (Project Mariana).

IMF: monetary policy implications of CBDCs

On 17 March 2023, the IMF published its working paper on the monetary policy implications of central bank digital currencies: perspectives on jurisdictions with conventional and Islamic banking systems. Central bank digital currencies (CBDCs) promise many benefits but, if not well designed,

they could have undesired consequences, including for monetary policy. Issuing an unremunerated CBDC or a wholesale CBDC does not change the objectives of monetary policy or the operational framework for monetary policy. CBDCs can, however, induce changes in the retail, wholesale and cross border payments that have negative spillover effects on monetary policy, through their effects on money velocity, bank deposit disintermediation, volatility of bank reserves, currency substitution, and capital flows.

ESM: wholesale CBDC

On 16 March 2023, the European Stability Mechanism published its report on wholesale central bank digital currency – the safe way to debt capital market efficiency. The ESM analyses the usefulness of digital currencies for wholesale financial transactions in Europe. Currently, several risks impede any broad adoption of distributed ledger technology, but this sovereign debt issuance case study demonstrates the potential widespread efficiency gains from smart contracts run on distributed ledger technology. A wholesale central bank digital currency on a private permissioned blockchain could overcome existing risks and impediments and lead to significant efficiency gains in the financial system across debt capital markets.

FSB: priorities for 2023

On 20 February 2023, the FSB published a letter from its Chair outlining work priorities for 2023. The financial stability outlook remains challenging. While expectations of a soft landing for the global economy have grown, the outlook remains clouded by uncertainty. The combination of near record-high levels of debt, rising debt service costs and stretched asset valuations in some key markets can pose serious threats to financial stability. The letter lays out the FSB's work during 2023 to monitor and address these conjunctural vulnerabilities, as well as a number of structural vulnerabilities. The FSB aims to finalise its recommendations for the regulation, supervision and oversight of crypto-assets and markets, as well as its recommendations for global stablecoin arrangements by July 2023.

FSB: financial stability risks of DeFi

On 16 February 2023, the FSB published its report on the financial stability risks of Decentralised Finance. Within the crypto-asset ecosystem, so-called decentralised finance (DeFi) has emerged as a fast-growing segment. DeFi is an umbrella term commonly used to describe a variety of services in crypto-asset markets that aim to replicate some functions of the traditional financial system while seemingly disintermediating their provision and decentralising their governance. The report discusses financial vulnerabilities of DeFi, including those stemming from its specific features and sets out additional work to analyse, monitor and address vulnerabilities in the DeFi ecosystem, among other points.

ECB: BCBS's prudential treatment of crypto-assets

On 15 February 2023, the ECB published its supervision newsletter on the BCBS's prudential treatment of crypto-assets. DLT has been used successfully for tokenised security issuances, such as the European Investment Bank's issuance of digital bonds, while other initiatives are also under development. However, if a bank were to acquire exposures to crypto-assets – either directly or indirectly – they would face significant risks not specifically covered by the current prudential framework. Therefore, a conservative global minimum prudential framework is vital to protect the banking system from these risks. Although the BCBS standard is not yet legally binding, pending its transposition in the European Union, the ECB noted that banks wishing to engage in this market are expected to comply with the standard and take it into account in their business and capital planning.

EU ECON Committee: Capital Requirements Regulation and Directive

On 10 February 2023, the EU's ECON Committee published the reports adopted in January on Capital Requirements Regulation and Capital Requirements Directive to complete implementation of Basel III, including disclosure of banks' exposure to crypto-assets based on BCBS standards to be applied from 1 January 2025. The Commission will monitor implementation and, if appropriate, adopt a legislative proposal by 31 December 2024 to transpose different elements of BCBS standards into Union law.

ESMA SMSG: DORA implementation

On 14 February 2023, the Securities and Markets Stakeholder Group (SMSG) to ESMA published its advice on potential practical challenges regarding the implementation of the Digital Operational Resilience Act. The SMSG provides commentary on ICT risk management, incident management and reporting, operational resilience testing, management of ICTR third-party risk, contracting, legal compliance and incident reporting, change management, information sharing, and supervisory structures and processes. The SMSG welcomes the introduction of the DORA framework and is looking forward to supporting ESMA in the exercise of its mandate.

BIS Innovation Hub: Project Pyxtrial

On 7 February 2023, the BIS Innovation Hub announced its London Centre will focus on Project Pyxtrial as part of its work programme. The project will explore technology solutions enabling the monitoring of liabilities of fiat-backed stablecoins and the assets that back them. Pyxtrial aims to develop a prototype data-analytic pipeline, including data collection, storage, and analytics, to investigate possible asset-liability mismatches. The technology could be used to help supervisors and regulators build policy frameworks based on integrated data.

BIS: DeFi technology

On 19 January 2023, the BIS published its report on the technology of Decentralized Finance (DeFi). The paper provides a deep dive into the overall architecture, the technical primitives, and the financial functionalities of DeFi protocols. It analyses and explains the individual components and how they interact through the lens of a DeFi stack reference (DSR) model featuring three layers: settlement, applications and interfaces. The paper discusses the technical aspects of each layer of the DSR model and describes the financial services for the most relevant DeFi categories, ie decentralized exchanges, lending protocols, derivatives protocols and aggregators. It discusses how composability allows complex financial products to be assembled, which could have applications in the traditional financial industry. Finally, the paper discusses potential sources of systemic risk and conclude by mapping out an agenda for research in this area.

BIS: crypto risks and policy options

On 12 January 2023, the BIS published its report on addressing risks in crypto: laying out the options. Crypto-asset markets have experienced a remarkable series of booms and busts, often resulting in large losses for investors. While these failures have so far not spilled over to the traditional financial system or the real economy, there is no assurance that they will not do so in the future, as DeFi and TradFi become more intertwined. Authorities can now consider a variety of policy approaches and at the same time work to improve the existing monetary system in the public interest. Central banks and public authorities could also work to make TradFi more attractive. A key option is to encourage sound innovation with central bank digital currencies (CBDCs).

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ICMA FinTech Newsletter

FinTech Newsletters in the last quarter noted updates to ICMA's FinTech regulatory roadmap, highlighting relevant developments over the coming years, and recent DLT guidance, legislative initiatives, and publication updates covered by the DLT Regulatory directory. Multiple EU jurisdictions, including Spain (Securities Markets and Services Investment Act, Ley 6/2023), Luxembourg (Law of 12 March 2023), and Italy (DLT Decree, Decreto-Legge 17 marzo 2023, n. 25), have passed legislative amendments leading up to the launch of the EU DLT Pilot Regime on 23 March 2023 to recognise DLT securities and support its implementation.

Announcements of DLT-based bond issuances, intraday repo transactions, new tokenisation platforms and digital payment infrastructures continue to accelerate and are tracked under ICMA's New FinTech applications webpage.

To receive future editions of the newsletter, please subscribe or update your mailing preferences and select FinTech.

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China's exchange-traded bond market and access for foreign institutional investors

by **Shenzhen Stock Exchange**

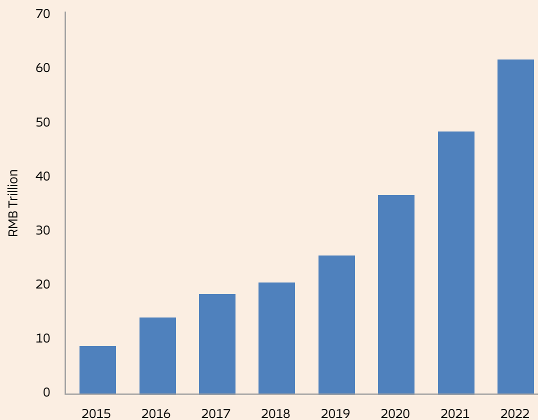
A China's bond market mainly includes the interbank bond market and the exchange-traded bond market. In recent years, foreign institutional investors' participation in China's bond market has been growing both in depth and breadth. At the end of 2022, the outstanding amount held by foreign investors in China's bond market stood at around RMB3.5 trillion (USD510 billion), a jump of 202% over the end of 2017. Last year, the People's Bank of China (PBoC), the China Securities Regulation Commission (CSRC) and the State Administration of Foreign Exchange (SAFE) issued the Joint Announcement [2022] No. 4, *The Relevant Matters on Further Facilitating Foreign Institutional Investors' Investment in China's Bond Market,* to promote the coordinated opening-up of the bond market based on the principles of "One set of rules and one bond market". Under this mechanism, foreign institutional investors registered in the interbank market can directly open accounts and invest in the exchange bond market.

Overview of the exchange bond market

China's exchange-traded bond market consists of the bond markets of Shenzhen Stock Exchange (SZSE), Shanghai Stock Exchange (SSE) and Beijing Stock Exchange (BSE). At the end of February 2023, the amount of exchange-traded bonds in custody was around RMB19 trillion (USD2.77 trillion). As a major stock exchange in China, SZSE commenced operations in 1990 and is now one of the most dynamic emerging bourses in the world. Regarding the bond market, the SZSE has an increasingly rich variety of bonds, a steadily expanding market size and a continuously enhanced market function.

In the primary market, bonds available for subscription on the SZSE bond market include treasury bonds, municipal bonds, financial bonds, enterprise bonds, corporate bonds, private placement bonds, asset-backed securities, as well as some equity products (infrastructure REITs), stock-bond products (convertible bonds and exchangeable bonds), green and carbon neutrality bonds, panda bonds, and rural revitalization bonds, which can meet the diversified investment needs of foreign institutional investors. As at February 2023, the total amount of bond issuance in the SZSE bond market was RMB10.46 trillion (USD1.52 trillion, including ABS), of which RMB113.745 billion (USD16.56 billion) were innovative bond products such as green, carbon neutrality, blue, and sustainability-linked products; the total issuance amount of infrastructure REITs products stood at RMB24.2 billion (USD3.52 billion), involving highways, industrial parks, warehousing and logistics, and clean energy projects, among others.

In the secondary market, with an objective to build a bond market system featuring "complete infrastructure, efficient market operation, good price discovery and effective risk control", SZSE offers a



broad spectrum of trading instruments comprising spot trading, bond lending, credit derivatives and bond repos. Bonds are traded by anonymous matching, negotiation, enquiry and auction to facilitate safe and efficient price negotiation by investors. The SZSE bond market mainly consists of institutional investors, including more than 300 bond trading participants such as securities companies, asset management institutions and banks and other brokerage clients. In 2022, the trading volume of SZSE bond market was RMB61 trillion (USD8.88 trillion), with an average annual compound growth rate of 32% from 2015 to 2022.

Policies for foreign institutional investors' access to the exchange-traded bond market

Foreign institutional investors can participate in the exchange market by obtaining a status as qualified foreign institutional investor (QFII) or RMB qualified foreign institutional investor (RQFII), or through the Exchange Direct programme according to the Joint Announcement [2022] No. 4. Taking SZSE as an example, the *Detailed Implementing Rules on Bond Trading, Registration and Settlement for Qualified Foreign Institutional Investors*, jointly released by SZSE and China Securities Depository & Clearing Corporation Limited (CSDC), provides the specific arrangement for foreign institutional investors to open accounts, trade and settle bonds in the exchange-traded bond market on the strength of the registration documents of foreign institutions for the interbank market. Specifically, foreign institutional investors can, as brokerage clients, appoint securities companies with SZSE membership to participate in bond trading and settlement on their behalf. Moreover, foreign institutional investors under Exchange Direct can have access to a broader range of products compared with QFIIs, such as spot bonds, bond ETF funds, bond lending and credit protection instruments. So far, a number of large overseas banks and asset management institutions have opened accounts and invested in the SZSE bond market.

With a mission to "Gather Innovation Capital and Energize Growth Drive", the SZSE is looking forward to better attracting overseas medium and long-term capital into the market, as well as enhancing the role of the bond market in serving the real economy and the construction of the Two Areas (the Guangdong-Hong Kong-Macao Greater Bay Area and the Shenzhen Pilot Demonstration Area of Socialism with Chinese Characteristic). The SZSE will continue to follow the leadership of CSRC and work with the CSDC and other parties to further promote the opening-up of the bond market and serve high-quality development.

For more information about the SZSE bond market, please visit: http://www.szse.cn/English/products/bonds/

2023

ICMA Capital Market Research

ICMA Capital Market Research

The Asian International Bond Markets: Development and Trends
(Third edition)
Published: 29 March 2023
Authors: Andy Hill, Mushtaq Kapasi, and Yanqing Jia, ICMA, with support from the Hong Kong Monetary Authority

ICMA ERCC Briefing Note: The European Repo Market at 2022 Year-end
Published: 26 January 2023
Author: Andy Hill, ICMA

White Paper on ESG Practices in China
Published: 10 January 2023
Author: Joint report by ICMA and the China Central Depository & Clearing Co Ltd (CCDC)

Observations and Categorisation Relating to Sustainability in the Repo Market
Published: 26 October 2022
Author: Zhan Chen, ICMA

ICMA Report: European Secondary Bond Market Data (H1 2022)
Published: 24 October 2022
Author: First semi-annual report, produced in collaboration with Propellant digital

Frequently Asked Questions on DLT and blockchain in bond markets
Published: 22 September 2022
Author: Gabriel Callsen, ICMA

ICMA Strategy Paper: GMRA Clause Taxonomy & Library Project
Published: 25 May 2022
Authors: Lisa Cleary, ICMA, assisted by D2 Legal Technology (D2L)

ICMA Guide to Asia Repo Markets
Published: 3 May 2022 (latest chapter covering Vietnam)
Author: Richard Comotto

The Asian International Bond Markets: Development and Trends (Second edition)
Published: 24 March 2022
Authors: Andy Hill, Mushtaq Kapasi, and Yanqing Jia, ICMA, with support from the Hong Kong Monetary Authority

Ensuring the Usability of the EU Taxonomy
Published: 14 February 2022
Authors: Nicholas Pfaff and Ozgur Altun, ICMA

Optimising Settlement Efficiency: An ERCC Discussion Paper
Published: 1 February 2022
Author: Alexander Westphal, ICMA

ICMA ERCC Briefing Note: The European Repo Market at 2021 Year-End
Published: 17 January 2022
Author: Andy Hill, ICMA

ICMA Position Paper: Proposal for a New Post-trade Transparency Regime for the EU Corporate Bond Market
Published: 8 December 2021
Author: Elizabeth Callaghan, ICMA

Bonds to Bridge the Gender Gap: A Practitioner's Guide to Using Sustainable Debt for Gender Equality
Published: 16 November 2021
Author: ICMA/UN Women/IFC Joint Report

ICMA CPC White Paper: The European Commercial Paper and Certificates of Deposit Market
Published: 29 September 2021
Author: Andy Hill, ICMA

The First Year of SFTR Public Data on Repo
Published: 28 September 2021
Author: Richard Comotto

Investing in China's Interbank Bond Market: A Handbook
Published: September 2021
Authors: Ricco Zhang and Yanqing Jia, ICMA; Jianjian Yang and Fangzhu Li, NAFMII

The Sustainability Disclosure Regime of the European Union
Published: 22 September 2021
Authors: Nicholas Pfaff, Simone Utermarck, Arthur Carabia, and Ozgur Altun, ICMA

ICMA ERCC Consultation on the Role of Repo in Green and Sustainable Finance: Summary Report
Published: 20 September 2021
Author: Zhan Chen, ICMA

Guide to Tough Legacy Bonds in Asia-Pacific
Published: 25 May 2021
Authors: Mushtaq Kapasi and Katie Kelly, ICMA; Justin Kesheneff and Dennis To, Bloomberg

Overview and Recommendations for Sustainable Finance Taxonomies
Published: 18 May 2021
Authors: Nicholas Pfaff, Ozgur Altun, and Yanqing Jia, ICMA

ICMA AMIC Discussion Paper: ESG KPIs for Auto-loans/leases ABS
Published: 17 May 2021
Author: Arthur Carabia, ICMA

Industry Guide to Definitions and Best Practice for Bond Pricing Distribution
Published: 17 May 2021
Author: Elizabeth Callaghan, ICMA

ICMA ERCC Consultation Paper: Green and Sustainable Finance: What is the Role of the Repo Market?
Published: 22 April 2021
Author: Zhan Chen, ICMA

The Asian International Bond Markets: Development and Trends
Published: 3 March 2021
Authors: Andy Hill, Mushtaq Kapasi, Yanqing Jia, and Keiko Nakada, ICMA, supported by the Hong Kong Monetary Authority (HKMA)

The Internationalization of the China Corporate Bond Market
Published: 14 January 2021
Authors: Andy Hill and Yanqing Jia, ICMA

ICMA ERCC Briefing Note: The European Repo Market at 2020 Year-End
Published: 13 January 2021
Author: Andy Hill, ICMA

ICMA Events and Education

Winter events spotlight

During the first quarter of 2023 we welcomed over 1,000 international delegates to ICMA events across the world. Our popular Switzerland and Liechtenstein region Winter Event opened the year, before a packed February, consisting of separate Primary Bond Market events in Europe and Asia, with keynote speakers from HM Treasury, the FCA, BaFin, the Monetary Authority of Singapore and senior leaders from leading international banks. Our Fintech and Digitalisation practice continues to grow and our two events in London and Paris during February reflect the burgeoning interest in the innovations provided by this sector, such as the Common Domain Model.

Events in spring 2023

ICMA's spring schedule includes high profile events covering the full spectrum of ICMA's activity. Following an outstanding Asia International Bond Market event in Hong Kong, supported by the HKMA, ICMA returns to Singapore in late June to host the 9th Annual Conference of the Principles, our flagship sustainability event. Delegates will hear from keynote speakers from across the world, including Jingdong Hua, Vice Chair of the International Sustainability Standards Board (ISSB) and senior representatives from Goldman Sachs, Moody's, the Climate Bond Initiative and Standard Chartered.

The main event is, of course, the 55th ICMA AGM and Conference which we are holding in Paris on 24 to 26 May. The conference programme features over 50 eminent figures and leading market practitioners including Bruno Le Maire, Minister for Economy, Finance, Industry and Digital Security for France; François Villeroy de Galhau, Governor, Banque de France; Carlo Monticelli, Governor, Council of Europe Development Bank; Odile Renaud-Basso, the President of European Bank for Reconstruction and Development; H.E. Dr. Muhammad Al Jasser, Chairman, Islamic Development Bank; Jean-Paul Servais, Chair, IOSCO; Verena Ross, Chair, European Securities and Markets Authority; Dr. Sabine Mauderer, Member of the Executive Board of the Deutsche Bundesbank and Vice-Chair, Network for Greening the Financial System, and Jean-Claude Trichet, former President of the ECB.

We expect over 1,000 delegates for our AGM, so click on the banner on the following page to register and secure your place.

Additionally, we have regional conferences, supporting topics such as Covered Bonds and Central Bank Digital currencies, as well as our regional members meetings, ICMA Women's Network and ICMA Future Leaders events.

ICMA's events in spring 2023

Further details available at **www.icmagroup.org/events**

18 April, Luxembourg	ICMA/ESM Joint-Conference on the potential of wholesale central bank digital currencies for capital markets
19 April, Zurich	ICMA Switzerland and Liechtenstein Regional General Meeting
26 April, London	ICMA Women's Network: The Generation Game
24 to 26 May, Paris	ICMA Annual General Meeting and Conference 2023
14 June, Frankfurt	The Covered Bond Investor Conference
28 June, Singapore	9th Annual Conference of the Principles

More to be announced. Further details available at **www.icmagroup.org/events**

Flagship events where registration opens in Feb.

There are sponsorship opportunities for our future events, contact **events@icmagroup.org** for more information

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 260 podcasts and an impressive 107,100 downloads to date from across the globe, the ICMA Podcast series remains a valued service for the market. View all our webinars and podcasts here: **https://www.icmagroup.org/media-and-market-data/icma-webinars-and-podcasts/**

ICMA Education news

ICMA have had two courses – the Introduction to Sustainable Bonds and the Sustainable Bond Certificate - selected to run under the HK Government's pilot green and sustainable finance capacity building support scheme in which up between 80 to 100% of fees are reimbursable for HK residents. If you're a resident of Hong Kong and would like to learn more about this amazing offer, get in touch now!

We are pleased to be launching a brand new course for those who want to understand more about the participants, motivations and strategies of the investors into the capital markets – Introduction to the Buyside is perfect for those entering the business or who just want to understand more about this integral part of the markets

We are really excited to be in the final stages of development for two new fintech and digitalisation courses – Introduction to Digital Assets will provide an overview of this emerging asset class including DLT, blockchain, the emerging regulatory environment and more. Our other course - Primary Market Financial Technology – will look at the impact technology is having on DCM. More details of these courses coming soon!

Upcoming courses in April/May:

Debt Capital Markets
Introduction to Primary Market Qualification – 19-27 April
Primary Market Certificate – 3-24 May

Repo & Collateral Markets
Introduction to Repo – 17-25 April
Securities Lending – 17-25 April
Managing Repo under the GMRA (classroom) – 9-10 May

Securities Operations
Operations Certificate Programme – 26 April – 17 May

Study sustainable finance with ICMA under HK Support Scheme

Introduction to Sustainable Bonds

Up to 100% reimbursement for Hong Kong residents

The Government of Hong Kong has introduced a new incentive for Hong Kong residents to support talent development in green and sustainable finance with between 80 – 100% of course fees eligible for reimbursement.

Study with ICMA, which has been at the heart of developments in sustainable finance through the Green, Social, Sustainability and Sustainability-Linked Bond Principles, the leading framework globally for the issuance of sustainable bonds and referenced by over 98% of sustainable bond issuance internationally.

On ICMA's Introduction to Sustainable Bonds, you'll learn about:

- Market organisation and product guidance including the principles
- Market trends and dynamics
- Policy context of sustainable finance and evolving regulatory framework

Delivered via virtual classroom by leading market practitioners, there has never been a better time to build your knowledge in this vital market. Find out more about the Scheme, eligibility and reimbursement procedure and enrol now.

For more information please email:
education@icmagroup.org

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On ICMA's Sustainable Bond Certificate, you'll learn about:

- Main policies and initiatives of sustainable debt products
- In-depth look at different product frameworks and reporting through case studies and interactive workshops
- Deep dive into regulatory environment including taxonomies, disclosure requirements and new initiatives like standards and labelling

Delivered via virtual classroom by leading market practitioners, there has never been a better time to build your knowledge in this vital market. Find out more about the Scheme, eligibility and reimbursement procedure and enrol now.

For more information please email:
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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
ASEAN	Association of Southeast Asian Nations
AUM	Assets under management
BCBS	Basel Committee on Banking Supervision
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
CBIRC	China Banking and Insurance Regulatory Commission
CCBM2	Collateral Central Bank Management
CCP	Central counterparty
CDM	Common Domain Model
CDS	Credit default swap
CIF	ICMA Corporate Issuer Forum
CMU	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
CSRC	China Securities Regulatory Commission
CT	Consolidated tape
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)
EFTA	European Free Trade Area
EGMI	European Group on Market Infrastructures
EIB	European Investment Bank
EIOPA	European Insurance and Occupational Pensions Authority
ELTIFs	European Long-Term Investment Funds
EMDE	Emerging market and developing economies
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
ETF	Exchange-traded fund
ETP	Electronic trading platform
EU27	European Union minus the UK
ESTER	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	FICC 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
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 & Documentation Committee
LEI	Legal Entity Identifier
LIBOR	London Interbank Offered Rate
LTRO	Longer-Term Refinancing Operation
MAR	Market Abuse Regulation
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 intermediary
NCA	National competent authority
NCB	National central bank
NPL	Non-performing loan
NSFR	Net Stable Funding Ratio (or Requirement)
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
PRA	UK Prudential Regulation Authority
PRIIPs	Packaged Retail and Insurance-Based Investment Products
PSIF	Public Sector Issuer Forum
QE	Quantitative easing
QIS	Quantitative impact study
QMV	Qualified majority voting
RFQ	Request for quote
RFRs	Near risk-free reference rates
RM	Regulated Market
RMB	Chinese renminbi
RMO	Recognised Market Operator (in Singapore)
RPC	ICMA Regulatory Policy Committee
RSP	Retail structured products
RTS	Regulatory Technical Standards
RWA	Risk-weighted asset
SBBS	Sovereign bond-backed securities
SEC	US Securities and Exchange Commission
SFC	Securities and Futures Commission
SFT	Securities financing transaction
SGP	Stability and Growth Pact
SI	Systematic Internaliser
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
T+2	Trade date plus two business days
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

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