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ICMA Quarterly Report

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ICMA
International Capital Market Association

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

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Reflections on 10 years of the ICMA Women's Network

by **Bryan Pascoe** and **Katie Kelly**

In this special foreword, Bryan Pascoe, Chief Executive, talks to Katie Kelly, Senior Director, about the ICMA Women's Network, which will be celebrating its 10-year anniversary in 2025.

Bryan Pascoe: Katie, can you explain how the ICMA Women's Network came about?

Katie Kelly: Back when the ICMA Women's Network (IWN) was conceived in 2015, discussions around women in finance were still in their infancy. But at the time, the lack of women in senior positions across the finance industry was striking, prompting us to ask why this was the case. Conventional wisdom suggested that women, particularly those of a certain age, seemed unsuited to the demands of working in the industry due to pressures, long hours and perceived incompatibility with personal responsibilities.

However, this assumption missed the mark. It became clear that the issue was not about women's suitability but rather the inflexibility of the model at the time. It was the system itself that needed to adapt to accommodate and leverage the talents of women, not the other way round.

ICMA has always stood for positive market outcomes and best practice, so this clearly stood out as an area where we had a constructive role to play, by mobilising our broad membership base and geographical reach. This inspired us to establish the IWN with a clear mission: to provide a safe space where women can explore issues related to career progression and gender equality and share their experiences without fear of judgment. The IWN also set out to help women build confidence and leadership skills to reach their full potential, facilitating access to mentorship and support among peers and seniors. And with networking central to the offering, a significant part of the IWN's remit was to expand professional networks and establish connections across generations and seniority levels.

Bryan Pascoe: So how has the IWN evolved over the past decade?

Katie Kelly: What began as a forum for discussing *local* challenges has grown into a global movement. Today, the IWN boasts almost 5,000 individuals from ICMA members across 14 regions, each represented by an International Steering Committee member and chaired by Angela Brusas of Nordic Investment Bank. Flagship events are tailored to regional audiences, resulting in meaningful and relevant dialogue and audience engagement. In 2024 alone, we hosted 11 flagship events and seven informal networking gatherings, including coffee mornings, after-work drinks and a coordinated multi-city walk in the Nordic region.

Our online offerings are expanding, and social media continues to be a cornerstone of our outreach, featuring weekly advice and Q&As with prominent industry figures.

Looking ahead into 2025, we are preparing to honour the IWN's achievements over the past decade with a robust schedule of regional events and webinars.

Bryan Pascoe: And how has the landscape in which the IWN operates changed over the past 10 years?

Katie Kelly: Over the past decade, the financial services industry has made measurable strides. Gender diversity is now widely recognised as a driver of profitability and innovation. Many firms have introduced family-friendly policies and flexible work arrangements making it easier for employees to balance professional and personal responsibilities. And awareness of gender inequality has surged, empowering women to have a voice and call out unfair practices – a shift that reflects a genuine desire for change within the industry.

Despite these advances, true gender equality in the finance industry remains elusive. Challenges persist, as highlighted by two recent UK reports: firstly, a House of Commons Treasury Committee Report (2024) which concluded among other things that only 12% of named fund managers in the UK are women, that parental responsibility remains a significant barrier and that the financial sector has the largest gender pay gap of any UK industry, closing at a glacial pace. The second report is the Women in Finance Charter Annual Review (2024), which found that female representation in senior management among signatories rose to 35% in 2023 but, at the current pace of change, will not reach parity until 2038.

Although these are UK-based reports, their findings reflect a global trend, confirmed by feedback from IWN's International Steering Committee members.

Bryan Pascoe: What do you consider to be the IWN's role in this landscape?

Katie Kelly: At its core, the IWN is about driving awareness and advocacy, addressing challenges head-on by empowering individuals and focusing on positive change from two key angles: what the industry needs to do to embrace and embed gender inclusivity; and importantly, what women can do to help themselves.

In the finance industry, a significant lack of senior female role models and leaders poses a major barrier to progress, which erodes the sense of possibility, aspiration and inspiration for women climbing the career ladder. It also reinforces harmful stereotypes that leadership roles in finance are unsuitable or unattainable for women, undermining their confidence and discouraging them from progressing.

This gap often stems from systemic, often unconscious, issues at the workplace, such as unequal access to mentorship, sponsorship and high-profile opportunities. And workplace cultures that fail to fully integrate and support gender equality policies contribute to low momentum, creating environments that are less conducive to retaining and supporting women into senior positions.

On a personal level, a lack of confidence can hold women back from self-promotion or stepping outside of comfort zones. But, as they say: "The comfort zone is a beautiful place, but nothing ever grows there." Too often, women talk themselves out of pursuing career opportunities, either doubting their abilities or pre-emptively anticipating lifestyle changes that they assume are incompatible with their career goals. But this mindset can be challenging to overcome. And while it is easy to say this, steps such as actively seeking and acting on feedback, learning from setbacks, sharing accomplishments, getting ourselves known in the industry and being clear about our ambitions can all play a key role in being part of our own solution.

Additionally, it is an unfortunate reality that unconscious biases and competition can sometimes prevent women from fully supporting one another. Building a culture of mutual encouragement, being generous with good advice, regular feedback and access to networks is essential to overcoming these barriers.

Bryan Pascoe: In what practical ways do the IWN's offerings help?

Katie Kelly: As well as exploring thought-provoking discussions from champions of gender equality across all regions, the IWN constantly provides members with practical and personal strategies through its various events and initiatives.

For instance, on 22 January 2025, we will be hosting a webinar on personal branding and optimising the power of LinkedIn, which will be followed in Q2 2025 by a webinar on how to be effective when participating in or chairing meetings. And recently, we have hosted a practical masterclass on how to be intentional about networking with advice on how to build and use networks effectively, a panel on leveraging different styles of leadership to encourage women into senior roles, a webinar on how to strategise and aim for board level positions and a joint event with the ICMA Future Leaders on enhancing career additionality to help navigate the future workplace amid AI and technological changes.

We have also recently focused on the importance of balancing career ambitions and personal lives through a mental health lens, how to develop the resilience to handle difficult situations and setbacks and how the role of regulatory-imposed gender equality targets can lead to positive industry outcomes.

Bryan Pascoe: As a women's network, what importance do you place on inclusivity of other genders?

Katie Kelly: The IWN considers that achieving gender equality requires collaboration across all genders, so their active participation and collaboration is actively encouraged. And most, if not all, of our initiatives of course impact on and have relevance for all genders, reinforcing the role of the IWN as an inclusive forum where everyone can come together to promote and reflect on balanced representation in the industry and how to address challenges.

It is incumbent upon men in senior positions to be enablers of change, and to show leadership by normalising inclusive practices, such as taking full parental leave and working flexibly. Men can also advocate for gender equality by calling out biases and discrimination, and by supporting women through mentorship and sponsorship, connecting them to opportunities and helping them break into leadership pipelines. We simply cannot have the conversation about gender equality in a vacuum, without all genders in the room.

Bryan Pascoe: Do you have any final words to wrap up?

Katie Kelly: The IWN has become a powerful catalyst for positive change both across the financial services industry and as a support system for women within it. Maybe in another 10 years' time we will have arrived at our destination but until then, thanks to the unwavering dedication of its Chair, its International Steering Committee and the tireless support of ICMA staff, we will continue on the journey. Meanwhile, it is great to see the IWN has such positive momentum and energy behind it, and we would encourage employees of all ICMA member firms (of all genders) to join us by e-mailing icmawomensnetwork@icmagroup.org and following us on LinkedIn.

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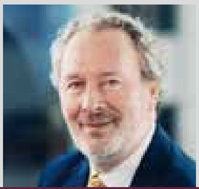
Katie Kelly is Senior Director, ICMA.

Summary of practical initiatives by ICMA




by **Andy Hill, Natalie Westerbarkey, Nicholas Pfaff** and **Georgina Jarratt**

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

MPRP membership activities

1 *MPRP membership activities:* The ICMA Market Practice and Regulatory Policy (MPRP) team participated in key membership meetings, including with the ICMA Nordic Regional Committee on 26 September 2024 in Stockholm, ICMA members in the UK on 2 October in London, the ICMA Austria, Eastern and Southern Europe Regional Committee on 3 October in Vienna, and the ICMA Germany Region on 29 October in Frankfurt. In addition, the MPRP team actively contributed to bilateral membership meetings in person at these locations. The MPRP team is headed by Andy Hill and Natalie Westerbarkey.

Regulatory policy

2 *ICMA RPC:* The ICMA Regulatory Policy Committee (RPC) met in Brussels on 17 October 2024 for a discussion with policy consulting firm Fleishman Hillard focused on the expected changes and priorities of the new European Commission; and the RPC met again on 3 December for a discussion on CMU with Alessandra Atripaldi, Deputy Head of Unit B1 in DG FISMA. In addition, the RPC has discussed the possibility of putting in place a Steering Committee composed of three members ideally representing the buy side, sell side and market infrastructures, given that the latter will become an EU policy priority with a wider impact for members.

3 *Draghi Report:* Following the publication of the Draghi Report on 9 September, ICMA circulated to members a four-page summary of the key points relating to financial services. The report lays out the foundation for the new European Commission's policy priorities for the next five-year mandate, 2024-2029. The EU Commissioner designates published their written reports ahead of European Parliament hearings in mid-November, substantiating the priorities for their specific portfolios, including that of the incoming EU Commissioner for DG FISMA, Maria Luis Albuquerque. These reports will guide ICMA's policy priorities and areas of focus for members.

4 *Events with a regulatory focus:* ICMA engaged in some key events with policy makers, including the City of London event with the President of the Eurogroup, Paschal Donohoe, at the Guildhall in September and the Cumberland Lodge Financial Services Summit in Windsor on 7-8 November. Their regulatory focus includes the future of the EU/UK relationship, aiming to create European-wide platforms for dialogue across public and private sector stakeholders.

Primary markets

5 *ICMA PMPC, LDC and related groups:* ICMA's Primary Market Practices Committee (PMPC) met on 17 October 2024, with Ruari Ewing as Secretary. He also acts as Secretary of ICMA's Asia Pacific Bond Syndicate Forum (ABSF), which met on 25 October, and Asia Pacific Legal and Documentation Forum (ALDF), which met on 24 September. ICMA's Legal and Documentation Committee (LDC) met on 20 November, with Miriam Patterson as Secretary. She also acts as Secretary of ICMA's Securitisation Discussion Forum.

6 *Regulatory reviews:* ICMA is engaged notably on the prospectus regimes in the EU and UK, with an ESMA consultation which ran until the end of December, and on the EU retail investment strategy, including PRIIPs and EU MiFID protection topics.

7 *ICMA Issuer Forums:* ICMA's Public Sector Issuer Forum (PSIF) met at the World Bank in Washington on 24 October, where the agenda included a discussion on the consequences of the outcome of the US Presidential Election, DLT issuance and outcome bonds. Katie Kelly acts as the Secretary of the PSIF, and also ICMA's two other issuer forums, for corporate issuers (CIF) and

for financial issuers (FIIF), which met in October and November respectively.

8 *Bond issuance cycle:* ICMA released a vlog on *The Primary Market and the Bond Issuance Cycle,* as well as podcasts with CIF members in Italy.

9 *Primary market innovation:* Members of the FIIF and the CIF are participating in either bilateral or roundtable discussions on primary market innovation, in which members of PMPC and LDC have also been involved.

10 *The ICMA European Primary Market Forum* took place on 12 November. Hosted by A&O Shearman, the event attracted over 150 members and featured a keynote on the impact of global electoral cycles on the macroeconomic outlook and bond markets, as well as sessions on retail bonds, AI-driven innovation, the bond market outlook from a financial issuer perspective and regulatory and legal practice developments.

11 *ICMA Securitisation Taskforce:* ICMA formed a Securitisation Taskforce comprising a balance of members from the sell side and buy side with a view to responding to the European Commission's targeted consultation on *The Functioning of the EU Securitisation Framework* by 4 December. Nicolette Moser and Miriam Patterson led this Taskforce with support from Clifford Chance.

LIBOR and other IBOR transition

12 *LIBOR transition in the bond market:* The final meeting of the RFR Bond Market Sub-Group, chaired by ICMA and working with the FCA and the Bank of England, took place on 3 September 2024, ahead of the cessation of synthetic US dollar LIBOR, which was implemented successfully on 30 September, as planned.

13 *JIBAR transition in South Africa:* At the request of the South African Reserve Bank (SARB), ICMA is assisting with the transition from JIBAR (the South African IBOR) to ZARONIA (the local risk-free rate) until JIBAR's expected cessation at the end of 2026. ICMA (Katie Kelly) participated in a virtual panel arranged by the SARB on 10 September 2024.

Commercial paper and certificates of deposit

14 *The Role of Commercial Paper in the Sustainable Finance Market* is a paper prepared by ICMA which outlines how sustainable commercial paper can serve as an important short-term funding mechanism in support of long-term ESG objectives. The paper contains recommendations for the structuring and reporting of use-of-proceeds commercial paper issuance, while making initial observations pending further development of the sustainability-linked commercial paper market. Katie Kelly is the Secretary of the ICMA Commercial Paper and Certificates of Deposit Committee (CPC), and she spoke about sustainable commercial paper at an ESG Conference of the ACT.

Secondary markets

15 *T+1:* ICMA continues to participate actively in discussions in the UK and the EU related to the proposed shortening of the settlement cycle to T+1, following the successful US move to T+1 on 28 May 2024. Alexander Westphal and Nina Suhaib-Wolf lead on ICMA's T+1 related work.

16 *ICMA BMLT:* The Bond Market Liquidity Taskforce (BMLT) led by Andy Hill and supported by Simone Bruno has undertaken a programme of engagement with the authorities on the issues arising from ICMA's report on *Liquidity and Resilience in the Core European Sovereign Bond Markets,* published in March 2024. The report on Phase 2 of the BMLT began in H2 2024 focused on the European investment grade corporate bond market. The report will be developed in two stages: (i) an initial quantitative analysis; and (ii) qualitative interviews with ICMA members, which will be synthesised and anonymised. The ICMA Secretariat is currently conducting data collection and undertaking quantitative analysis.

17 *Bond market transparency:* In the EU at Level 2, on 16 December ESMA submitted its final report on *Bond Market Transparency and Consolidated Tape Providers,* following consultations earlier in the year to which ICMA responded via its MiFID Working Group. In the UK, the FCA released a policy statement on 5 November which sets out the new deferral regime due to come into force on 1 December 2025. ICMA is conducting some further analysis to assess the new regime and further consult with members. Nina Suhaib-Wolf leads on ICMA's work relating to bond market transparency and the consolidated tape and is the Secretary of the MiFID Working Group (MWG). The MWG also submitted a response to other MiFID-related consultations such as ESMA's consultation on firms' order execution policies and collaborated with other trade associations through several joint statements relating to the topics above.

18 *CSDR settlement discipline:* On 19 November, ESMA published its revisions to the CSDR penalty mechanism. Contrary to some substantive, and even alarming, proposals originally floated by ESMA, the final report refrains from any fundamental changes to the penalties methodology (such as progressive rates) and proposes a relatively modest increase in rates across all asset classes, including for SSA and non-SSA bonds. ICMA is pleased that many of its arguments and analysis, shared with ESMA and other stakeholders earlier this year, helped result in a largely balanced and proportionate outcome. Separately, on 9 September, ICMA submitted its response to a targeted ESMA consultation on the scope of the CSDR settlement discipline measures. Alexander Westphal is in the lead.

19 *ICMA SMPC and ETWG:* The Secondary Market Practices Committee (SMPC) met on 17 December, where Martin Arrowsmith, Head of Emerging Risks and Special Projects at the Bank of England, discussed the results of its system-wide exploratory scenario exercise (SWES). The annual Secondary Market Forum took place in London on 6 December, hosted by Bank of America. Andy Hill is Secretary of the SMPC, supported by Nina Suhaib-Wolf, who is also Secretary of the Electronic Trading Working Group.

20 *ETFs:* ICMA has analysed developments related to the ETF market, focusing on fixed income and active ETF trends representing a key driver for market growth, and has engaged bilaterally with members on the topic. These developments have the ability to support key policy goals and, following member feedback, ICMA will prioritise its engagement in this area.

Repo and collateral markets

21 *ICMA ERCC:* On 15 November 2024, the European Repo and Collateral Council (ERCC) held its AGM 2024 in Brussels in the margins of Euroclear's annual collateral conference. Alexander Westphal acts as the Secretary of the ERCC.

22 *ICMA GRCF:* The Global Repo and Collateral Forum (GRCF) continues to meet on a quarterly basis, covering a wide range of topics, including regional developments in Europe, Asia, MENA and Africa, as well as global issues, such as developments relating to the GMRA or T+1. Alexander Westphal acts as the Secretary of the GRCF.

23 *GMRA and digital assets:* On 19 August, ICMA published a new Annex to the GMRA which covers the use of certain digital assets in repo transactions. Deena Seoudy leads ICMA's legal work related to the GMRA.

24 *Repo best practice:* ICMA continues to evolve its detailed best practice recommendations set out in the *ERCC Guide to Best Practice in the European Repo Market.* The process is led by the ERCC Best Practice Working Group, which is currently finalising a list of proposed amendments to the Guide which will be published in Q1 2025.

25 *Repo clearing:* Along with members, ICMA is considering the implications of the US decision to move to mandatory clearing of US Treasury cash and repo trades, both in terms of the direct implications of the decision for market participants globally as well as the role of repo clearing more broadly. In October, the ERCC Committee met senior ESMA representatives in Paris to discuss repo clearing. Furthermore, on 6 November, ICMA hosted a webinar for members focused on the implications of the US mandatory clearing rules.

26 *Repo and sustainability:* ICMA's Repo and Sustainability Taskforce has reviewed the results of the latest member survey on the topic, which was undertaken earlier in 2024. A detailed summary report based on the 20 responses received was published on 30 August. Zhan Chen leads this work.

27 *Repo advocacy:* ICMA has engaged with regulators recently on several concerns related to prudential regulation and the potential impact on repo, including the proposed recalibration of the NSFR Required Stable Funding factors for short-term SFTs, which is due to be applied in the EU in June 2025.

Asset management

28 *NBFI:* The ICMA Asset Management and Investors Council (AMIC) responded on 20 November 2024 to the European Commission consultation on the macroprudential framework for non-bank financial intermediation (NBFI), with the support of AMIC members as well as other relevant ICMA committees and ICMA internal experts. Irene Rey coordinated the ICMA response. Ahead of and during the consultation, the AMIC Committee continued to engage with the official sector to explain the role that asset managers perform and the differences between the role of asset managers and other NBFIs. ICMA has also launched the first in a series of "conversation starter" webcasts on *Savings, Investment and NBFIs* with the purpose of improving understanding of NBFIs generally. In addition, ICMA is planning to undertake mapping work on NBFIs.

29 *AIFMD/UCITS:* On 8 October, AMIC responded to the ESMA Level 2 consultations on AIFMD/UCITS, specifically on its proposed RTS on the characteristics of Liquidity Management Tools (LMTs), as well as the guidelines on the selection and calibration of LMTs. The final report is expected to be published by ESMA on 16 April 2025. Irene Rey coordinated the ICMA response.

30 *ICMA AMIC Committee:* The AMIC Committee met in London on 15 October with Lee Foulger, Director of Financial Stability Strategy and Risk at the Bank of England, as discussant; and on 16 October, the AMIC Forum on *Mind the Gaps – Savings, Investment and Financing the Real Economy* was held in London, hosted by Schroders. There was a further AMIC Committee meeting on 11 December. The AMIC Secretariat consists of Nicolette Moser and Irene Rey.

Sustainable finance

31 *19th Annual Meeting of the LAC Debt Group:* On 8 October 2024, ICMA delivered a virtual presentation on the Sustainability-Linked Bond Principles and highlighted the case for and the future of sustainability-linked financing to the Latin America and Caribbean Debt Group's (LAC's) Annual Meeting hosted by the IDB.

32 *COP29:* ICMA participated on 13 November in a virtual panel, entitled *Sustainable Bonds: State of the Market*

and Policy Considerations, organised by the OECD.

33 *ICMA/JSDA 8th Sustainable Bond Conference:* The 8th edition of the ICMA & JSDA Annual Sustainable Bond Conference, entitled *Enabling Sustainable Society/ Economy-Wide Transition Through Sustainable Bonds*, took place in Tokyo and on-line on 22 November. The event focused on the progress made in transition finance both globally and in Japan. It also discussed other emerging themes, including financing the social aspect in the context of broader sustainability strategies of issuers.

34 *Update to the Principles Guidance Handbook:* On 4 November, the Executive Committee of the Principles, with the support of ICMA, published an updated edition of the Guidance Handbook. The updated version includes three new questions related to sustainability-linked bonds.

35 *Working Groups and Taskforces of the Principles:* ICMA published the detailed Terms of Reference of the 2025 Working Groups and Taskforces of the Principles. Following a call for interest sent to the members and observers of the Principles, registrations are now closed and the kick-off meetings of each group were held during the months of November and December 2024.

36 *FT Global Banking Summit:* On 4 December, ICMA participated in a sustainable finance panel at the FT Global Banking Summit discussing bank portfolio decarbonisation.

37 *OECD-AMRO-ADB-ADBI-ERIA 12th Asian Regional Roundtable on New Frontiers*: On 5 December, ICMA delivered a presentation on transition finance at OECD-AMRO-ADB-ADBI-ERIA 12th Asian Regional Roundtable on *New Frontiers: Policies for Climate-Resilient and Carbon-Neutral Economies in Asia.*

38 ICMA's Sustainable Finance team consists of Nicholas Pfaff, Simone Utermarck, Valérie Guillaumin, Ozgur Altun and Stanislav Egorov.

FinTech and digitalisation

39 *ICMA FinTech Advisory Committee (FinAC):* A meeting was held on 3 December to discuss achievements in 2024 and strategic priorities for 2025, including fostering DLT-based bond markets, AI in the bond markets and driving ICMA's work in APAC, North America and MENA. It was also agreed to review the constitution of the Committee and invite a select number of new members for 2025 to ensure that all ICMA's strategic priorities are reflected in the Committee structure, and that ICMA continues to strive for better gender diversity in the group.

40 *DLT bonds:* Following roundtables and meetings held in Q2 and Q3, ICMA's DLT Bonds Working Group published in December a DLT Bonds Reference Guide, which highlights considerations for the end-to-end lifecycle of DLT-based debt securities. The Guide has been circulated to various regulators around the world.

41 *MAS Project Guardian Fixed Income Framework (GFIF):* ICMA collaborated with the Monetary Authority of Singapore (MAS) in 2024 on the GFIF, published in November, which seeks to foster the adoption of tokenised bonds. The GFIF builds on the Bond Data Taxonomy to promote the standardisation of protocols and data specifications for tokenised securities and also integrates considerations for risk factors and disclosure in DLT bond offering documents, among other aspects.

42 *Events:* ICMA held two inaugural events on *Innovation in Capital Markets* in the fringes of the Hong Kong FinTech Week and the Singapore FinTech Festival. The events were attended by over 100 participants, with a focus on ICMA's role and strategy in FinTech and Digitalisation, panel discussions on digital bonds, AI, sustainability, and keynote speeches on central bank money and settlement of DLT transactions. ICMA's network in the region now numbers more than 300 individuals across ICMA's many member firms and their regional offices.

43 *APAC speaking engagements:* ICMA spoke on 11 roundtables and panels across the Hong Kong FinTech Week and the Singapore FinTech Festival covering topics such as DLT, tokenisation, digital inclusion, sustainability and AI.

44 *Wholesale CBDC:* ICMA attended a meeting of the Eurosystem's New Technologies for Wholesale Settlement Contact Group (NTW-CG) on 26 November. ICMA has long been part of the NTW-CG and will continue to engage to represent the ICMA member community on this important topic.

45 *Bond Data Taxonomy (BDT):* The BDT Working Group held its quarterly meeting on 10 December. The meeting looked back on the achievements of the group in 2024, including various implementations of the BDT over the year, as well as establishing its 2025 priorities.

46 *Artificial Intelligence (AI):* The AI in Capital Markets (AICM) Working Group held its second quarterly meeting on 21 November. The meeting launched the response to the FCA consultation on AI in financial services.

47 *Common Domain Model (CDM):* ICMA participated in the FINOS Open Source in Finance Forum (OSFF) in New York on 30 September and 1 October 2024, delivering a CDM workshop with FINOS. ICMA has continued to collaborate closely with colleagues at ISDA and ISLA on the development of the model, with a strong focus on driving adoption across member firms. An important showcase will be held in February 2025.

48 *Data collection and reporting:* ICMA participated in meetings of the UK's Industry Data Standards Committee (IDSC) held on 7 October, 11 November and 16 December.

49 *Post-trade harmonisation:* ICMA attended meetings of the ECB AMI-SeCo Securities Group (SEG) on 4 October and 5 November, focusing on remaining barriers to post-trade integration, among other aspects.

50 *Meetings with regulators:* ICMA held meetings in Q4 with CFTC, FCA, FINRA, the German Federal Ministry of Finance, Alberta Securities Commission, and the SEC.

51 *Education:* ICMA ran its two education courses in 2024, on *Fintech in the Capital Markets: Spotlight on Primary* and *Introduction to Digital Assets.* ICMA also contributed to the National University of Singapore's (NUS) Asian Institute of Digital Finance (AIDF) course on *Artificial Intelligence in the Global Debt and Securities Market*. The team plans to launch an AI in Capital Markets course for members in 2025.

52 ICMA's FinTech and Digitalisation team consists of Georgina Jarratt, Gabriel Callsen and Emma Thomas.

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Fixed income ETFs: growth, innovation, and impact on bond markets



by **Bryan Pascoe, Natalie Westerbarkey** and **Andy Hill**

ICMA's Secondary Market Forum, which took place on 6 December 2024, featured a panel on fixed income Exchange Traded Funds (ETFs). While still only a small percentage of total investible funds in fixed income, the place of fixed income ETFs in the agenda reflects the rise in importance of the asset class and its establishment both as an investment vehicle and an effective means of risk transfer.

The rapid growth of fixed income ETFs

Fundamentally, ETFs have some attractive features for both institutional and retail investors. They are an easy way to gain market exposure on a diversified basis, typically exhibit low up-front and dealing costs and generally provide consistent liquidity, particularly for trading in small size.

The concept underpinning ETFs is relatively simple. Essentially an ETF is a basket of securities, usually intended to track an underlying index, and trades in a similar way to a single stock (either on exchange or over the counter). The idea behind ETFs is to provide the diversification of mutual funds with the immediacy and liquidity of an equity.

The history of ETFs perhaps goes back to the 1960s, but the Standard and Poor's S&P 500 ETF (colloquially known as the "spider"),[1] launched in 1993, is widely considered to be the spark that lit the fire for the new asset class, with over 2,500 equity ETFs now listed in the US alone, tracking a whole range of indices and sub-indices.

The first bond ETF was the iShares iBoxx USD Investment Grade Corporate Bond ETF, launched by BlackRock in 2002. Similar to equity ETFs, more were to follow, and today there are over 600 fixed income ETFs listed in the US, with total assets under management (AUM) valued at more than $1.6 trillion. Again, these vary greatly in terms of bond classes and segments, including credit, sovereign, and emerging markets, as well as tracking a range of indices and sub-indices.

While the growth of fixed income ETFs in Europe has lagged that of the US, we have seen a surge of new products and investor inflows in recent years, with over 500 listed ETFs and $260 billion AUM.

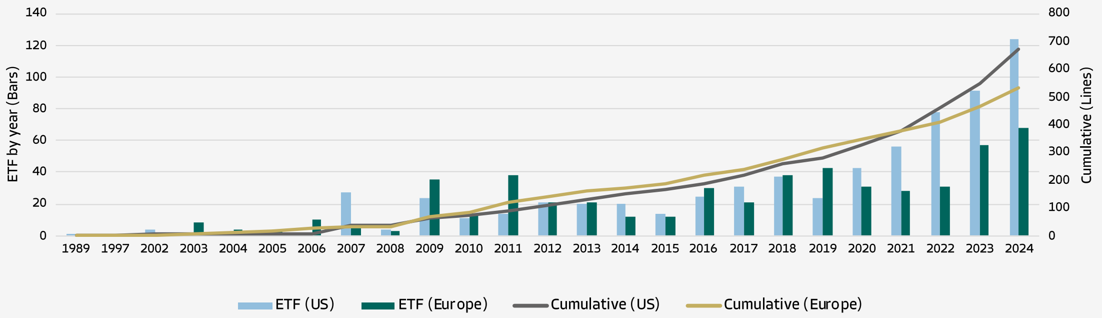
The drivers of growth

The Secondary Market Forum panellists identified two key dynamics underpinning the rapid growth in fixed income ETF development and activity: technological innovation and bond market data.

While the concept of ETFs may be relatively simple, their trading and pricing can be highly complex. Much of this relates to the way in which ETFs are created or redeemed. ETF issuers work with Authorised Participants (APs), who, traditionally, are bank broker-dealers, in the creation and redemption process. APs deliver securities from the underlying index to the fund manager (the ETF issuer) in return for new ETF shares. While indices can contain many thousands of securities, in the creation process APs only exchange a sample of the index (the "creation basket"), perhaps totalling between 50 and a few hundred securities, which correlates closely to the performance of the index (or has a small "tracking error", to use fund manager terminology). This still requires a significant number of transactions in the underlying market to be executed in a very short period of time (ie hours or even minutes). This is where both automation and data play a critical role, with APs employing algorithms to track markets in the deliverable securities and executing swiftly and efficiently multiple orders to facilitate the creation of ETF shares on demand. The redemption process works in a similar way with the AP delivering ETF shares to the ETF issuer and receiving a basket of securities in return, which the AP then sells into the market.

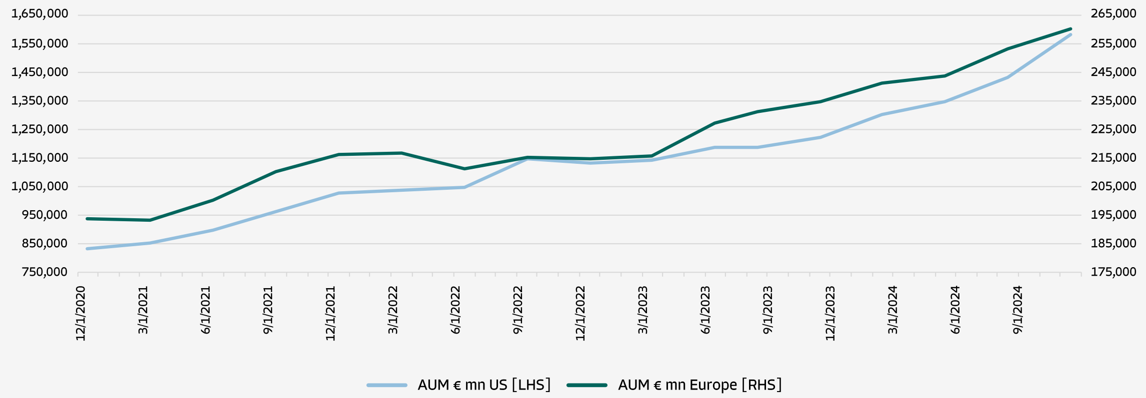
1. The SPDR S&P 500 ETF Trust is still the most actively traded ETF in the world, with an AUM of more than $630 billion.

Number of bond ETFs by inception date (US and Europe)



Source: ICMA analysis using Bloomberg data

Bond ETF AUM (US and Europe) in € million



Source: ICMA analysis using Bloomberg data

This important feature of ETFs has not only been a major driver of algo-based e-trading in the underlying bond market, but it has been instrumental in the emergence of new trading protocols, such as portfolio trading (PT), where a list of bonds is bought or sold as part of a single contingent package.

Liquidity

It is generally asserted that bond ETFs are inherently more liquid than the underlying bond market. In the case of the most active ETFs, such as the Vanguard Total Bond Market ETF or the iShares Core US Aggregated Bond ETF, this is difficult to contest, given their significant market depth, tight bid-ask spreads, and ability to be traded in block sizes. It could also be argued that, unlike the underlying bonds, ETF liquidity is two-dimensional, with the ability to buy and sell ETF shares in the secondary market, but also supported by the primary creation and redemption function. Furthermore, APs do not only create and redeem ETF shares on demand. They continuously monitor ETF prices along with the prices of the underlying basket of securities (essentially the net asset value, or NAV, of the ETF), and, when the price and NAV are out of line, they quickly execute a creation or redemption process to take advantage of any discrepancy. It could be posited that this is merely arbitraging inefficiencies in the market at the expense of investors or other dealers, although an alternative perspective might be that this helps to stabilise the price relationship between the ETF and underlying market while also creating flow in both.

From an AP perspective, a recent trend has been the integration of ETF liquidity provision with the market making services of the underlying bond market. Historically, bond ETF trading has sat alongside equity ETFs. But increasingly investment firms are realising the benefits of embedding ETF market making into their fixed income trading activity, creating synergies with respect to price discovery and risk management. In terms of bond trading, the creation and redemptions process help to facilitate ”axe” generation (ie specific positions or interests that dealers can show to clients), as well the ability to allocate inventory against ETFs, thereby increasing balance sheet velocity. All of this enhances their ability to service clients.

This reliance on automation to support ETF liquidity has also meant that new market entrants, beyond the traditional fixed income market makers, have been able to position themselves as major players in the bond ETF market. These alternative liquidity providers (ALPs) are arguably able to operate with greater agility and fewer capital constraints than their bank competitors.

ETFs play an important role in the broader micro-structure of bond markets, and the interplay with the underlying market, as well as other fixed income instruments such as credit default swaps (CDS), index futures, and total return swaps (TRS). None of these should be priced or traded in isolation, and together they help to form a rich toolbox for liquidity provision.

Challenges

From an investor perspective, bond ETFs, at first glance, appear to be a relatively easy and efficient means of getting exposure to various bond markets or segments, with the added benefit of tight pricing and deep liquidity, making them attractive to both institutional and retail investors. However, ETFs are not without their challenges and are not necessarily the right instrument for everybody.

Liquidity is a key characteristic and draw of ETFs, and for the larger, most active instruments, usually indexed against a key market benchmark, this is certainly the case. Where this becomes more challenged is in the case of ETFs indexed against sub-indices or more bespoke market segments. Emerging market ETFs can be particularly challenging to create or redeem, with the constituents of the creation basket trading across multiple local markets, different time zones, and less likelihood of sitting on dealers' books. The more niche the ETF becomes, and the less liquid the underlying bonds, so the bid-ask spreads widen and market depth shallows.

Another potential risk to liquidity is the number of dedicated APs, particularly for more tailored products. As already described, the ability to trade ETFs effectively and efficiently is resource intensive, resulting in a relatively narrow field of bank market makers and ALPs. As one AP explained, it is difficult to dabble in ETF market making. You are either all in, or you are out.

A further identified barrier to market development, and a potential liquidity risk, particularly to Europe, is the fragmented landscape of exchanges, meaning that ETFs are spread across multiple venues. As a result, many ETFs trade off-exchange, increasingly through trading platforms. Some posit that having a single, exchange-based venue for trading would help to deepen liquidity and support market development.

Concerns are often flagged in times of heightened market volatility or stress, such as during the COVID-induced "dash for cash" in early 2020, when a significant widening between bond ETF prices and their associated NAVs are observed. One argument for this is that it is the result of relative illiquidity in the underlying bond markets, where prices are stale and untradable, with the ETF being a truer reflection of market value. Another is that the arbitrage function breaks down, with selling pressure in the secondary market driving prices well below fair value.

Often a reason for investing in bonds is the ability to lock into a fixed return over a finite time period. This is not possible with a classic ETF structure due to its equity-like features, meaning that it needs to be sold to redeem any principal investment, thereby adding a level of market risk for the investor. However, the ETF market is nothing but innovative, and recently we have seen the emergence of "bullet maturity" ETFs, with fixed redemption dates.[2]

It is also important to remember that ETFs are essentially beta instruments, passively tracking indices. To the extent that they do this successfully, this makes them suitable products for taking exposure to a market or particular segment more broadly. However, many investors are looking for alpha generation in their investments and rely on active asset managers to construct portfolios designed to outperform any benchmark. Again, the ETF market continues to evolve and this has led to the appearance of active ETFs. However, these are difficult to price or create for APs and come with different fee structures. In essence, they are more akin to a standard active fund, only they sit in an ETF wrapper. Furthermore, it is not easy to take short exposures, say for hedging purposes, through ETFs, unlike other index-based products such as credit default swaps (CDS) or credit index futures.

Finally, investing in ETFs can be problematic for many institutional investors. Often mandates restrict the ability to include ETFs in portfolios, even if only as a temporary substitute before individual asset allocation. This can be due to the lack of transparency of the underlying securities, which creates the risk of breaching concentration limits or gaining exposure to restricted credits. In some cases, the complexity of ETFs, or the risk of price dislocations away from the NAV, may make them unsuitable for portfolio inclusion.

2. There are now 80 Bullet Maturity ETFs listed in the US, with an AUM of $54 billion.

Outlook

The Draghi Report published on 9 September 2024[3] proposes shifting EU household savings into long-term investments. The EU Capital Markets Union (CMU) 2020 Action Plan contained three objectives to be achieved through 16 actions.[4]

The second CMU objective in particular aims to make the EU a safer place for individuals to save and invest long-term through three more specific actions:

(i) promoting citizens' financial literacy [CMU Action #7][5]

(ii) adopting a Retail Investment Strategy (RIS) [CMU Action #8][6]

(iii) encouraging savings for retirement [CMU Action #9].[7]

While ETFs are no silver bullet, and are not without their risks and challenges, it is clear that they have become an established investment vehicle for the bond market, both at the institutional and retail level. As the market grows in reach and complexity, with the seemingly continuous drive for innovation, spreading into the world of private credit or collateralised loan obligations (CLOs), as well as building leverage into their structures, so the need for investor education, and protection, will come more into focus. Here the industry and regulators have a joint responsibility.

As the panellists at the ICMA Secondary Market Forum noted, with the prospect of even more data transparency following the introduction of a bond consolidated tape in Europe, and further advances in automation and processing power, this will only add to the growth, efficiency, and liquidity of the fixed income ETF market. And growing, efficient, and liquid debt capital markets is precisely what Europe needs.

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3. Draghi Report, *EU Competitiveness: Looking Ahead:* European Commission (europa.eu), 9 September 2024.

4. EU Capital Markets Union 2020 Action Plan: European Commission (europa.eu)

5. EU CMU Action 7: *Empowering Citizens Through Financial Literacy:* European Commission (europa.eu)

6. EU CMU Action 8: *Building Retail Investors' Trust in Capital Markets*: European Commission (europa.eu)

7. EU CMU Action 9: *Supporting People in Their Retirement*: European Commission (europa.eu)

The functioning of the EU securitisation framework

by **Nicolette Moser** and **Miriam Patterson**

Reviving the EU's securitisation market

Following the US sub-prime mortgage crisis and the subsequent near collapse of the European banking system, regulations introduced in the EU post the global financial crisis contributed to a reduction in issuance and fewer investment opportunities in the European securitisation market. These prudential and regulatory changes have impeded investment opportunities, contributing to a reduction in issuance in the EU market over the past decade. Although some regulatory changes were also introduced in the US post the crisis, these changes have not impeded the recovery of the US securitisation market.

A main building block of the EU Capital Markets Union/ Savings and Investment Union is the plan to revive the EU securitisation market to create deeper capital markets and increase the EU's competitiveness. A succession of reports, including those from Christian Noyer, Enrico Letta and Mario Draghi, have supported this ambition.

Securitisation markets can play a crucial role in the broader financial system by:

- allowing financial institutions to convert illiquid assets, such as mortgages, auto loans or credit card receivables, into tradable securities, freeing up capital for new lending activities;
- providing investors with opportunities to invest in a diverse range of asset-backed securities that offer varying risk profiles and yields;
- enhancing market liquidity by providing investors with alternative investment options and facilitating the trading of securities in secondary markets;
- supporting risk management by enabling financial institutions to transfer credit risk from their balance sheets to investors who are willing to bear such risks in exchange for potential returns, helping to diversify and manage risk more efficiently within the financial system; and
- encouraging financial innovation and the development of new financial products.

Following groundwork undertaken by DG FISMA in the European Commission early in 2024 to review securitisation, in October the European Commission launched a two-month targeted consultation on *The Functioning of the EU Securitisation Framework 2024*. The consultation was targeted towards market participants with practical expertise in the EU securitisation market. The consultation sought to gather views and collect evidence on the current EU securitisation framework and its subsequent amendments.

ICMA is supportive of efforts by the European Commission to revive the European securitisation market. ICMA established a joint taskforce comprising ICMA's sell-side and buy-side members to share views on practical changes necessary to improve the effectiveness of Europe's securitisation framework and to respond to this consultation.

In addition to its consultation response, ICMA was also pleased to join a consortium of leading trade associations supporting the efforts of the European Commission to review and address the different areas of the framework which hinder growth of the securitisation market.

Summary of ICMA response to EC consultation

The key points in ICMA's response to the consultation are as follows:

- *Jurisdictional scope:* The current jurisdictional scope of the application of the Securitisation Regulation (SECR) is now well understood and any reopening of the scope of the SECR, especially on its expansion to cover new ground and entities, would create uncertainty.
- *Due diligence requirements:* ICMA acknowledged that an appropriate due diligence process is key to ensuring that investors are aware of what they are buying while assessing the risks of their investment in a commensurate

manner. Members have commented on the need to recalibrate the due diligence requirements of Article 5 of the SECR by taking a more principles-based, proportionate and less complex approach, given the direct and opportunity costs associated with compliance.

- In particular, ICMA members noted that:
  - Investors in securitisation are sophisticated investment entities with extensive internal due diligence processes and criteria and understand the relevant risks of investing in securitisation trades. However, the high barriers to entry and costs of due diligence may act as a deterrent to investment.
  - There is a lack of parity between different asset classes with comparable risk profiles to securitisation transactions, such as covered bonds.
  - Due diligence requirements on investors in the EU are extremely burdensome compared with the US, which does not impose any specific due diligence obligations for investors in securitisation beyond their typical fiduciary duties. The UK has also moved towards a principles-based approach.
  - Due diligence requirements can affect the speed and execution of transactions, which can in turn create market stability and price discovery issues that are important from a prudential regulation perspective.
- In addition, ICMA recommended that diligence should be conducted prior to making an investment decision as compared to fulfilling diligence requirements post-investment. Pre-investment due diligence requirements should be amended *vis-à-vis* proportionality and a principles-based approach. It was noted that investors documenting compliance with verification requirements after an investment within a prescribed window add an unwelcome burden to ensure compliance.
- *Transparency requirements and definition of public securitisation:* Regarding transparency requirements, and to ensure that investors and supervisors have sufficient access to information under Article 7, ICMA members noted that a suggested option to streamline the current disclosure templates for public securitisations and to introduce a simplified template for private securitisations is the closest to the envisaged reforms that members want to see, subject to several caveats:
  - ICMA members disagreed with the proposal for private securitisations to report to a repository.
  - The discussion around streamlining disclosure templates for public securitisations should be separate from discussions regarding scope of public securitisations; the overall effect of having streamlined templates but greater scope of public securitisations would not overall help streamline due diligence obligations.
  - Treating third country securitisations as private securitisations would be necessary to enable EU entities to be globally competitive.
- *Supervision:* ICMA members raised the issue of NCAs taking divergent approaches to reporting obligations over and beyond those provided at EU level (ie gold-plating).
- *STS standard:* In principle, ICMA members supported the simple, transparent and standardised (STS) securitisation framework. However, in its current form, the STS label has failed to scale up the EU securitisation market. While amendments that provide a more favourable regulatory capital treatment of STS labels would be helpful, members questioned whether this in and of itself would scale up the EU securitisation market significantly. Instead, reforms need to be broad-based, rather than focusing exclusively on STS labels to the exclusion of other parts of the securitisation market.
- *Prudential treatment of securitisation for banks:* In relation to banks' issuance of and demand for traditional securitisations (ie true sale, where a special purpose vehicle acquires assets and pays a purchase price), ICMA noted that, from an issuance standpoint, a significant proportion of the investor base is comprised of bank treasury investors for whom High Quality Liquid Assets (HQLA) are important. Given that the Liquidity Coverage Requirement (LCR) eligibility has been tied to STS classification, this means that non-STS has a structurally more restricted investor base than STS. Members recommend that both non-STS and STS securitisations should be considered as eligible instruments under the LCR, in line with other instruments such as covered bonds (where both regulated and non-regulated and even unrated covered bonds are eligible).
- *UCITS Directive and SECR:* Some ICMA members also commented that the 10% acquisition limit for debt securities in a single issuing body imposed under Article 56 of the UCITS Directive hinders their ability to make larger allocations when investing in a securitisation. For example, in certain cases this restriction can make it impossible for a large UCITS investor to subscribe for full or a substantial part of a tranche in a securitisation because the issuing body is a stand-alone securitisation special purpose entity (and not a programme ABS issuer). This restriction reduces the ability of some UCITS investors to play a bigger role in growing the securitisation market and drives more UCITS investments towards unsecured corporate credit with higher risk of defaults, less protections and lower rates of return compared to securitisation. ICMA members who raised this comment therefore propose that this restriction should be removed.
- *Securitisation for green transition financing:* ICMA highlighted that in June 2022 the Executive Committee of The Principles, supported by the ICMA Secretariat,

updated the guidance on sustainable securitisation as, especially in the European market, members had seen a split in the type of green bond being issued. All of these were use-of-proceeds bonds, but for some transactions the use of proceeds was for the collateral securing the bond and in other transactions it was observed that the use of proceeds was ignoring the collateral and looking through to the originators or sponsors behind the transaction.

Looking to the future

The review of the EU securitisation framework provides the opportunity to deliver appropriate regulatory and prudential changes necessary to revive the EU securitisation market, to create deeper capital markets, support the EU Savings and Investment Union and Increase the EU's competitiveness. ICMA is glad to bring a joint sell-side/buy-side voice to this important conversation.

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Assessing the adequacy of macroprudential policies for NBFI


by **Irene Rey** and **Katie Kelly**

Background

On 20 November 2024, ICMA AMIC submitted its response to the European Commission consultation on *Assessing the Adequacy of Macroprudential Policies for Non-Bank Financial Intermediation* (NBFI).

The consultation was published in May 2024, on the back of the European Commission report reviewing the existing EU macroprudential framework, which was required by Article 513 of the Capital Requirements Regulation (CRR). In this review, published in January 2024, specific vulnerabilities of NBFIs were identified, particularly stemming from: (i) structural liquidity mismatches; (ii) build-up of excessive leverage; (iii) interconnectedness among NBFIs and between NBFIs and banks; as well as (iv) lack of consistency and coordination among EU macroprudential frameworks.

The objective of this consultation was to collect further evidence on the effectiveness and consistency of macroprudential policies for NBFIs in the EU in order to:

(i) evaluate the effectiveness of the existing macroprudential tools and supervisory arrangements in achieving their purpose;

(ii) consider repurposing or reviewing existing microprudential and reporting tools; and

(iii) assess the possibility of introducing new macroprudential tools, as well as tools to improve EU-wide coordination.

The ICMA response was led by the Asset Management and Investors Council (AMIC), as well the Commercial Paper and Certificates of Deposit Committee (CPC), with further contributions by the Secondary Market Practices Committee (SMPC) and Regulatory Policy Committee (RPC).

Summary of ICMA AMIC response to EC consultation

In its response, ICMA particularly highlights the following:

- The NBFI ecosystem is very heterogeneous and a uniform macroprudential framework is not appropriate – the review and analysis should consider the entire ecosystem and not lead to increased regulatory obligations for the sectors that are already subject to very robust regulatory frameworks.
- Any macroprudential policies should facilitate NBFIs' roles as liquidity providers and not risk hindering their roles of financing the real economy. This is critical for the EU to achieve its enhanced competitiveness objective. In the bond markets, hedge funds are increasingly becoming a key element of bond market dynamics, particularly in the rates space. Importantly, given the shifting shape of the economy, and the requirement for more SME-focused funding, private credit along with private equity are likely to play an ever-increasing role in the capital market ecosystem.
- Asset managers and investment funds are already governed by very robust regulatory frameworks which have been recently reviewed and enhanced at both EU and global levels. It is important to first implement the recently reviewed AIFM and UCITS Directives before considering any new policy actions.
- Systemic liquidity risks are likely to arise from NBFI entities and activities that are not subject to the same degree of regulatory obligations and visibility as the highly regulated investment funds, pension funds and MMFs. Mapping out these specific entities and activities should be prioritised before considering any additional regulatory requirements

for the already highly regulated funds and asset management companies.

- Current central clearing requirements, and specifically the requirements to use only cash as collateral to meet variation margin calls, may have procyclical effects causing selling pressure of assets during periods of stress to meet these margin calls. These requirements should be reviewed so that HQLA are recognised as eligible collateral alongside cash for meeting variation margin calls, which would help ease liquidity stress and limit any contagion risks. Regulatory barriers impeding the uptake of CCP sponsored models to support access of non-banks to centrally cleared repo should also be removed as this can provide an additional option for NBFIs to access liquidity, as well as for banks to serve their clients in a way which is less resource intensive.
- While secondary market liquidity in commercial paper (CP) remains a challenge, it does not necessarily reflect CP's underlying resilience and the fact that the market continues to function well. Standardisation, increasing transparency of CP markets and other measures proposed in the response are valuable ambitions if undertaken with sensitivity to their design, careful evaluation of their potential benefits and with regard to unintended consequences, but are unlikely to revolutionise primary CP issuance or necessarily stimulate secondary market activity.
- Introducing an "obligation" to trade CP on designated trading venues would constitute a significant shift for a long-established and well-functioning market that thrives on the flexibility and efficiencies of over-the-counter trading, and would not necessarily increase the current liquidity of money market instruments, including CP.
- In order to identify and deal with potential pockets of excessive leverage, the focus should be on developing the effective monitoring and supervision of the less regulated and less monitored NBFI entities through effective market surveillance and cooperation through system wide cross-border counterparty risk monitoring (to be conducted jointly by market authorities and banking supervisors, leveraging existing data to avoid any additional burden).
- Instead of focusing on centralising supervision, the focus should be on facilitating data sharing between the NCAs, central banks and ESAs. This could be achieved through the creation of a single reporting data hub which all the ESAs have access to.
- Enhanced data sharing between ESMA, NCAs and central banks through the creation of a single regulatory reporting data hub is a key measure to support:
  - the identification of regulatory gaps in the existing EU macroprudential framework;
  - the development of targeted policy responses and avoidance of additional regulatory burden; and
  - a more holistic view of players in the market and understanding of the less regulated and less monitored NBFI entities.

Next steps

ICMA AMIC will be engaging with the official sector on the back of its submission and the European Commission is expected to publish a feedback statement in Q1 2025. The feedback gathered in this consultation is expected to inform any potential policy actions of the new College of Commissioners, particularly the Commissioner for Financial Services and the Savings and Investment Union, Maria Luis Albuquerque.

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The push and pull for central clearing in the sovereign bond markets

by **Andy Hill**

Clearing for US Treasuries

In December 2023, the US Securities and Exchange Commission adopted rule changes to enhance risk management practices for central counterparties in the US Treasury market and facilitate the additional clearing of US Treasuries. In short, these rules require that cash and repo market trades executed with a Netting Member of the Fixed Income Clearing Corporation (FICC) are centrally cleared. The upshot of this is that any entity that is not a member of FICC that transacts in US Treasuries with a FICC Netting Member will need to clear these trades using one of FICC's clearing models.

The main driver for the rule is the expected reduction in counterparty credit risk. Analysis by the Federal Reserve Bank of New York estimates that central clearing could reduce the settlement obligations of primary dealers by 70%. This should, in theory, also free up balance sheet for dealers who will have more netting opportunities as a result of trading with a central counterparty. Additional perceived benefits include increased supervisory oversight and a reduction in leverage. By way of context, currently only around 20% to 30% of the US Treasury repo market is centrally cleared, and less than 20% of the outright cash market.

The implementation date of the cash market is 31 December 2025 and for the repo market it is 30 June 2026. As the recent ICMA webinar on the US Treasury mandatory clearing obligation made clear, this is not a lot of time for non-FICC members to put in place necessary arrangements.

Clearing for government bonds in Europe

The mandating of clearing for US Treasuries has sparked a debate among policy makers and regulators elsewhere, including in Europe, about the potential benefits of central clearing for cash bond and repo transactions, and whether the SEC mandate could or should be emulated. This also chimes with the recent focus on non-bank financial intermediation (NBFI) and potential risks, not least those related to "invisible" leverage.

According to the most recent ICMA European Repo Market Survey, only 22% of repo activity captured by the survey is centrally cleared, though EU and UK SFTR data puts this higher at 32%. The vast majority of this is made up by the interbank market, although client (non-bank) clearing models are seeing a steady uptake.

Push

The regulatory push for increased clearing may be more complex in the European context. Firstly, there is no single European "Treasury" market, with multiple sovereign issuers and currencies in the EU. There is also no single CCP, with many set up along the lines of local government debt markets. This fragmentation could force investment firms to sign up to clearing models with several CCPs, making the process significantly more challenging and expensive, particularly for smaller entities.

The case for regulatory oversight does not hold up as strongly in Europe. In the SFT Regulation, the EU and UK have possibly one of the most extensive reporting regimes ever to be implemented. If anything, the weakness of SFTR may be that it is too complicated. This should be something for the authorities to think about with the anticipated review of the Regulation in 2025, including the possibility of introducing position reports, as originally recommended by the FSB, which would provide a much clearer picture of where the risk sits.

Similarly, there are other ways to manage non-bank leverage without forcing every institution into a CCP. One such regulatory tool is the BCBS framework for minimum haircut floors for securities financing transactions. Although not universally popular, some view this as levelling the playing field for repo desks, while also addressing non-bank leverage.

Pull

However, even without a regulatory push, there is a natural pull for central clearing of government bond cash and repo trades. Reducing counterparty credit risk is one, although this does need to be balanced against the additional cost of clearing. But even more compelling, as identified by the New York Fed, is the ability for banks to apply netting to free up balance sheet capacity, particularly for repo.

Under the Basel III framework for the leverage ratio, banks are able to net repos and reverse repos with the same counterparty, settling in the same settlement system, so long as they share the same end-date. Since trades with a CCP are effectively trades with the same counterparty, this significantly increases the opportunities for netting and creates the possibility for banks to manage down their leverage ratio usage for repo. This is also an important consideration for non-banks that are reliant on bank intermediation to meet their repo requirements. By making their trades more nettable they make it far less expensive for banks to offer them liquidity, which is particularly beneficial in times of heightened volatility or market stress.

A Bank of England study on the netting benefits for UK dealers if comprehensive central clearing had been introduced to the cash Gilt and Gilt repo markets ahead of the March 2020 "dash-for-cash" crisis estimates that, with respect to the Gilt repo market, such a policy would have reduced the Gilt repo exposures on UK dealers' balance sheets by 40%, boosting their aggregate leverage ratio by 3 basis points. Interestingly, they note that if the policy had been accompanied by standardisation of repo maturity dates, such that they fell on the same day of the week (apart from for overnight repo), the reduction in exposures would have risen to 60% and the increase in the aggregate leverage ratio to 5 basis points.

This last point warrants deeper consideration. One of the key economic functions of the repo market is maturity transformation. This requires repo dealers entering into trades with their clients for relatively long terms, which they run as a risk position, and matching the other side with a series of shorter dated trades over the term of the exposure. Executing term trades in a CCP, where the volatility is greater and less predictable, can be prohibitively expensive due to the associated margin requirements. Hence these trades tend to occur bilaterally, while, unsurprisingly, the vast majority of CCP cleared trades are very short dated (in the case of the US, almost exclusively overnight), where margin costs are lower and netting more easily achieved.

Overcoming this natural deterrent to clearing term repo (and noting that, according to the ICMA European Repo Market Survey, almost a quarter of outstanding repo is termed for longer than a month) requires creating more netting opportunities, which in turn suggests more standardisation of end-dates. Given that repos are inherently flexible and are used to match specific financing requirements, one means of achieving this is to break term trades into a series of forward starting shorter-dated transactions, most of which conform to standardised dates, such as the international money market (IMM) dates. This practice is already widely accepted in the interbank market.

However, somewhat ironically, the EU and UK's CSD Regulation, as a result of its T+2 settlement requirement, makes the use of this practice more challenging, at least on trading venues. Inadvertently, CSDR brought SFTs into scope of T+2, overlooking the fact that intrinsically they have no default settlement date, and that a large part of the market needs to be traded on a forward basis. The proposed revision of CSDR to move outright securities transactions to T+1 is an opportunity to fix this, taking SFTs out of scope of the requirement. Restoring the flexibility of SFTs could be critical in facilitating more term repo being centrally cleared in Europe. It would also be consistent with how SFTs are treated in the US and elsewhere.

Facilitate, not mandate

The interest of policy makers in central clearing for government bond markets is likely to gain momentum, particularly as reports such as the recent Bank of England's system-wide exploratory scenario exercise (SWES) emphasise the benefits of broader clearing, although many will rightly be concerned about the implications of mandating it. But there is a middle ground. Authorities in Europe should look at creating an environment where some of the barriers to clearing are addressed while helping to provide incentives. We have already seen positive steps with changes to the EU Money Market Fund Regulation, which previously limited MMF exposures to a CCP. But more can be done, such as clarifying the capital treatment of agent banks under sponsored clearing models, or amending the UCITS Directive to allow funds to use securities received in reverse repos to meet margin requirements.

An additional consideration could be that CCPs provide an effective means of access for non-banks to central bank repo facilities, thereby unclogging the pipes of monetary policy transmission. For many, that would be quite a pull.

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Rebuilding UK/EU relations in financial services outside the EU Single Market

by **Paul Richards**

Summary

The UK Government had a significant influence on the development of the EU Single Market when the UK was a member of the EU. Once the UK left the EU after the referendum in 2016, the UK Government followed a separate path outside the EU Single Market designed to meet the needs of UK financial services and markets while recognising that markets operate in a global context. The new UK Government elected in July 2024 is committed to remain outside the EU Single Market but is seeking to reset relations between the UK and the EU. This assessment considers the scope for the UK to rebuild relations with the EU in financial services, subject to the constraints post-Brexit of remaining outside the EU Single Market.

The constraints post-Brexit

1 At the end of the post-Brexit transition period after the UK voted in 2016 to leave the EU,[1] the existing body of directly applicable EU law relating to financial services was converted into UK domestic law under the EU Withdrawal Act 2018[2] in the form of "retained" EU law.[3] The purpose of the UK's Smarter Regulatory Framework Review of financial services, launched by the then Chancellor of the Exchequer in Edinburgh in December 2022, was to replace retained EU law with legislation designed specifically for UK markets based on the model of the original UK Financial Services and Markets Act.[4]

2 The UK's Smarter Regulatory Framework required changes from the EU both to the process and to the substance of financial services regulation in the UK under the new Financial Services and Markets Act 2023:

- The changes to the process involved delegating detailed regulatory rule-making to the FCA and the PRA, where feasible, subject to being accountable to Ministers in Parliament. The objective was to make UK regulatory rule-making more agile, recognising that the EU requires a longer lead-time to legislate for 27 different Member States.

1. The UK left the EU on 31 January 2020, and the transition period ended on 31 December 2020.

2. The EU Withdrawal Act 2018 was amended by the EU (Withdrawal Agreement) Act 2020.

3. "Retained" EU law also included EU-derived domestic legislation. From the end of 2023, "retained" EU law became "assimilated" law as a result of the Retained EU Law (Revocation and Reform) Act 2023.

4. Under the model of regulation in the original UK Financial Services and Markets Act, the FCA and PRA generally set the direct regulatory requirements which apply to firms in their rulebooks operating within a framework established by Government in Parliament: *Building a Smarter Financial Services Framework for the UK: Policy Statement*, December 2022.

- The changes to the substance of regulatory policy for firms in the UK were designed to ensure that UK regulation met the needs of UK financial services and markets in a global context. The UK Government proposed regulatory divergence from the EU, case by case, where it believed that divergence met the needs of UK markets, though it emphasised that changes were not being made for change's sake.

3 After the end of the post-Brexit transition period, UK access to the EU Single Market in financial services would still have been possible in principle if the EU had been willing to grant equivalence to the UK in practice, as the EU has granted equivalence in the case of some other third countries.[5] Regulations do not need to be identical for equivalence to be granted by the EU to third countries if the outcomes are much the same. But grants of equivalence are in the gift of the EU. In the case of the UK, the grant of equivalence so far has been limited in practice to UK CCPs, and this is time-limited.

4 In response to the UK's departure from the EU Single Market and in the absence of the grant of equivalence by the EU, UK firms with EU operations have now established entities or enlarged their scale in the EU so that they are appropriately represented and regulated in both the EU and the UK. In doing so, UK firms with EU subsidiaries need to meet the supervisory requirements of the ECB, ESMA and NCAs. The EU authorities have made it clear to firms that "brass plates" are not sufficient, and that operations in the EU need to be appropriately staffed and risks managed *within* the EU, and that their EU operations need to be stress-tested, where relevant, to ensure financial stability.

5 There are costs for the industry from complying with two different regimes in the EU and the UK. In the case of the UK, regulatory divergence from the EU arises as a result of the implementation of the Smarter Regulatory Framework. In the case of the EU, regulations are themselves likely to continue to change (eg in response to new measures designed to achieve Capital Markets Union[6]), and not necessarily to change in the same direction as the UK. In that sense, both the UK and the EU are diverging from the previous regulatory regime.

The scope for UK/EU cooperation in financial services outside the EU Single Market

6 The new UK Government elected in July 2024 is committed to remain outside the EU Single Market, but is seeking closer cooperation between the UK and the EU:

- The Chancellor of the Exchequer said at the Mansion House on 14 November: "I will always do what is in our national interest. That means free and open trade, especially with our most economically important partners. That includes the US and the EU. We will not be reversing Brexit or re-entering the Single Market or Customs Union, but we must reset our relationship."[7]
- The Governor of the Bank of England said at the Mansion House on 14 November: "As a public official, I take no position on Brexit *per se*. That's important. But I do have to point out consequences. The changing trading relationship with the EU has weighed on the level of potential supply. The impact on trade seems to be more in goods than services, that is not particularly surprising to my mind. But it underlines why we must be alert to and welcome opportunities to rebuild relations while respecting the decision of the British people."[8]

7 Clearly, financial services would form only part of any reset in UK/EU relations, and a reset would also need to be considered against the background of the outcome of the elections in the US in November 2024 and their impact on both the UK and the EU.[9] The agreement reached before Christmas 2024 between the EU and Switzerland may set a precedent, though it involved compromises on both sides and took nearly ten years to negotiate. It is also subject in Switzerland to Parliamentary approval and a referendum.

8 Even so, there are opportunities for rebuilding UK/EU relations in financial services while remaining outside the EU Single Market. First, although the UK has no longer had any *direct* influence on EU financial services regulation since leaving the EU, the UK *is* in a position from time to time to influence EU financial services regulation *indirectly* through leading by example and through peer pressure, owing to the scale of London's role as a global financial centre.[10] There is

5. Equivalence is a mechanism by which one jurisdiction can recognise relevant standards in another jurisdiction as equivalent to its own.

6. EU Capital Markets Union and Banking Union are now sometimes called the Savings and Investment Union.

7. Chancellor of the Exchequer, Mansion House speech, 14 November 2024.

8. Governor of the Bank of England, Mansion House speech, 14 November 2024.

9. In the case of the UK, the Prime Minister has said: "Against the backdrop of these dangerous times, the idea that we must choose between our allies – that somehow we're with either America or Europe – is plain wrong. I reject it utterly.": Guildhall speech, 2 December 2024. And in the case of the EU, the President of the ECB has said: "With Europe's innovation position declining and geopolitical tensions rising, it is more urgent than ever to move forward on Capital Markets Union.": Speech in Frankfurt, 22 November 2024.

10. The Chair of the FCA has stated: "The FCA frequently sets the pace for initiatives which are subsequently adopted by overseas regulators": FCA Annual Report, 2023/24.

also scope for continuing cooperation between the UK and EU on the supervision of financial services, including through colleges of supervisors.

9 Second, although the UK authorities cannot participate in legislative decision-making in the EU, they do participate actively at global level (eg through the FSB, BCBS and IOSCO). Decisions relating to the regulation of financial services at global level need to be implemented by member jurisdictions at both EU and national level, and in a broadly consistent way.

10 Third, there is scope for UK/EU cooperation on new market-based initiatives where the market believes that there is a strong case for the UK and the EU to follow a similar course of action in order to maintain their international competitiveness,[11] in particular in relation to the US. Shortening the settlement cycle to T+1 is a good example, where the EU, the UK and Switzerland recognise that they need to follow the move in the US to T+1 in May 2024. Sustainable finance and digitalisation are other issues on which it should be possible to find common ground between the UK and the EU.

11 Fourth, the UK and EU authorities face a common challenge on how to encourage the use of savings for investment in capital markets to increase real growth.

- In the UK, the Government has proposed to "legislate on measures to require that the 86 Local Government Pension Scheme administering authorities consolidate their assets into eight pools. Through consolidation of the DC market and Local Government Pension Schemes into mega funds, previous domestic and international experience suggests that we could unlock around £80 billion for investment."[12]
- In the EU, the Draghi Report estimates that a minimum annual additional investment of €750 to €800 billion will be needed and argues that the private sector will not be able to bear the lion's share of financing investment without public sector support.[13]

12 Fifth, both the UK and the EU face a common concern that financial services regulation has become over-complex and too much of a burden on the industry to ensure its international competitiveness. In the UK, the Financial Services and Markets Act 2023 enables the Government to repeal and remove retained EU law where it is no longer needed. In the EU, the Draghi Report on EU competitiveness proposes simplifying rules and reducing the burden of reporting regulations. Both the UK and the EU have a common interest in cooperating on how best to reduce the burden of regulation, while continuing to comply with high international standards and not engaging in a "race to the bottom". In doing so, they need to take account of any regulatory changes in the US, following the US elections.

13 Finally, the EU/UK MOU on financial services regulatory cooperation came into effect in 2023, and the EU/UK Financial Services Regulatory Forum has been meeting at periodic intervals since then.[14] While currently focusing only on sharing information, the MOU provides an opportunity to rebuild trust between the UK and the EU over a period of time. This might lead to potential benefits in due course, such as further grants of regulatory equivalence from the EU to the UK, as well as continuing cooperation on financial services supervision.

14 More generally, the MOU could lead to closer cooperation between the UK and EU in future in other ways. For example, the Chancellor of the Exchequer was invited to attend the Eurogroup meeting of Finance Ministers in Brussels on 9 December, where she argued in her address that "a closer economic relationship between the UK and the EU is about improving both our growth prospects"; that "closer cooperation on financial services is a great example of strength through openness"; and that "the UK has deep global capital markets that can fund the growth that economies across the Continent need".[15]

Conclusion

15 The new UK Government elected in July 2024 is committed to remain outside the EU Single Market but is seeking to reset relations between the UK and the EU. This assessment has considered the opportunities for the UK to rebuild relations with the EU in financial services, subject to the constraints of remaining outside the EU Single Market.

11. In the EU, see the Draghi Report, *EU Competitiveness: Looking Ahead,* European Commission, September 2024. In the UK, the Financial Services and Markets Act 2023 introduces a secondary objective for the FCA and the PRA to facilitate the international competitiveness of the UK economy and its growth in the medium to long term, subject to aligning with international standards.

12. Chancellor of the Exchequer, Mansion House speech, 14 November 2024.

13. Draghi Report, *EU Competitiveness: Looking Ahead*: European Commission, 9 September 2024.

14. Memorandum of Understanding establishing a framework for financial services regulatory cooperation between the EU and the UK, 27 June 2023.

15. Address by the Chancellor of the Exchequer to the Eurogroup meeting of Finance Ministers in the euro area on 9 December 2024.

MAS Guardian Fixed Income Framework

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

Fostering the adoption of tokenised assets is a key objective of the Monetary Authority of Singapore's (MAS) Project Guardian initiative. ICMA, through its DLT Bonds Working Group, collaborated with MAS and a group of industry stakeholders to create the *Guardian Fixed Income Framework (GFIF)*, which was published in November 2024.

The GFIF is designed to serve as an industry guide to facilitate the implementation of tokenisation in bond markets. It covers the following components:

- application of tokenisation in the fixed income market, including differences with traditional models and benefits in each stage of the fixed income lifecycle;
- industry standards for different types of tokenisation and new interaction models allowing commercial scale;
- design considerations and best practices for implementation, including data taxonomy, risk disclosures, governance models; and
- practical examples of the implementation of standards with commercial use cases, guided by policy considerations and frameworks.

The report highlights that "the adoption of a common set of standards and industry best practices reduces the incremental investment costs of deploying solutions. The ability to gain critical mass quickly facilitates an expansion of business opportunities and addresses concerns around scale when measured against traditional market practices. By describing design considerations and best practices, the industry group aims to support the growth and maturation of tokenised fixed income assets, with a view to ultimately enhancing its appeal and accessibility to a broader range of investors, issuers, banks and services providers."

ICMA's Bond Data Taxonomy (BDT) forms a centrepiece of the Guardian Fixed Income Framework. Speaking a common language across different networks and applications, both DLT-based and traditional, across the lifecycle of a tokenised debt security remains critical to achieve STP and interoperability.

To this end, the Guardian Fixed Income Framework provides an outline as to how the BDT can – and has been used in a DLT context to – define a DLT-based debt security consistently, automate workflows and promote interoperability across different token frameworks and DLT. Whether data is stored on-chain and off-chain, and whether oracles (external data sources) are used, will be dependent on the use case and notably the type of DLT or blockchain network and its characteristics, whether private or public, permissioned or permissionless, centralised or decentralised.

To complement the outline in GFIF, ICMA has published detailed proposals on how to integrate the BDT into different token frameworks with a view to automating the lifecycle of a tokenised debt security. These include the following:

- UBS proposal to augment CMTAT[1] with ICMA fields and tamper-proof methodology.
- FeverTokens proposal: integrating BDT into so|bond v2.0: a modular approach to enhancing bond tokenisation.
- Tokeny proposal for extension of ERC-3643.

Separately, the Guardian Fixed Income Framework also addresses legal aspects of tokenised bond issuance, embedding *ICMA's Considerations for Risk Factors and Disclosure in DLT Bond Offering Documents*. As a reminder, the legal review encompassed offering documents of DLT-based debt instruments issued by major institutions under Australian, English, French, German, Hong Kong, Luxembourg, Spanish and Swiss law.

1. The CMTA Token (CMTAT) is a framework enabling the tokenisation of equity and debt securities in compliance with Swiss law.

Furthermore, the framework also provides examples of listing and disclosure requirements for tokenised debt securities. In this context, a central question is whether a tokenised instrument is considered a transferable security under applicable local laws and regulations. While the answer is subject to structuring choices and applicable securities laws, DLT-based debt securities are often subject to specific listing or registration rules, disclosure requirements and restrictions in terms trading on a regulated marketplace. The case studies and examples referenced in the framework include the SGX Digital Bond Listing and Digital Assets Register, amongst others.

The report concludes that "tokenisation offers substantial operational benefits, including reduced counterparty risks, automated repo transactions (eg intraday repo/liquidity instruments), streamlined workflow for bond issuance and asset lifecycle management processes. By enabling more efficient cross-border transactions, tokenisation can foster greater financial integration and collaboration among international markets, ultimately contributing to global economic growth. [...]

To fully capitalise on the potential of tokenisation in fixed income markets and beyond, the report makes the case for the establishment and acceptance of industry standards."

Looking ahead, it is noted that "future developments will focus on enhancing interoperability between traditional and digital financial infrastructures. The ongoing development of regulatory and technical standards will be crucial in this process, ensuring that the ecosystem remains robust and adaptable."

The full Guardian Fixed Income Framework (GFIF) Report can be found here. ICMA's complementary BDT integration proposals for tokenised debt securities are available on the BDT webpage. MAS' announcement to support commercialisation of asset tokenisation, which includes the Global Layer 1 initiative, the Guardian Wholesale Network as well as a Guardian Funds Framework, can be accessed here.

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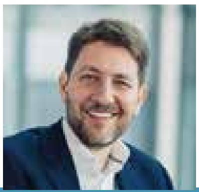
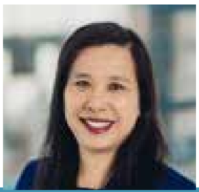
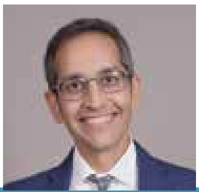
Primary Markets



by **Ruari Ewing, Miriam Patterson, Katie Kelly** and **Mushtaq Kapasi**

UK prospectus regime: ICMA response to FCA consultation

On 18 October 2024, ICMA submitted its response to the FCA's consultation on the new *Public Offers and Admissions to Trading Regulations regime (POATRs)* (consultation paper 24/12), in which the FCA sets out its proposals for when companies will need to produce a prospectus for the admission of securities to UK regulated markets or certain "primary" multilateral trading facilities (MTFs) and detailed requirements for the content of prospectuses for regulated markets. These proposals provide further detail to the *Public Offers and Admissions to Trading Regulations (POATRs) 2024*, made in Parliament in January 2024, which set out a framework for replacing the UK Prospectus Regulation.

The overall view from ICMA members is that the new proposed regime in consultation paper 24/12 is broadly consistent with the current prospectus regime, with some welcomed improvements. In particular, voluntary forward incorporation by reference and more flexibility around the use of supplements are broadly welcomed. In its response, ICMA mainly focused on areas where the reason for a change was unclear, changes that did not seem to be an improvement on the *status quo*, and improvements that could be adjusted so that they can better achieve their intended purposes.

The key points of ICMA's response are as follows:

(i) *Withdrawal rights on regulated market:* In consultation paper 24/12, the FCA did not include an exemption from withdrawal rights for supplements to wholesale prospectuses on the regulated market. This is a departure from what exists under the current regime where this has been the understanding for many years, in particular since ESMA clarified the point in 2018 (see *Final Report on Draft Regulatory Technical Standards under the Prospectus Regulation*). To ensure consistency with market practice and expectations, it would be helpful for this to be provided for in the new rules.

(ii) *Voluntary disclosure guidance for use-of-proceeds (UoP) bonds and sustainability-linked bonds (SLBs):* ICMA agrees that the proposed specific sustainability-related disclosures should be voluntary. However, although the guidelines are voluntary, the guidelines for UoP bond and SLB disclosure are very detailed and prescriptive and go beyond current market practice in certain respects. For example, aspects of proposed provisions 4.7.4 and 4.7.5 in the *Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (PRM)* are not aligned with the ICMA Principles. It would be helpful to align the language of these provisions more consistently with the ICMA Principles.

ICMA also emphasised that UoP bonds and SLBs are different products, and the markets are at different stages of development and should be treated differently. As the UoP bond market is well established, ICMA agrees with the current proposal to include voluntary detailed guidance in the new sourcebook. However, the SLB market is relatively nascent and fragile, and detailed disclosure items, even if expressed as guidelines, for SLBs may hamper any further development of the market for these bonds. It may be more appropriate for SLBs not to be subject to further guidance provisions (such that issuers just follow ICMA Principles), or for guidance on SLBs disclosures to be included in a technical note rather than the PRM sourcebook.

(iii) *Climate disclosure:* ICMA agrees that the climate disclosure rule should not apply to issuers of general purpose debt securities (ie non sustainability-labelled non-equity securities). ICMA agrees with the points set out by the FCA in paragraph 6.23 of the consultation as to why the rule should not be extended to such debt issuers, which would be consistent with the EU's approach under the EU Listing Act.

(iv) *Supplement flexibility:* ICMA welcomes the proposed changes that allow for more flexibility around the use of supplements, including the ability to make non-material changes. However, the response noted where some of the conditions for use could be adjusted to make this change even more useful.

(v) *Forward incorporation by reference:* ICMA welcomes the ability to voluntarily forward incorporate by reference financial information into a base prospectus, without the requirement to publish a supplement. It would be useful if the FCA could clarify that the forward incorporation by reference of financial information will not by itself trigger the need to file a supplement, and for the FCA to confirm that it is acceptable to include "evergreen" language to refresh relevant prospectus statements that might be impacted by information that is forward incorporated by reference.

(vi) *Withdrawal rights and QI-only MTFs:* ICMA asked for confirmation of its understanding that in the context of securities to be admitted to a Primary MTF that is intended only for qualified investors (QI-only MTF), provided the QI-only MTF does not require a document called an "MTF admission prospectus", no withdrawal rights will arise from the publication of a supplement to the circular or particulars required for admission. It is also ICMA's understanding that the International Securities Market (ISM) will meet the definition of QI-only MTF.

(vii) *Advertisements and QI-only MTFs:* ICMA understands that it is not the FCA's intention to apply the rules around advertisements (as well as the rules around persons responsible for an MTF admission prospectus and withdrawal rights) to a QI-only MTF. This is not always clear in the rules as drafted. If provisions like the advertisement rules were to be applied to a QI-only MTF (such as the ISM), it would represent a divergence from the current regime (where the advertisement regime applies only to regulated markets) and would place the ISM at a competitive disadvantage to similar venues outside the UK.

(viii) *Protected Forward Looking Statements (PFLS):* ICMA believes that a well-calibrated PFLS regime that is consistent with existing international market practice could encourage more and better disclosure. ICMA acknowledges that the PFLS regime is intended for equity issuances, so the regime as proposed will be of only marginal utility to debt issuers. However, ICMA reiterated its request that the FCA adopt a PFLS regime that is similar to the US forward-looking safe harbour, which (a) applies to qualitative and aspirational statements and (b) is determined by the nature of the statements and the policy objective of encouraging more disclosure of forward-looking information.

(ix) *Fungible issuance threshold:* ICMA believes this is more of a consideration in an equity context. This is primarily due to the fact that debt fungible issuances are often issued pursuant to an issuer's MTN programme which sets out a framework and documentary process for fungible issuances. However, if the FCA would like to increase the threshold, ECM participants have recommended a threshold of 33.33%, which ICMA would support as a sensible increase.

The FCA has stated that it plans to publish a separate consultation paper on low denomination retail bonds in early Q1 2025, with a view to adopting new rules (that would take into account the responses to consultation paper 24/12 and the expected retail bond consultation) to replace the current UK prospectus regime by mid-2025. Application of the new rules may not be until the end of 2025 or early 2026.

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EU Listing Act: ESMA Prospectus Regulation proposals

On 20 December 2024, ICMA responded to a 28 October 2024 ESMA consultation (ESMA32-117195963-1276) on draft technical advice concerning the Prospectus Regulation (regarding amendments to Delegated Directive EU-2019-980 on format, content, scrutiny and approval – the FCSA DR) and also on updating Delegated Regulation EU-2019-979 on metadata (the metadata DR). The consultation was accompanied by a blackline amended FCSA DR and a clean amended FCSA DR. ICMA also responded to an accompanying 28 October 2024 ESMA call for evidence (ESMA32-117195963-1257) on potential further steps towards harmonising rules on civil liability pertaining to securities prospectuses under the Prospectus Regulation.

Regarding the main consultation, ICMA's response covered several major aspects, as well as many technical ones.

(i) Standardised format and sequencing are both unnecessary and burdensome, and in this respect their scope should not be extended beyond the "standard" annexes. Issuers unable to legibly and cost-effectively re-order disclosure according to ESMA's sequencing approach (that respects the well-established and sensible FCSA DR Articles 22/23) can provide a list of cross-references.

(ii) The necessity of including "cover note" references in FCSA DR Articles 22/23 is unclear but does not purport to regulate content and length (which was a concern regarding ESMA 2017 proposals).

(iii) In non-equity registration document Annex 6: (a) the reduced time periods for financials and optional (non-incorporated) sustainability information hyperlinks are not objectionable; (b) the retail cashflow statement and taxation disclosure requirements have disincentivised retail offerings and should be deleted; and (c) disclosure of arrangements "preventing" change of control and retail KPIs are additional burdens inappropriate for non-"growth" issuers and should be limited accordingly.

(iv) In non-equity securities note Annex 13, the single disclosure framework (though not conceptually problematic) is confusingly executed – with four possible rectification options. The repetition of other FCSA DR article/annex provisions is superfluous and confusing and should be deleted.

(v) The sustainability-linked and use-of-proceeds bond definitions should be more closely aligned with the ICMA Principles' definitions (notably regarding "equivalent amounts" to proceeds, which should apply throughout). Though non-equity ESG Annex 21 applies beyond such instruments (which risks trapping evolution of new instruments), one should be clear that it does not apply to conventional issuance by green issuers, green bond repacks and entity-level disclosure on transition plans/strategy. (It is worth noting that green bonds financing green enabling projects should fall within the use-of-proceeds bond definition.)

(vi) Non-equity ESG Annex 21 should not apply to EuGB Regulation issuance, due to different terminology/framing, the risk of stifling a gold standard and it being too early to conclude what EuGB Regulation disclosures are "relevant" in needing a specific prospectus requirement (pending initial experience under Prospectus Regulation Articles 6/16) – with a place-holder for later dedicated (category C) requirements being an option.

(vii) In non-equity ESG Annex 21, basing the discrete requirements on the 11 July 2023 ESMA public statement on sustainability disclosure in prospectuses (ESMA32-1399193447-441) is problematic (though no concerning changes in NCA practices followed the statement itself) – notably in terms of overlap/duplication, inconsistent terminology, imprecision, conflation of instrument- and entity-/framework-level disclosure, and occasionally extending beyond EuGB requirements. Detailed suggestions regarding the Annex (and related explanations) are set out in an annex to the response – and in terms of "partial" alignment and "unequivocal" disclosure, the extent to which an instrument does not align with the relevant reference should be clear.

(viii) Additional criteria/information requirements and deadlines do not seem to have been issues experienced in the mainstream bond space (though regulators should not require information beyond specified Prospectus Regulation articles).

(ix) The amendments to the metadata DR seem to involve consequential changes and to not be obviously concerning.

Regarding the accompanying call for evidence on civil liability, ICMA noted:

(i) there is significant risk for limited benefit in seeking to harmonise EU national civil liability regimes;

(ii) one should rather override existing conflicts of laws arrangements; and

(iii) liability risk limits disclosure of forward-looking information and a safe harbour consistent with existing international market practice (such as in the US) could encourage more and better disclosure also in a debt context (for example, with respect to disclosure of sustainability information).

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Swiss withholding tax ruling

On 3 October 2024, the Swiss Federal Supreme Court issued a ruling that reportedly addressed concerns (arising from a 4 September 2023 lower instance ruling) that entering into a currency swap might undermine "beneficial ownership" of a bond, and so the ability to benefit from Swiss withholding tax exemption. This would have been a significant concern for non-Swiss investors in Swiss bonds, for whom currency swaps are a common hedge.

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FCA requirements following the Consumer Duty

On 31 October 2024, ICMA submitted its response to the FCA's call for input on the review of FCA requirements following the introduction of the Consumer Duty.

The response noted that the bond market's exclusion from the Consumer Duty, further to the Duty's inclusion of PRIIPs and MiFID product governance elements, also justifies exclusion from the main PRIIPs and MiFID product governance regimes.

ICMA will continue to engage as this topic develops, notably on the FCA's replacement of the PRIIPs regime with the new Consumer Composite Investments (CCIs) regime.

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Shortening of the settlement cycle: primary market aspects

On 31 October 2024, ICMA submitted its response to the *Draft Recommendations Report & Consultation* of the UK Accelerated Settlement Taskforce's Technical Group.

ICMA's response dealt mainly with secondary trading and repo aspects (covered in the Secondary Markets section of this Quarterly Report), but also touched on some primary market aspects. ICMA:

(i) welcomed the non-inclusion of primary markets in T+1 scope, which is consistent with the effective position in the US (where it was expected that there would be extended settlement under SEC Rule 15c6-1(d) as per prior market practice);

(ii) welcomed the acknowledgement that there are constraints/risks in shortening the primary market settlement period;

(iii) acknowledged voluntary shortening of the primary market settlement period (following secondary market moves to T+1) may be conceivable in some cases, though it is currently difficult to predict what these might be;

(iv) noted the existing Euroclear process, set up in anticipation of voluntary shortening of the primary market settlement period following the US move to shorter settlement in April, does not seem to have been much used so far – and that any need for a similar process regarding potential voluntary shortening of the primary market settlement period in the UK is consequently unclear;

(v) queried the appropriateness and proportionality of mandating availability of a specific commercial identifier (the FIGI) upon the "launch" of any debt issue, bearing in mind also that back-office systems generally remain set up for ISINs only; and

(vi) noted some of the above may be academic for now to the extent that Eurobonds are proposed to remain on T+2 settlement until the EU moves to T+1.

Distinctly on 18 November, ESMA published a report assessing settlement cycle shortening in the EU. Whilst again mainly focused on secondary markets (covered in the Secondary Markets section of this Quarterly Report), the ESMA report noted some potential primary market relevance in the specific context of ETF shares (a very different context from new bond issuance) but concluded that it is for industry to find solutions to increase settlement efficiency. More generally, the report noted that nothing seems to indicate that a specific deadline for the settlement of primary market transactions is required at this stage. It also noted that in some cases such a deadline could have a negative impact, citing in this respect a December 2021 report of the ECB's Debt Issuance Market Contact Group.

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Hong Kong SFC market sounding guidelines

On 31 October 2024, the Hong Kong Securities and Futures Commission (SFC) published consultation conclusions on its proposed guidelines for market soundings. It also published related Frequently Asked Questions.

This follows ICMA's prior response in December 2023, reported in the First Quarter 2024 edition of this Quarterly Report (at pages 34-36).

The SFC limited the scope of the guidelines to transactions in listed shares and transactions "likely to materially affect" listed share prices (replacing previous exemptions), with mainstream DCM effectively excluded (though SFC may widen the scope in future).

In this and other respects, SFC seems to have reflected many of ICMA's earlier comments and took note of the distinct dynamics in the bond markets. Ultimately, they refined the guidelines to minimise disruption to investors and issuers.

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The role of commercial paper in the sustainable finance market

Noticeable progress has been made in recent years on the issuance of sustainable commercial paper (CP), a market which is potentially worth up to EUR300 billion based on ICMA's estimates. CP is an extremely flexible funding instrument, widely used by a range of issuers to fund a variety of short-term liabilities. Overlaying this with sustainability elements means that the sustainable CP market can now play an active role in issuers' overall sustainable finance strategies, while maintaining this flexibility.

In response to this progress, ICMA established a Commercial Paper Taskforce (the Taskforce) comprised of members of the ICMA Commercial Paper and Certificates of Deposit Committee and benefiting from inputs of the members and observers of the Principles. The remit of the Taskforce was to explore the role of conventional CP in the sustainable finance market, further track existing and upcoming market practice, and assess relevant standards and best practice to enshrine as the sustainable CP market continues to develop.

This resulted in the release in October of a paper on *The Role of Commercial Paper in the Sustainable Finance Market*, which outlines some observations and high-level categorisations in sustainable CP transactions, notably use-of-proceeds CP and sustainability-linked CP.

Based on ICMA's own research and data provided by members of the Taskforce, 33 relevant sustainable CP programmes were identified. Of these, 23 are use-of-proceeds CP programmes, where the net proceeds (or an equivalent amount) are exclusively applied towards financing or refinancing eligible green, social or sustainable projects or activities, as defined in, and in alignment with, an issuer's Sustainable Financing Framework. This alignment helps to address the disjoint between the short-term nature of CP financing and the longer-term nature of sustainable investment and issuers' overall sustainability objectives and strategies.

The characteristics of use-of-proceeds CP tend to follow well-established voluntary practices for the bond market represented by the Green Bond Principles or the Social Bond Principles. This is supplemented in the paper by best practice initial recommendations which demonstrate how these Principles can be applied to use-of-proceeds CP either wholesale or with targeted flexibility or adaptations, noting however that there remain areas for further consideration where best practice may need further development.

The other 10 of the 33 programmes are sustainability-linked CP programmes, linked to an issuer's performance based on sustainability KPIs or ESG ratings/scores which are consistent with the issuer's Sustainability-Linked Financing Framework or sustainability strategy. As with use-of-proceeds CP, the Sustainability-Linked Bond Principles are helpful for sustainability-linked CP, such as with the selection of KPIs, the calibration of sustainability performance targets, the structural characteristics of sustainability-linked bonds (in terms of financial and/or structural impact), reporting of performance of the KPIs and the verification of the issuer's performance against each sustainability performance target.

But while a number of clear observations emerged, further development of this market may be required so that more robust market practices may emerge, particularly when it comes to the financial penalties directly linked to the financial instrument, of the type which are typically seen in sustainability-linked bonds such as coupon step-ups payable to investors on failure to meet a target.

As the sustainable CP market continues to innovate, ICMA, along with the Taskforce members, will keep current recommendations and observations under review. In particular, over time, sustainability-linked CP's characteristics may evolve, requiring further guidance as to whether the SLB Principles could be utilised with possible adaptation, or as a starting point.

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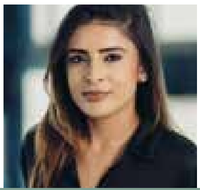
Secondary Markets

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







T+1 in the EU and UK, including future EU governance

ESMA's T+1 report

On 18 November 2024, ESMA published its report on the assessment of the shortening of the settlement cycle in the EU, following its call for evidence conducted at the end of 2023, and subsequent feedback report, released in March 2024.

In its final report, ESMA recommends that the EU should move to T+1 on 11 October 2027, which is in line with proposals put forward in the context of the UK move to T+1. This can be linked to a comment made by ESMA in its executive summary expressing the desire for a coordinated approach across Europe, which would be highly beneficial for market participants with pan-European operations and makes sense given the high level of interconnectedness between the EU, UK and other European markets.

The executive summary of the ESMA report rightly highlights that "shortening the settlement cycle in the EU will undoubtedly change the way in which markets function today, affecting all entities along the transaction and settlement chains, with different impact depending on the type of stakeholder, the category of transaction and the type of financial instrument." It furthermore stresses the need for "harmonisation, standardisation and modernisation". To manage this complex undertaking, ESMA stresses the need for an effective governance structure to be put in place to manage the project. This had already been highlighted earlier in the year, when ESMA, the European Commission and European Central Bank issued a high-level joint statement on 15 October 2024 announcing further steps towards T+1 and emphasising that "ESMA, in close coordination with national competent authorities, DG FISMA and the ECB's DG MIP have therefore agreed to establish a governance structure, incorporating the EU financial industry, as soon as possible to oversee and support the technical preparations of any future move to T+1."

Future EU governance structure

Since the issuance of the high-level joint statement and subsequent publication of the ESMA report, ESMA has held various meetings with ICMA and other trade associations forming part of the EU Cross Industry Taskforce, which had submitted its high-level roadmap for an EU move to T+1 to ESMA back in October. Most notably, there was an in-person meeting with ESMA on 10 December 2024, where the trade associations had the opportunity to present their input and ideas around the future governance structure to ESMA, following an earlier presentation of the framework from ESMA's side. Similar to the UK Accelerated Settlement Taskforce Technical Group and the EU Cross Industry Taskforce, the future EU governance structure will include an Industry Committee led by an Independent Chair, as well as several sub-groups reflecting the different areas of the market and parts of the settlement cycle (such as for example the areas of trading, matching/confirmations, clearing, settlement, asset management, funding & FX, securities financing, corporate events, and others) which are expected to conduct extensive work over the next months and years, to facilitate the transition.

On 16 December, ESMA appointed Giovanni Sabatini as the Independent Industry Chair of the future T+1 Industry Committee.

Next steps in the EU and UK

In terms of next steps, ICMA and other trade associations will discuss further details of the governance structure with ESMA and the newly appointed Chair over the next weeks to agree on the overall structure and working arrangements, ahead of the official launch meeting with ESMA, which is expected to take place in the week commencing 20 January 2025.

On the UK side, the final report of the UK Technical Group (TG) is expected to be released in January 2025, following publication of an earlier draft report with recommendations and consultation questions on 30 September 2024, to which ICMA responded via its ICMA T+1 Taskforce, by the deadline of 31 October 2024. The final Accelerated Settlement Taskforce report will include a number of amendments, taking into account consultation feedback and further discussions in the UK TG sub-groups. It will also include more detailed information about timelines, as well as a recommended date for the actual move to T+1 in the UK, which is expected to be 11 October 2027, in line with the date proposed by ESMA.

As acknowledged by ESMA, the move to T+1 in the EU will undoubtedly be a highly complex undertaking, considering the fragmentation of EU capital markets. This will be a challenge, especially on the fixed income side, given that – unlike in the US and UK – EU Government bonds are still trading on a T+2 basis. The scope of the EU move will therefore be significantly larger. Furthermore, it is important to note that the implications are by no means limited to the post-trade process, but that there will be broader impacts on bond market liquidity and the interconnectedness with the repo market which will all have to be carefully considered. ICMA is planning to stay at the forefront of all work that is needed to be conducted in this respect and, more broadly, will play an active part in the new EU governance structure, as well as in the further work of the UK's Accelerated Settlement Taskforce. Interested members who would like to get involved in the T+1 work going forward and are not yet participating in ICMA's designated T+1 Taskforce are very welcome to get in touch to join us in early 2025.

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Bond market transparency and consolidated tapes in the EU and UK

Background and recent consultations

Q4 2024 was a busy and very interesting period, with both ESMA and the FCA publishing their final proposals and next steps with respect to bond market transparency and bond consolidated tapes.

In the UK, in October 2024 the FCA published its policy statement 24/14 on *Improving Transparency in Bond and Derivatives Markets*, following its earlier corresponding consultation paper 23/32, launched in December 2023, to which ICMA responded in March 2024. On 3 December 2024, the FCA also published a concession notice relating to the UK bond consolidated tape provider (CTP) tender, which states that the UK bond CTP tender will be officially launched in January 2025.

In the EU, on 16 December 2024 ESMA published its reports with final proposals on bond market transparency and consolidated tape providers, following an extensive consultation period over the summer of 2024 when several larger MiFIR consultation packages were launched, including ESMA's MiFIR consultation package on non-equity transparency, RCB and reference data, to which ICMA responded on 28 August 2024 and ESMA's MiFIR consultation package on consolidated tape providers and DRSPs, to which ICMA also responded on 28 August 2024. Aside from submitting these individual responses, ICMA participated in several joint trade association statements on the MiFIR/D topics of RTS2, credit ratings and firms' order execution policies. (See also the article below on firms' order execution policies under MiFID II: ICMA response to ESMA consultation and joint letter.)

Final EU and UK proposals

With respect to the transparency regime and calibration of bond deferrals, the FCA, already in its initial proposal under consultation paper 23/32, took a granular approach when determining the groupings of bonds, and aimed for a balanced calibration of deferrals in each sub-category with respect to issue size and trade size thresholds. The final FCA proposal as per policy statement 24/14 then took on board the consultation feedback from market participants, including ICMA's response, and further refined the bond categories, for example by taking inflation linked bonds and STRIPS out of the most liquid sovereign issuer category. The FCA also increased certain issuance size thresholds and reduced trade size thresholds when applicable, to further optimise the calibration. Although there may be some parts left in the proposal which may need further monitoring, such as the addition of Spain to the most liquid sovereign issuer group and the application of a fairly large trade size range in a newly introduced two-week deferral bucket, ICMA members broadly welcomed the FCA's overall approach and final proposal. ICMA's statement on the FCA's publication of policy statement 24/14 can be found here.

In the EU, ESMA's initial proposal, which was to a large extent prescribed by the revised MiFIR/D Level 1 text already, looked very different, in that bonds were grouped into three broader classes (sovereign, corporate/convertible/other and covered bonds) without further distinction into sub-classes. As a result of adding together bonds with very different liquidity profiles and trading patterns, the calibration within those groupings looked naturally rather challenging. A detailed analysis of ESMA's original proposal can be found on page 31 of the ICMA Quarterly Report for the Third Quarter of 2024 as well as in greater detail in ICMA's response to ESMA's consultation.

Following feedback from ICMA and others, the recently published revised and final ESMA proposal involves several changes, with an attempt to refine the calibration and overall approach. As a result, the sovereign bond bucket is now split into two categories, with Group 1 being the group of the most liquid sovereign bonds: ie only sovereign bonds, where

(i) the issuer is either an EU Member State, the US, the UK, or the European Union itself; and (ii) the remaining time to maturity is up to and including 10 years; and (iii) the coupon is fixed. For this group, a high issuance size of EUR5 billion is used to distinguish between liquid and illiquid bonds. Group 2 then consists of the least liquid bonds (ie all other public bonds), and any sovereign bonds not included in Group 1. For this group, a lower issuance size of EUR1 billion is used to distinguish between liquid and illiquid bonds. The same approach has been taken when splitting further the grouping of corporate, convertible and other bonds, where the new two categories now are Group 3: IG corporate, convertible, and other bonds, denominated in EUR, USD, and GBP, and Group 4: all other IG corporate, convertible, and other bonds. Whereas the liquid/illiquid issuance size thresholds remain at EUR500 million for both categories here, the trade size thresholds have been revised to reflect the estimated Time-to-Trade out (ToT) – an approach suggested to ESMA by ICMA and other trade associations – and are hence now lower than in the original proposal. In the last categories of covered bonds, the trade size thresholds have also been reduced to reflect better the estimated ToT.

In summary, we note that ESMA has taken on board several suggestions submitted in the consultation responses from ICMA and others, such as calculating the average daily volume (ADV) as well as an effective ToT, and, to a limited degree, some further proposals such as differentiating between investment grade and high yield for credit, looking at time to maturity as a liquidity determinant, higher issuance size thresholds, as well as increased granularity in bond classification. ICMA's initial impression is that this is a net improvement on the original proposal, but it is definitely still different from the UK framework.

Timeline 2025 and next steps

Over the next few weeks, ICMA will conduct further analysis and retrofitting, as well as further work in comparing the two transparency regimes in detail. A diagram providing an overview of the two regimes can be found in the attached table. Please note that, in addition to the EU deferral regime as outlined above and in the diagram, the revised MIFID/R still includes a supplementary deferral regime for sovereign bonds of up to six months, at the discretion of national competent authorities (NCAs), who will have the option to apply an additional six-month deferral to the publication of trade volumes or to publish trades in aggregation (with disaggregation applying six months later).

In terms of timelines and next steps, ESMA launched the EU's CTP tender procedure on 3 January 2025; the FCA issued a concession notice in December 2024 indicating that it will publish draft tender documents by 31 January 2025. In both the EU and the UK, the aim is to appoint the winner of the tender and finalise the authorisation procedure by the end of 2025, with the CTPs due to start operations thereafter. In the UK, the new transparency regime will enter into force on 1 December 2025, whereas similarly in the EU the regime is expected to apply 20 days from entry into force (expected mid-2025). In summary, both regimes are expected to be implemented during 2025, before the CTPs go live. More details about CTP timelines can be found on the respective bond CTP webpages of the FCA and ESMA.

Looking ahead, 2025 will be another highly interesting year for bond market transparency in Europe, and ICMA plans to remain actively engaged in the process both in the EU and UK.

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Firms' order execution policies under MiFID II

On 16 October 2024, ICMA submitted its response to the ESMA consultation paper on the technical standards specifying the criteria for establishing and assessing the effectiveness of investment firms' order execution policies. ICMA's response highlighted three overarching concerns.

The first concern was that use of the consolidated tape (CT) data should not be mandatory, which seems to have been implied by ESMA's draft RTS in the consultation paper. This does not reflect the corresponding revised MiFID II Level 1 text which clearly does not introduce an obligation to make use of the consolidated tape data and instead in Recital 8 merely states that the consolidated tape data "can be used for proving best execution". In its response, ICMA therefore asked for specific wordings to be amended to clarify that the use of the consolidated tape will be optional, not mandatory, that the consolidated tape is not a preferred data set, and that firms can use alternative data sets if they wish to do so, regardless of whether a consolidated tape exists.

The second concern was that there are no clear benefits to clients from the proposed overly prescriptive requirements in the draft RTS, but that instead any upcoming increased compliance costs would ultimately be borne by the end-client. ICMA members are of the view that many of additional details have been proposed as requirements under the new RTS whose purpose is not clear to members.

Finally, the third concern was that the draft RTS scope does not consider the differences, or provide the necessary carve-outs, between client categories or asset classes, where appropriate. ESMA's proposals generally appear to be targeted towards retail investors and as such may not be appropriate for wholesale investors, who might have a different understanding of the market and may not need the same level of protection and disclosure as retail clients. The concern is that, as a result, some of the proposals may not be appropriate or beneficial for wholesale investors and could in fact make order execution policies more complicated and difficult to read.

Following the submission of ICMA's individual response, discussions with other trade associations took place and as a result, on 21 November, a trade associations' joint letter on ESMA's consultation on firms' order execution policies under MiFID II was submitted to ESMA to reinforce the shared position on these matters. In addition to the three overarching concerns, another point highlighted in the joint letter was that a more proportionate way to address the shortcomings ESMA has observed would be to codify existing available material, such as existing Level 2 rules (which can be found in different legal sources), into the new draft RTS. Subsequent to the submission of the letter and as suggested by the trade associations, a virtual meeting with ESMA took place on 10 December where further details were explained and discussed. Following the meeting, ICMA will think about further steps and dialogue with the EU authorities in the New Year. The final ESMA proposal is expected to be released by March 2025.

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EU CSDR settlement discipline

ESMA's final report on cash penalties: On 19 November 2024, ESMA published its *Final Report with Technical Advice on CSDR Cash Penalties*. Contrary to some substantive, and even alarming, revisions originally floated by ESMA and the European Commission, the final report refrains from any fundamental changes to the penalties methodology (such as progressive rates) and proposes a relatively modest increase in rates across all asset classes, including for SSA and non-SSA bonds. ICMA is pleased that many of its arguments and analysis shared with ESMA and other stakeholders earlier in 2024 helped result in a largely balanced and proportionate outcome.

ESMA's ongoing work on CSDR Level 2: While the CSDR Refit itself entered into force in January 2024, the work on this file is far from over. The law contains several mandates for ESMA to prepare more specific complementary rules, including the Level 2 Technical Standards as well as further Level 3 Guidance. As part of this process, ESMA already consulted on Technical Advice on the scope of CSDR settlement discipline (see ICMA's consultation response submitted on 9 September). Important further consultations are expected to be launched in 2025, covering other settlement efficiency tools such as auto-partialling, and eventually also more specific rules around the highly contentious mandatory buy-ins, which were maintained as a last resort measure under CSDR Refit. These consultations will be important also in the context of the EU move to T+1.

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Pre-hedging: IOSCO consultation

In November 2024, IOSCO published its consultation report on pre-hedging, inviting feedback on its recommendations relating to pre-hedging practices, following an earlier IOSCO survey of market participants conducted in December 2023.

The report assesses potential conduct and market integrity issues associated with the practice of pre-hedging and identifies any potential issues and gaps in market standards. It furthermore suggests a definition of pre-hedging as well as a list of recommendations as guidance for regulators and invites market participants to provide feedback on these proposals by 21 February 2025.

Further to feedback received on the consultation report, IOSCO will thereafter publish a final set of recommendations. IOSCO highlights that the proposed definition and recommendations as guidance in this report "seek to build on the work of ESMA, as well as on the existing guidance of the FX Global Code, the Global Precious Metals Code, and Financial Markets Standards Board to facilitate international regulatory alignment through the proposed recommendations."

ICMA is currently seeking interest from members of its Secondary Market Practices Committee to provide a response to this important topic and will announce further steps to forming the response during January 2025.

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ICMA's Electronic Trading Working Group

Background: The Electronic Trading Council (ETC) was originally established as a member forum, under the umbrella of the ICMA Secondary Market Practices Committee (SMPC), with the aim of focusing specifically on the rapidly evolving impact of electronification on the secondary bond markets. At the time, this new forum was given "council" status to represent the intended diversity of engagement and to recognise the fact that it was broader than a technical working group. In 2023, a consensus was reached amongst the ETC's members that, whilst much of the ETC's focus naturally fits into the remit and agenda of the SMPC, it should nonetheless continue to exist as a separate, specialist forum, as part of ICMA's secondary market constituency, albeit in the form of a technical working group rather than a council. This revised structure has enabled the Electronic Trading Working Group (ETWG) to be issue- and output-driven and provide a higher degree of agility and focus on present technical, e-trading and data-related issues that would be too granular for the SMPC and FinAC, or regulatory working groups.

Outcome and next steps: The Electronic Trading Working Group (ETWG) had two meetings in 2024. The first meeting was held on 30 September with an aim to introduce key initiatives on ICMA projects and regulatory topics of relevance and discussing potential deliverables to work on within the ETWG over the next months. The second meeting was held on 19 November to look further into innovation in bond markets and competitiveness between different regions. This included the discussion of topics around bond market transparency and the comparison between EU and UK regimes as well as recent trends in electronification and trading protocols.

In terms of next steps, ICMA is looking to gather and present further findings with the help of member input. The next meeting is planned for Q1 2025.

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European secondary market data report H1 2024

ICMA's European secondary market data report for 2024 has taken on a different and improved shape, thanks to readers' feedback and inputs. First of all, the report is now issued in two separate editions: a sovereign edition and a corporate edition. Secondly, we now present the data at an aggregated level first and then break it down by the jurisdiction of trade to highlight any differences in market dynamics between the EU and the UK. Thirdly, we are grateful to ICE Fixed Income Data Services for supplying us with reference data which is used to augment the MiFID reporting data that ICMA collates for the reports using Propellant Digital software. This has enabled ICMA to expand the report, which now includes analysis on topics previously not covered such as country of residence, sectors, and ratings.

In H1 2024, the EUR equivalent notional traded grew by 17.1% for sovereign bonds and 8.7% for corporate bonds compared to H1 2023. The number of total transactions rose even more: 17.2% for sovereign bonds and 11% for corporate bonds. As trade counts have consistently grown at a faster rate quarter-on-quarter compared to notional traded, average trade sizes have followed a negative trajectory.

The average trade size for sovereign bonds in the first quarter of 2022 equated to €6.3 million and decreased to €5.2 million by the second quarter of 2024. Likewise, the average corporate bond size equated to €968,000 in the first quarter of 2022 and decreased to €816,000 by the second quarter of 2024. Figure 1 below shows notional traded and trade count indexed to base 100 from Q1 2022 and Figure 2 shows average trade sizes.

Figure 1: Notional traded and trade count

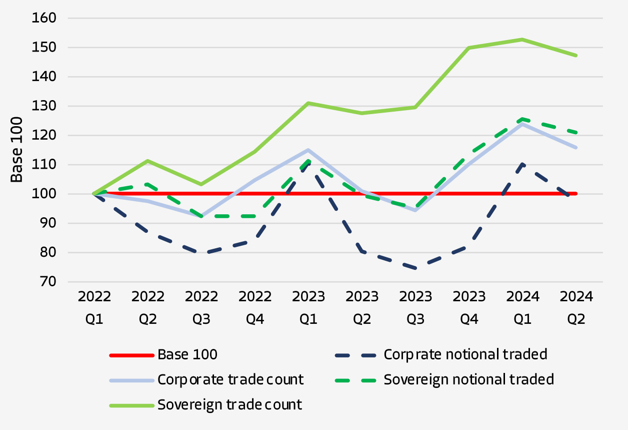
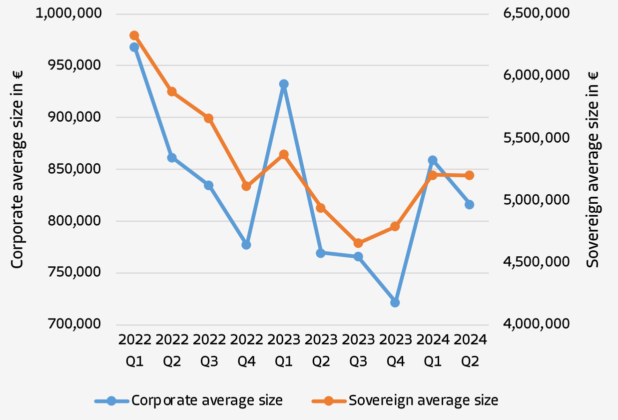


Figure 2: Average trade sizes



The reports analyse average and median trade sizes by currency, issuer country, sector, and other metrics. In all cases, when disaggregating the data by the jurisdiction of trade, we observe that average and median trade sizes are typically higher in the UK, for both sovereign and corporate bonds, whilst lower average sizes appear in the EU.

The EUR remains the most traded currency both in terms of notional and trade count. Overall, this accounts for 53% of notional traded and 52% of trades for sovereign bonds whilst for corporate bonds it represents 64% of notional traded and 62% of trade count. The second most traded currency is USD for both sovereign and corporate bonds. Regional differences do however emerge. In the UK, the percentage share of USD notional and trades (for both sovereign and corporate) is higher compared to the EU, where trades are predominantly executed in EUR (circa three quarters).

From a sovereign perspective, notional traded in UK-issued debt rose by 91% in H1 2024 compared to H1 2022, while Italian-issued debt exhibited a 60% increase, raising its market share from 17% to 23.5%. The big six issuers[1] represent 93% of sovereign volumes. Corporate bonds, by contrast, show more diversity with the big six issuers only accounting for 55% of volumes. For corporate bonds, almost half of the volumes and trades are executed on bonds issued by the financial sector. Consumer discretionary and industrials follow but with shares that are significantly lower. For both sovereigns and corporates, circa three-quarters of notional traded and trade count is represented by bonds labelled investment grade (IG).

In these editions of the European secondary market data report, we have also included a tenor analysis. The five-year and 10-year tenors are the most traded sovereign tenors both in terms of notional and trade count. Bonds with these maturity profiles account for 27% of notional traded and 26% of trades. This result is expected, as these are common reference tenors. The two-year, one-year and three-year tenors follow, which collectively make up 27% of notional traded and 27% of transaction count. Overall trading activity is mainly concentrated in tenors equal to or less than 10 years. For corporate bonds, the 10-year tenor only represents 5.1% of notional and 4.1% of trades. The most traded tenor is the five-year with 11.4% of both notional and trade count. More than half of the total notional and trade count is represented by bonds with tenors of less than six years.

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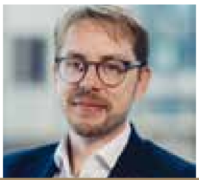
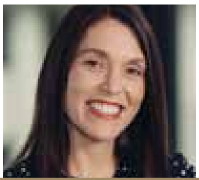
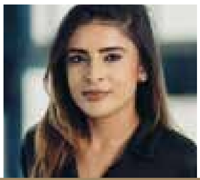
1. The US, UK, Italy, France, Germany and Spain.

Repo and Collateral Markets

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



ICMA's ERCC and GRCF

ERCC AGM 2024: On 15 November, ICMA European Repo and Collateral Council (ERCC) members gathered in Brussels for the 2024 ERCC AGM, kindly hosted by Euroclear straight after the end of their annual Collateral Conference in the Square Convention Centre. The two-hour AGM session started with welcome remarks from Andy Hill, ICMA's Co-Head of MPRP, who also moderated a panel discussion with three distinguished members of the ERCC Committee, Thomas Hansen, Banco Santander and ERCC Vice-Chair, Charlie Badran, AXA IM, and Arne Theia, UniCredit, who exchanged views on current repo market conditions and looked ahead to the next months. Following on from the panel, Godfried De Vidts, Senior Adviser to the ERCC, sat down with Sebastijan Hrovatin, Deputy Head of Unit at the European Commission, for a fireside chat, focusing on the regulator's perspective on repo and the latest related developments. To conclude the AGM, Alexander Westphal, ERCC Secretary, moderated a final panel session with the ICMA repo team to review key topics and initiatives in 2024, including the results of the latest European Repo Market Survey (see below), the latest updates on prudential regulation, important post-trade developments, including T+1, SFTR, as well as the latest legal updates and initiatives. Further details, including presentation slides are available here.

ERCC Committee meeting: On the day before the ERCC AGM, the ERCC Committee held its sixth and final meeting of 2024 in Brussels, hosted by Euroclear. During the meeting, members exchanged views on current repo market conditions and continued prior discussions on repo clearing. The meeting also provided an opportunity to follow up previous discussions on the ERCC governance framework and related educational offering. Prior to the Brussels meeting, the ERCC Committee came together on 2 October in Paris for a meeting with ESMA to discuss repo clearing, including the direct implications from the US move to mandatory clearing for US Treasuries (see related thought leadership article) but also to review the state of repo clearing more generally.

*ERCC Committee elections 2025***:** The ERCC Committee is elected on an annual basis by all ERCC member firms. As in previous years, the election process began in early December, with an e-mail addressed to the named repo contacts of all ERCC member firms calling for candidates to stand in the election for the now 20 seats on the Committee. By the deadline on 8 January, 27 candidates were nominated to stand in the (electronic) election, which is due to be held in the second half of January.

GRCF meetings: The Global Repo and Collateral Forum (GRCF) continues to hold virtual meetings on a quarterly basis. The latest meeting was held on 8 October, covering a wide range of topics from regional repo market developments across Europe, Asia, MENA and Africa, to some of the global themes that are affecting repo market participants worldwide, including important legal developments and initiatives around the GMRA. The next GRCF meeting is scheduled for 22 January 2025, and the group remains open to all ICMA members interested in global repo market developments. Please reach out to grcf@icmagroup.org to join the GRCF distribution list.

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Treatment of reverse repos under NSFR

As discussed in previous Quarterly Reports, ICMA continues to engage with regulators and policy makers to raise concerns related to the recalibration of the Net Stable Funding Ratio (NSFR) Required Stable Funding (RSF) factors for short-term securities financing transactions that is due to be applied in the EU in June 2025. As currently written in CRR II, from the end of June 2025 the RSF factors for reverse repos are set to revert to the BCBS levels of 10% and 15% for transactions with a term of less than six months that are secured by Level 1 HQLA and non-Level 1 HQLA collateral respectively (moving from the current levels of 0% and 5%).

In May 2024, ICMA, with the support of the ERCC Prudential Working Group, published a *Briefing Note* which attempts to quantify the impacts for EU headquartered banks, both in terms of the aggregate annual cost to support reverse repo activity as well as the proportion of fixed income market making that would be affected. It also points to other jurisdictions that are not implementing a similar recalibration, thereby putting EU banks at a competitive disadvantage. These concerns are not new and had been highlighted previously, for example in a detailed 2016 *ERCC Briefing Note* on the potential NSFR impacts on repo.

There is a hope that the EU co-legislators may be inclined to revise the existing CRR II text to maintain the RSF factors at current levels, in line with other jurisdictions. However, given that the new Commission is still being formed, it would seem unlikely that the legislative process required to do this could be completed by June 2025. While the EBA, in its January 2024 report, suggests that impacted EU banks already have sufficient NSFR buffers to absorb the additional term funding that the RSF increases will require, this does not take into account the fact that banks largely set their buffers based on peer metrics, and do not run them at the required minimum thresholds. Accordingly, EU headquartered banks may find themselves having to increase their funding to support their repo and market making activities in the coming months.

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Repo financing framework: Bank of England consultation

On 9 December 2024, the Bank of England published a discussion paper on the Bank's transition to a repo-led, demand-driven operating framework, including proposals to recalibrate the Indexed Long-Term Repo (ILTR) operations in line with its expanded role.

The primary aim of the discussion paper is to set out to market participants how it is envisaged that the overall demand-driven, repo-led framework for supplying reserves will operate, and to seek feedback on its calibration as the Bank continues its monetary policy transition. This includes not only the Short-Term Repo (STR) operations and ILTR, but also the wider suit of Sterling Monetary Framework (SMF) facilities, both bilateral and market-wide, which are all "open for business", and the Bank encourages users to think of them holistically.

Importantly, the ILTR will play a greater role than it has in the past. The ILTR will, alongside the STR, supply the majority of the stock of reserves to meet the system's liquidity needs. The ILTR's parameters need to adapt to this evolving role, and one key purpose for the discussion paper is to set out those revised parameters.

The deadline for providing feedback is 31 January 2025. ICMA, through the ERCC, intends to respond to the discussion paper.

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Repo transaction reporting

UK SFTR validation rules: In August 2023, the FCA published its updated validation rules under UK SFTR. After a long transition period, the rules went live on 24 November 2024. In this context, ICMA and ISLA had raised a number of queries with the FCA, including a specific issue related to the reporting of certain collateral fields. Based on a call with the FCA, ICMA and ISLA submitted a joint proposal for reporting those fields which would involve some clarifications in the validation rules for consideration. The call with the FCA was also an opportunity to raise several other open questions.

SFTR review: Looking further ahead, ESMA is expected to launch the process for reviewing SFTR, potentially in 2025. In order to get a head start, ICMA is currently reviewing its long list of SFTR issues that have been tracked with members over the years, putting together suggestions for possible fixes across Level 1, the law itself, as well as Levels 2 and 3. This work is being done jointly with ISLA with the intention to present some proposals to ESMA and the FCA early in 2025.

MiFIR transaction reporting and SFTs: On 3 October 2024, ESMA published a review of the RTS related to MiFIR transaction reporting for consultation. This is an opportunity for ICMA to reiterate long-standing concerns around the inclusion of certain SFTs in the scope of MiFIR reporting, namely transactions with EU central banks, which had been exempted from SFTR reporting. The consultation deadline was initially 3 January 2025 but has been extended to 17 January 2025. The ERCC will respond by reiterating its previous concerns and advocating an exclusion of all SFTs from MiFIR reporting, consistent with the approach taken by SFTR.

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ICMA's 47th European Repo Market Survey

On 12 November 2024, the ERCC released the results of its 47th semi-annual survey of the European repo market. The results are based on survey responses received from 61 participating banks, representing the most significant players in the European repo market, and provides a snapshot of the market on the survey date (12 June 2024). The size of the survey in terms of the value of outstanding repo transactions grew 7.1% year-on-year to a new record of EUR11,114 billion. Growth was faster than in the previous survey in December 2023, but the trend is still one of deceleration. This is more apparent after adjusting for changes in the composition of the survey sample, which lowered growth rates to +1.7% since December 2023 and +4.9% year-on-year. A summary of the key findings.

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A ICMA Guide to the Australian Repo Market

On 30 October 2024, ICMA published the latest chapter in its series on domestic repo markets across the APAC region: *ICMA's Guide to the Australian Repo Market*. The latest guide provides a timely and comprehensive overview of the burgeoning Australian repo market, at a time of transition in that market, highlighting recent developments and describing the structure and operation of the market, its infrastructure, types of collateral and counterparties, and the legal and regulatory framework. This is the seventh in the series of reports on APAC repo markets that ICMA is publishing as part of its continued commitment to promoting the development of repo markets around the world. Guides to domestic repo markets in China, Japan, Indonesia, the Philippines, South Korea and Vietnam, were published in 2022 and 2023 and are available here (ICMA member login required). The Australian repo guide has been sponsored by the Commonwealth Bank of Australia (open access).

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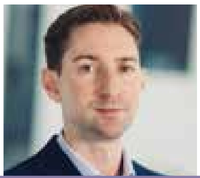
Sustainable Finance

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







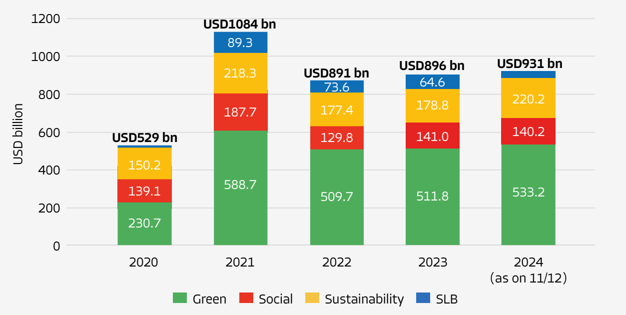
Summary

We underline the robust issuance volumes of the sustainable bond market in 2024, while confirming the 2025 objectives of the Working Groups and Taskforces of the Executive Committee of the Principles. We report on the ICMA & JSDA Sustainable Bond Conference in Tokyo in November 2024 where, as we announced, the 2025 Annual Conference of the Principles will also take place. We summarise and review the outcomes of the 2024 COP meetings. We explain the recent ESMA advice on the treatment of sustainable bonds under its ESG fund naming guidelines, which is in line with ICMA's recommendations. We otherwise summarise important regulatory developments internationally. Finally, ICMA's recent publication on *The Role of Commercial Paper in the Sustainable Finance Market* is covered in the Primary Markets section of this Quarterly Report.

Sustainable bond market update

As of 12 December 2024, sustainable bond issuance reached USD931 billion, marking a 6% increase compared to the same period in 2023 and representing 12% of the overall bond market. SSA issuance accounted for 46% of total sustainable bond issuance, followed by corporates at 28% and financials at 26%, reflecting a breakdown consistent with previous years.

Global sustainable bond issuance per category (USD billion)



Source: ICMA based on LGX DataHub and Bloomberg data as of 12 December 2024

Green bond issuance surpassed USD533 billion, reflecting a 6% year-on-year increase. Notable transactions include Achmea Bank's inaugural green bond sale, EUR500 million 3-year. and Iliad S.A., a French telecommunications company, issuing its first green bond, EUR500 million 5-year. In addition, following the merger of Smurfit Kappa and Westrock, Smurfit Westrock completed its debut green bond issuance comprising USD850 million 11-year and EUR600 million 8-year notes. Furthermore, Saur, a French water management company, issued its inaugural blue bond, EUR500 million, marking the first of its kind in the water sector.

Social bond issuance exceeded USD140 billion, maintaining a similar volume to 2023. The Hong Kong Mortgage Corporation issued a four-tranche, triple-currency (HKD, CNH, USD) social bond equivalent to USD3 billion, representing the largest social bond issuance in the Asia-Pacific region.

Sustainability bond issuance reached USD220 billion, surpassing the previous record of USD218 billion set in 2021. Sustainability bond issuance expanded the most compared to other sustainable bond types, a 27% increase year-on-year. Philippines National Bank entered the sustainable bond market with the issuance of its first sustainability bond, USD300 million 5-year.

Sustainability-linked bond (SLB) issuance totalled USD38 billion, marking a 41% year-on-year decline. Thailand became the third sovereign issuer of SLBs, following Chile and Uruguay, with a THB30 billion (USD880 million) 15-year transaction.

Working Groups and Taskforces of the Principles

In the previous edition of the ICMA Quarterly Report, we announced the list of Working Groups and Taskforces established by the Executive Committee of the Principles for 2024/2025. Since then, the Executive Committee approved the objectives of each group (see below) and appointed the coordinators among its members. The detailed terms of reference can be found on ICMA's website. A call for interest was sent to the members and observers of the Principles. Registrations are now closed and the kick-off meetings of each group were held during the months of November and December 2024.

- *Climate Transition Finance WG*: The Working Group will prioritize the development of additional market guidance based, among others, on a mapping of transition finance projects and existing official or market guidelines. This work will also help identify any necessary updates to the Climate Transition Finance Handbook (CTFH) and other relevant existing Principles guidance.
- *Impact Reporting WG:* The objective of the Working Group is to continue to develop guidance that supports the reporting process (for green and social projects) and facilitates the interpretation of reporting data.
- *Sustainability-Linked Bonds WG:* The intention of the Working Group is to monitor market developments in the SLB market and further refine and update market guidance where necessary. The Working Group will continue to feed the KPI registry on additional themes.
- *Green Enabling Projects TF:* The intention of the Taskforce is to build upon the related Green Enabling Guidance Document to progressively provide greater clarity on its application to several sectors, including those already included in it. The Taskforce will also monitor the use of the Guidance Document in sustainable bond transactions, as well as potential feedback received, and evaluate if updated guidance or additional Q&A are needed.
- *Sustainability-Linked Loans Refinancing Bonds TF:* The Taskforce will propose Q&As based on market development and monitor activity, including a review of any Sustainability-Linked Loan Bond transactions.

The joint Taskforce with the ICMA FinTech Advisory Committee on Sustainable Finance and FinTech & Digitalisation has started collecting feedback from its members and will communicate its objectives and roadmap in early 2025.

Applications for the Advisory Council 2025 were open until 10 January 2025. All members and observers of the Principles were eligible to apply.

Joint ICMA & JSDA Sustainable Bond Conference in Tokyo in November 2024

ICMA announces 2025 Annual Conference of the Principles in Tokyo

The 8th edition of the ICMA & JSDA Annual Sustainable Bond Conference, entitled *Enabling Sustainable Society/Economy-Wide Transition Through Sustainable Bonds*, took place in Tokyo and on-line on 22 November 2024. Supported by lead sponsors BNP Paribas, Mizuho and S&P Global Ratings, the flagship conference, now in its 8th year, is one of the region's leading sustainable finance events.

The event took stock of the progress made in transition finance both globally and in Japan. It also discussed other emerging themes, including financing the social aspect in the context of broader sustainability strategies of issuers. Morita Toshio, Chairman and CEO of the JSDA, provided a welcome to delegates attending both in-person and on-line. The welcome was followed by introductory remarks from Ito Hideki, Commissioner, Financial Services Agency, Japan (JFSA).

The first panel delved into the market development and standards of transition finance, featuring BNP Paribas' Head of Sustainable Capital Markets, Global Markets APAC, Chaoni Huang; Morishita Osamu, Head of Sustainability Promotion at Mizuho; Hideki Takada, Director at the GX Acceleration Agency, and Sato Nobuki, Director of Debt Management Policy Division, Financial Bureau at the Ministry of Finance, Japan. The panel was moderated by Reiko Hayashi, Director and Deputy President, Bank of America Securities Japan Co., Ltd. and member of the ICMA Board.

Ulf G. Erlandsson, CEO and Founder of the Anthropocene Fixed Income Institute, delivered the day's first keynote on how the Japanese bond market could pioneer a new transition financing form. ICMA's Head of Asia Pacific Mushtaq Kapasi then led a leadership dialogue with the Securities and Futures Commission (SFC)'s Mike Duignan, Muhammad Hakim Abdul Hamid of the Securities Commission Malaysia, Onitsuka Takako of the Government of Japan's Ministry of Economy, Trade and Industry and Pradeep Ramakrishnan of the International Financial Services Centres Authority of India.

The panel was followed by a guest speech from Eugene Wong, CEO of the Sustainable Finance Institute Asia on the need to prioritise action over waiting for perfect solutions to climate change. ICMA's Deputy CEO and Head of Sustainable Finance Nicholas Pfaff reinforced this message while also highlighting recent guidance from the Principles during the ensuing panel on market best practices, featuring Bertrand Jabouley of S&P Global Ratings, Kawana Kyosuke of Kureha Corporation, Romain Munera of Amundi and Taira Kosaku of Ministry of the Environment, Japan.

Adam Ng, Regional Lead for Asia Pacific at WWF Greening Financial Regulation Initiative, then delivered his keynote, *Rediscovering Our Hidden Gem Through Scaling Nature Positive Investment*, focused on biodiversity-linked financial products.

Moderator Ota Tamami from Daiwa Institute of Research chaired the day's final panel discussion, a spotlight on stakeholder code of conduct and initiatives for ESG evaluation and data utilisation. Panellists were Satoshi Ikeda of Financial Services Agency, Japan (JFSA), Japan Credit Rating Agency, Ltd., Kajiwara Atsuko and Uchi Seiichiro of Invesco Ltd.
The closing keynote was delivered by Tsutsui Yoshinobu, Chairperson of GX Acceleration Agency. Nicholas Pfaff wrapped up proceedings with a summary of the day and lessons to carry forward, as well as *the announcement that the 2025 Conference of the Principles will take place in Tokyo* (dates and details to be announced soon on ICMA's website).

Overview of COP29 and the Convention on Biological Diversity (COP16)

In Q4 2024, three Conferences of the Parties (COP) took place: COP16 (21 October-1 November), COP29 (11–22 November) and another COP16 (2-13 December). All of them had been launched during the Rio Summit in 1992 as part of three different Rio Conventions:

- United Nations Framework Convention on Climate Change (UNFCCC): addresses climate change. This is the most well-known and takes place every year.
- Convention on Biological Diversity (CBD): addresses biodiversity loss; and takes place every two years.
- United Nations Convention to Combat Desertification (UNCCD): addresses land degradation; and also takes place every two years.

COP29 in Baku

COP29 took place in Baku, Azerbaijan, a location which was the subject of controversy. Disappointingly, COP29 was not able to further elaborate on how to "transition away from fossil fuels" which had been a key pledge made at the previous COP in Dubai. Like other climate COPs, one of the main goals was to agree on an increase in climate finance to developing countries, where some progress was made.

After two weeks of negotiations, it was agreed to "triple finance to developing countries, from the previous goal of USD100 billion annually, to USD300 billion annually by 2035". This was short of the USD1.3 trillion reportedly needed by developing countries to move to a low-carbon economy and spend money on required adaptation, which was only reflected in the second part of the agreement to "secure efforts of all actors to work together to scale up finance to developing countries, from public and private sources, to the amount of USD1.3 trillion per year by 2035". Arguably, the fact that what counts as a "developing country" is still based on the year 1992 is questionable and led to discussions about, for example, China's and India's status.

The agreement does not specify what form the money would take. Ideally, developing countries would like to receive the funds in the form of grants or low-interest loans. However, in practice, most of the money will have to come from the private sector in developed countries which, among others, could mobilise funds through sustainable bond issuance. Other than from public and private sources in general, in the future contributions could also be raised through levies imposed on the shipping, aviation, and fossil fuel industries.

In the context of integrity concerns relating to voluntary carbon markets, progress on Article 6 of the Paris Agreement (PA) was welcomed by parts of the market. More concretely, at COP29, after years of deadlock, some decisions were made regarding operationalisation of Articles 6.2 and 6.4, which some hope could lead to a functioning carbon market in the near future.

Article 6.1 states: "Parties recognize that some Parties choose to pursue voluntary cooperation in the implementation of their nationally determined contributions to allow for higher ambition in their mitigation and adaptation actions …". This implies that the PA allows one country to transfer its emission reductions to another. However, Article 6.2 stipulates that a cooperative approach involving internationally transferred mitigation outcomes (ITMOs) towards nationally determined contributions shall apply robust accounting to avoid double counting (see also Article 6.2 reference manual).

The agreement reached at COP29 which provides more details on the authorisation of ITMOs and governance processes, including reporting by participating countries, paves the way for more deals like the one Switzerland made with Thailand in early 2024. (There have been others before but not for NDC use). This was considered important as it was the last COP before the next update on countries' Nationally Determined Contributions (NDCs) is due in time for COP30.

Otherwise, Article 6.4 established "a mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development …". At COP29 two new standards were acknowledged providing guidance for the creation of new methodologies (including carbon removals) under Article 6.4, now identified as the Paris Agreement Crediting Mechanism (PACM). Several fundamental elements remain unresolved, however, and must be developed in the aftermath of COP29 before PACM becomes fully operational.

COP29 did not see as many announcements on market initiatives as previous COPs. One that we took note of at ICMA was the launch of the International Transition Plan Network (ITPN) to advance global norms for private sector transition plans.

COP16 meetings in Cali and Riyadh

The Convention on Biological Diversity (CBD), also known as COP16, took place in Cali, Colombia. It was the first conference after the Kunming-Montreal Global Biodiversity Framework (GBF), which can be seen as the equivalent to the Paris Agreement on biodiversity, was adopted at COP15. One of the biggest successes of COP16 was the establishment of a fund for digital sequence information (DSI). DSI data which are accessible via open-source platforms are typically used by the agriculture, pharma and consumer product sectors. The decision on the "Cali Fund" states that companies using DSI from genetic biodiversity resources in their products should pay a portion of their profits or revenues into the fund. Disbursement details are still being finalised, but it has been agreed that 50% of the fund will be allocated to indigenous peoples and local communities, either directly or through governments. This will enable these communities, including women and youth, to finally share in the profits.

While some agreements were reached at COP16, meetings will have to resume in Rome, Italy, in February 2025. A key focus of the resumed session is the development of a new resource mobilisation strategy aimed at securing USD200 billion annually by 2030 from all funding sources for biodiversity initiatives, while also cutting harmful incentives by at least USD500 billion per year within the same timeframe.

The other COP16, which took place in Riyadh, Saudi Arabia, was dominated by negotiations on a global drought regime which was achieved through the announcement of the Riyadh Global Drought Resilience Partnership, which will leverage public and private finance to support 80 of the most vulnerable and drought-hit countries around the world.

S ESMA clarifications on ESG-related fund naming guidelines

On 13 December 2024, ESMA released important Q&As regarding specific aspects of the practical application of the *Guidelines on Funds' Names* using ESG or sustainability-related terms. As a reminder, please find in the table below an overview of the key content of the Guidelines:

Name categories	Examples (non-exhaustive)	Specific recommendations	Recommendations for all name categories
Funds using transition-, social-, governance-related terms	"transition", "improve", "progress", "evolution", "transformation, "net-zero"	• Application of CTB exclusions[1] • **Funds using transition-related terms** should ensure that investments are on a clear and measurable path to social or environmental transition	Minimum 80% of investments used to meet Environmental or Social characteristics or Sustainable Investment objectives in accordance with binding elements of the investment strategy.
Funds using environmental- or impact-related terms	"green", "environmental", "climate", "ESG", "SRI"	• Application of PAB exclusions[2] • **Funds using impact-related terms** should ensure that investments are made with the objective to generate a positive and measurable impact alongside a financial return	
Funds using sustainability-related terms	"sustainable", "sustainably", "sustainability"	• Application of PAB exclusions • Commitment to **"invest meaningfully in Sustainable Investments"** as per SFDR	

PAB exclusions apply at the project and financed activity level

Most notably, ESMA has now clarified that use-of-proceeds (UoP) bond investments in funds using environmental (eg "green") impact, or sustainability-related names, should apply the Paris-Aligned Benchmark (PAB) exclusions (PAB Art. 12 a/b and d-g) at the project and financed activity(ies) level rather than at entity level. Violations of the UN Global Compact and the OECD Guidelines for Multinational Enterprises remain to be considered at entity-level.

Concretely, this means that, unless proceeds of such instruments finance controversial weapons, some tobacco or fossil-fuel related activities, or electricity generation projects with a GHG intensity above 100gCOe/kWh, asset managers will not have to divest from green bond investments because of an issuer's legacy business or be forced to change their funds' names. Furthermore, green bonds to be issued in line with the EU Green Bond Standard are totally exempt from the application of PAB exclusions.

ICMA greatly welcomes this clarification as it provides major relief to both asset managers and issuers, notably those from utilities and energy sectors that are issuing green bonds to finance their transition. In June 2024, ICMA had published a letter to express its concerns on the application of entity-level PAB exclusions to UoP bond investments. Over the summer period, we had further exchanged with our members and stakeholders and consequently argued that through interpretative Q&A guidance ESMA could confirm that the PAB exclusions should be considered at project level for use-of-proceeds bonds and dynamically for high quality SLBs. The Q&A clarification provided by ESMA accordingly accommodates our primary request.

Interpretation of "meaningful" sustainable investments and exclusion of controversial weapons

ESMA further clarified that for funds using sustainability-related names, national competent authorities (NCAs) should carry out a case-by-case analysis of how any sustainability-related term is used in the name of a fund. NCAs may find that investment funds with "sustainable" terms in their names investing less than 50% of the proportion of investments in sustainable investments are not "meaningfully investing in sustainable investments". That amount can be higher, subject to the circumstances of the case. As background, in a report of June 2024, Morningstar had found that 41% of 1043 funds with "sustainability" or "sustainable" names contain over 50% of sustainable investment.

1. The CTB exclusions apply to companies involved in activities related to controversial weapons and tobacco cultivation and production, and those in violation of UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises.

2. The PAB exclusions are more comprehensive, and they cover, on top of the CTB exclusions, companies with fossil fuel revenues above certain prescribed thresholds (1% > coal-related activities; 10% > oil fuels; 50% > gaseous fuels) and those that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 gCO2e/kWh, such as utilities.

Lastly, ESMA indicated that, for the application of exclusions related to the involvement in "controversial weapons", in the absence of any other clarification in the Climate Benchmarks Delegated Regulation, NCAs may refer to the list of controversial weapons provided in indicator 14 of Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288, namely "anti-personnel mines, cluster munitions, chemical weapons and biological weapons".

Other regulatory developments

In October 2024, the ASEAN Capital Markets Forum released an updated version of its transition finance guidance following a stakeholder consultation. It incorporates additional guidance notably on different types and application of transition finance to help unify terminology and reference pathways for companies and the financial sector when setting or assessing transition plans. ICMA has been a member of the ACMF Industry Advisory Panel Transition Working Group since 2021.

The Thailand Taxonomy Board (TTB) also announced the start of the public consultation on the draft Thailand Taxonomy Phase 2, running from 28 October 2024 to 10 January 2025. The Thailand Taxonomy Phase 1 was released on 30 June of last year and is expanded by Phase 2 to cover four new economic sectors: (i) agriculture, (ii) buildings and real estate, (iii) manufacturing and (iv) waste management.

ESMA launched that month a consultation on draft technical advice under the EU Prospectus Regulation and a call for evidence on Prospectus Liability. Among other things, ESMA proposed the introduction of a dedicated ESG annex (see here pages 105-109) which provides mandatory disclosure requirements for non-equity securities advertised as taking into account ESG factors or pursuing ESG objectives, including green bonds and SLBs. ICMA responded to the consultation on 20 December 2024. (See the Primary Markets section of this Quarterly Report.)

In November 2024, the International Platform on Sustainable Finance (IPSF) presented the Multi-Jurisdiction Common Ground Taxonomy (M-CGT), which is a comparison of the sustainable finance taxonomies of China, the EU and Singapore. While legally not binding, the M-CGT aims to serve as a useful reference for market participants, especially for cross-border investments in green bonds and funds. The M-CGT analysed and mapped a total of 110 activities across eight focus sectors (vs. 72 activities in the previous EU-China Common Ground Taxonomy). For 60% of activities identified as common across China, EU and Singapore taxonomies, the M-CGT relies on the most stringent criteria, while for 33% of common activities, alignment with any of these three taxonomies is accepted due to lack of comparability.

The European Commission also published a new set of frequently asked questions (FAQ) which covers *inter alia* the application of general taxonomy requirements, technical screening criteria for specific activities, DNSH criteria, and clarification regarding the reporting obligations. All FAQs so far published for the implementation of the EU Taxonomy can be found here. The European Financial Reporting Advisory Group (EFRAG), which is developing the technical European Sustainability Reporting Standards (ESRS) for the implementation of the Corporate Sustainability Reporting Directive (CSRD), published an early implementation draft to help assist entities regarding transition plan reporting.

The UK Government opened a consultation seeking views on whether a UK Green Taxonomy would be additional and complementary to existing sustainable finance policies, including in supporting market participants to make sustainable investment decisions, and the specific market and regulatory use cases which facilitate this (deadline: 6 February 2025). Separately, the UK Government published its own findings and survey on the "lessons learned" from the EU Taxonomy. Importantly, it summarises wider stakeholder feedback regarding a potential future UK Taxonomy (see pages 14-15).

With the UK Government having decided to bring the provision of ESG ratings into regulation, on 14 November 2024 it published a consultation response and draft legislation to which it welcomed technical comments by 14 January 2025.

Finally, in December 2024, FCA published further examples of good and poor disclosure practices stemming from fund label applications in the UK.

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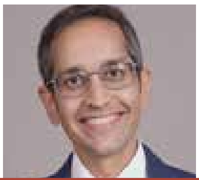
FinTech and Digitalisation

by **Georgina Jarratt, Gabriel Callsen, Emma Thomas, Mushtaq Kapasi** and **Alex Tsang**




F Looking forward: ICMA's strategic priorities for 2025

At ICMA, we have discussed and agreed our 2025 priorities with ICMA's FinTech Advisory Committee (FinAC) – our overarching governance committee. Our priorities remain the same in terms of themes and include driving the industry forward on the important topics of AI, DLT and tokenisation. We will also continue to focus on active promotion of adoption of our standards and models by our members, and we will continue to drive our thought leadership output.

The structure and composition of FinAC has been reviewed and new members will be invited to join in Q1 2025 to expand the skillsets represented, and missing geographies and types of member firm that are currently under-represented.

Work will progress on the MAS Guardian Fixed Income Framework – a collaboration with the Banque de France and the MAS on a cross-border cross-currency repo proof of concept ("Les Gardiennes") will be part of this portfolio of work. Other priorities are being discussed with the MAS.

The Bond Data Taxonomy will be contributed to ISO 20022. We will be running the CDM Showcase in 2025, in collaboration with ISDA, ISLA and FINOS – save the date – 26 February 2025 in Canary Wharf (London). If you are interested in joining this event, please use this link to register.

Our geographic reach will expand further next year, reaching into MENAT, and we will deepen our engagement in Asia and the US/Canada, as confirmed by the ICMA Board in 2024.

Our education courses will run again in 2025, and we will add AI to the course portfolio. We will deepen our FinTech vendor engagement activities involving them further in all our work. We are in the process of hiring a final team member (Associate Director role), which we will endeavour to fill early in 2025.

Work has begun on a Primary Innovation Project, working in collaboration with the Primary Markets team. Specific and focused member roundtables will be held in H1 2025.

The taskforce working on the nexus between Sustainable Finance and FinTech & Digitalisation will be formally launched in January. A smaller group has already met to discuss scope and approach of the group.

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F A Building ICMA's FinTech and Digitalisation brand in Asia in 2024

2024 saw an important increase in our activities in the Asia region. Georgina Jarratt and Gabriel Callsen travelled to Asia from 28 October to 8 November to host ICMA member events at, and to participate in, the consecutive Hong Kong FinTech Week and Singapore FinTech Festival events.

Both are premier events that play pivotal roles in advancing the global FinTech landscape bringing together diverse stakeholders to collaborate, innovate, and shape the future of financial services.

In addition to hosting our own ICMA FinTech and Digitalisation events, and bilateral meetings with members, regulators and other stakeholders, Georgina and Gabriel joined Mushtaq Kapasi, ICMA's Chief Representative for Asia Pacific, and Alex Tsang, Director at ICMA, to speak at 11 panels and roundtables during both weeks, drawing a global audience on many of our key strategic topics.

Coinciding with the start of the Singapore FinTech Festival on 4 November, the Monetary Authority of Singapore (MAS) published the *Guardian Fixed Income Framework (GFIF)*, which builds on ICMA's Bond Data Taxonomy and our publication on *Considerations for Risk Factors and Disclosure in DLT Bond Offering Documents.*

More information on the events and speaking engagements are provided in the box:

ICMA Innovation in Capital Markets Event (Hong Kong): 31 October 2024 | 50 participants

Satellite Event of HK FinTech Week

The event opened and closed with remarks from Mushtaq Kapasi, underscoring ICMA's commitment to driving innovation and collaboration in global markets. Georgina Jarratt and Alex Tsang outlined ICMA's evolving role and strategic initiatives, setting the tone for an engaging programme.

Gabriel Callsen moderated a dynamic panel discussion on *Digital Bonds: New Use Cases, New Applications, New Standards, and New Challenges*, offering insights into the rapid development and adoption of digital instruments in bond markets.

A highlight of the event was a keynote address by Professor Douglas Arner, Kerry Holdings Professor in Law and RGC Senior Research Fellow in Digital Finance & Sustainable Development at the University of Hong Kong. Professor Arner's thought-provoking presentation, *Digital Finance and the Future of Capital Markets – Money, Payments, Finance and Technology*, explored the convergence of technology and finance, highlighting opportunities and challenges shaping the future of capital markets.

The event, kindly hosted by Ashurst, provided a platform for insightful discussions, networking, and thought leadership, reinforcing ICMA's position at the forefront of capital market innovation.

ICMA Innovation in Capital Markets Event (Singapore): 6 November 2024 | 54 participants

Satellite Event of Singapore FinTech Festival

Mushtaq Kapasi opened and closed the event with remarks that highlighted ICMA's pivotal role in fostering innovation across global markets. Georgina Jarratt and Gabriel Callsen provided an overview of ICMA's strategic priorities, emphasising its commitment to supporting the industry's digital transformation. A panel discussion on *Digital Bonds: Navigating Opportunities and Challenges in Asia's Emerging Ecosystem*, moderated by Gabriel Callsen, examined the rapid adoption of digital bonds in the region and addressed key opportunities, challenges, and emerging standards.

The ICMA Future Leaders panel, *Digitalisation, AI and Sustainability – The Impact on Human Capital in the Fixed Income Market*, offered fresh perspectives on the intersection of technology and sustainability, as well as its transformative effects on workforce dynamics. Moderated by Gloria Goh, Counsel at Allen & Gledhill LLP, the panel drew attention to the critical need for adaptability in the face of rapid change.

The keynote address by Holger Neuhaus, Head of Market Innovation and Integration at the ECB and Chair of the New Technologies for Wholesale settlement Contact Group (NTW-CG), was a highlight of the event. Entitled *Settlement of DLT Transactions? Yes, We Can*, the presentation explored the European Central Bank's trials and experiments for integrating distributed ledger technology (DLT) into settlement processes, offering thought-provoking insights into the potential of DLT for wholesale market infrastructure.

This event reinforced ICMA's leadership in driving meaningful dialogue and innovation in the rapidly evolving world of capital markets.

Speaking Engagements: Hong Kong FinTech Week: 28 October-1 November 2024

Digital Bonds: Redefining the Future of Capital Markets: 29 October

Moderated by Kenneth Hui (Executive Director, HKMA). Panellists: Georgina Jarratt, John O'Neill (Group Head of Digital Assets & Currencies at HSBC), Rebecca Gong (Head of Corporate Development & Regulatory Affairs at HQLA). This session delved into the advancements in digital bonds as a format of bond issuance and investment, discussing the success of tokenised government green bond issuances in Hong Kong and the potential future of this technology. Georgina commented on the latest advancements in tokenisation, the public sector and private sector perspectives of driving market adoption, as well as future possibilities of this technology in redefining the bond market and beyond.

Navigating Investment Sentiments: Capital Markets, FinTech Growth & Valuations: 29 October

Moderated by Georgina Lee (independent). Panellists: Georgina Jarratt, Andy Wang (Head of FinTech and Retail Business, Huatai International), Glenda So (Co-Head of Markets, HKEX), He Chuan (MD & Head of

FinTech Investment Banking, APAC, HSBC). The panel discussed: how to analyse and capitalise on emerging market dynamics and changing patterns of investment flows; where the growth of FinTech innovation is coming from, geographies, verticals and partnerships; how technology can enhance the whole value chain in the asset management industry and maximise operational efficiency; IPO trends and market predictions: examining the shifting focus of IPO activity towards the East.

Speaking Engagements: Singapore FinTech Festival: 4-8 November 2024

Singapore FinTech Festival Insights Forum

IOSCO Roundtable on Financial Asset Tokenisation: 4 November

At the invitation of the MAS, Gabriel Callsen participated in the roundtable, which was moderated by Merion Anggerek, Head of Capital Markets Policy Division, MAS. Other participants included DTCC, Linklaters, Marketnode, HSBC, HSBC Securities Services, LSEG, R3, SBI Digital Markets, Standard Chartered, S&P Global, SWIFT. Gabriel commented on the current state of tokenisation and latest developments observed in global bond markets, the conditions needed for greater adoption of tokenisation in bond markets, and ICMA's role in building industry consensus, the importance of repo markets and the recently published GMRA Digital Assets Annex, as well as ICMA's forthcoming DLT Bonds Reference Guide, amongst other aspects.

Investing in the Future of Digital Inclusion for Developing Countries Roundtable: 4 November

At the invitation of the IFC and MAS, Mushtaq Kapasi participated in the roundtable, which included Ant International, Ararat Bank OJSC, Development Bank Ghana, IFC, SMBC Group, MAS, Maya Ba, National University of Singapore, Validus Investment Holdings. Mushtaq commented on strategies, challenges, and opportunities for scaling digital inclusion in developing markets. He emphasised the significance of the Social Bond Principles and ICMA's guidance on social impact reporting metrics, which not only allow for, but actively encourage, investments in digital inclusion, amongst other aspects.

Technology as a Driver for Greater Market Access Roundtable: 4 November

Closed-door roundtable with Georgina Jarratt, hosted by Robinhood and moderated by Ecosystem. Focused on trust and transparency, education and empowerment, as well as expanding access through technology and how to unlock more inclusive investment opportunities that increase global economic growth.

MAS Global Layer 1 Summit: Powering Tokenised Markets with Harmonised Market Standards and Framework Panel Discussion: 4 November

This panel explored the role of harmonised market standards in advancing the adoption of tokenised assets and distributed ledger technology. Moderated by Holger Neuhaus, Head of Market Innovation and Integration at the ECB and Chair of the NTW-CG, the discussion brought together industry leaders to address the opportunities and challenges shaping the future of financial markets. Georgina Jarratt, alongside Jean-Marc Stenger, CEO of Société Générale FORGE, and Scott O'Malia, CEO of ISDA, highlighted the transformative potential of asset tokenisation. The session offered a forward-looking perspective on how collaboration and innovation can reshape financial markets, reinforcing the industry's commitment to a cohesive and scalable tokenised ecosystem.

MAS Global Layer 1 Summit: Project Guardian Fixed Income Roundtable: 5 November

The Project Guardian Fixed Income Roundtable, held during the MAS Global Layer 1 Summit, convened leading policy makers, financial institutions and industry stakeholders to discuss the progress and future direction of tokenisation in bond markets. Moderated by Matthias Obrecht, Head of Market Analysis at FINMA, and Ryosuke Ushida, Chief FinTech Officer at FSA Japan, the session featured remarks by Gabriel Callsen and contributions from participants including ADDX, Banque de France, DBS Bank, Euroclear, HSBC, JPMorgan, Moody's, and UBS. The discussion built on the recently published Guardian Fixed Income Framework (GFIF), focusing on milestones achieved and the collaborative efforts required to scale tokenised fixed-income products. Gabriel Callsen highlighted the importance of market standards such as the Bond Data Taxonomy

(BDT) and the need for consensus-building to advance tokenisation in bond markets. He also addressed the differences in DLT adoption across primary and repo markets, referencing key initiatives like the GMRA Digital Assets Annex.

Pioneering Sustainable Solutions in Financial Innovation Roundtable: 5 November

In her speaking slot, Georgina Jarratt focused on the standards and reporting mechanisms necessary to address the unique challenges of the region, how financial institutions and investors can enhance the bankability of climate-related projects in the Global South and the role of multilateral organisations in supporting the Global South to overcome barriers to climate action.

Speaking Engagements: Singapore FinTech Festival Wider Programme

Engaging Discussions on Tokenisation, AI Governance, and Market Interoperability

MAS Future of Finance Booth Panel Discussions

Tokenisation and Interoperability: Gabriel Callsen and Rajeev Tummala, Head of Digital & Data, Asia & MENA at HSBC Securities Services, discussed the evolution of digital asset platforms and market infrastructure. The discussion highlighted HSBC Orion's integration of ICMA's Bond Data Taxonomy (BDT), various facets of interoperability, and the opportunities and challenges in scaling asset tokenisation.

Tokenisation of Bonds, Funds, and Cash – Benefits and Risks Amidst Evolving Regulation: Gabriel Callsen, Richard Fox, Head of Public Policy at Schroders, and Fabian Astic, Global Head of Digital Economy at Moody's Ratings, delved into the benefits and risks associated with tokenisation of debt instruments, funds, and cash. The panel addressed legal risks, disclosure requirements, evolving regulations, and the direction of travel in this rapidly developing sector.

Temasek Booth: AI Governance in Global Capital Markets Panel Discussion with NUS's Asian Institute of Digital Finance (AIDF)

Moderated by Professor Edward Tay, Head of CET & Executive Education at the National University of Singapore, the panel featured Georgina Jarratt, Gabriel Callsen, and John Lee, CEO of Infracrowd Capital. The discussion centred on the complexities and opportunities surrounding AI governance in finance, global challenges in AI regulation, emerging best practices, and the importance of industry collaboration and education.

DLT Bonds Reference Guide

To raise awareness further and share learning experiences from transactions involving DLT across jurisdictions globally, ICMA's DLT Bonds Working Group published in December 2024 a Reference Guide which highlights considerations for the end-to-end lifecycle of debt securities based on distributed ledger technology (DLT).

This initiative is a collaborative effort between investors, SSA issuers and private sector issuers, custodians, banks, market infrastructures and law firms who have been involved in the issuance, trading and provision of related services for DLT-based debt securities. The Reference Guide was initially driven by ICMA's asset and investment management constituents, drawing on practical experiences and requirements for investment processes and regulatory compliance for tokenised securities, with a particular focus on DLT-based bonds.

The Reference Guide is designed for market practitioners, including both traditional DCM and digital asset functions, as well as a broader audience of market stakeholders. It comprises over 50 practical questions, covering the following aspects:

(i) Pre-issuance considerations, addressing the nature of the debt security as well as the nature of the DLT network/platform.
(ii) Marketing, disclosure and issuance.
(iii) Registration and safekeeping.
(iv) Trading and settlement.
(v) Investor considerations.
(vi) Asset servicing and lifecycle events.
(vii) Third-party engagement.

Answering these questions and making the right choices will depend on various factors, such as the governing law of the instrument, the location of investors, listing requirements, the features of the DLT network, and settlement and distribution arrangements, among others. Each stakeholder, whether directly or indirectly involved in a DLT-based bond transaction, must carefully assess these aspects in consultation with legal counsel.

While the Reference Guide primarily covers DLT-based debt securities, a number of technology-related aspects, notably those related to networks and smart contracts, may also be applicable to other financial instruments. The Reference Guide is a living document and, by definition, non-exhaustive. In light of the rapid evolution of technology, it will be reviewed and updated as and when necessary.

The Reference Guide is available on ICMA's website. To become involved or learn more about ICMA's work on tokenisation and DLT, please do not hesitate to get in touch.

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Common Domain Model

ICMA participated in the FINOS Open Source in Finance Forum (OSFF) in New York on 30 September and 1 October 2024, which brought together approximately 1,000 attendees from the financial services industry and open-source technology community. We held a Common Domain Model (CDM) workshop with FINOS, highlighting opportunities to implement the CDM to reduce costs by streamlining post-trade operations and foster interoperability, but also develop new services building on industry best practices, for example, for bilateral netting processes.

Looking ahead, the CDM Showcase returns for its third annual edition on 26 February 2025, in collaboration with ISDA, ISLA and FINOS. The day promises to provide insights into the latest developments across derivatives, repo and securities lending, highlighting innovative solutions using the CDM in the capital markets industry.

The event will cover themes of innovation in trading and lifecycle management, optimising collateral management, ISDA's Digital Regulatory Reporting (DRR) application, and the future of the market more broadly. Various presenters will take to the stage to highlight where and how they have implemented the CDM, through demonstrations and presentations. There will also be networking opportunities throughout the day to discuss with traders/front office, operations/middle office, IT/developers, change agents, senior managers as well as business managers, product managers, technologists and more.

The CDM is an open-source standardised model for how financial products are traded and managed across the transaction lifecycle, hosted by FINOS and based on cross-industry collaboration between ICMA, ISDA, and ISLA. See further information on FINOS' website and ICMA's CDM webpage.

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ICMA's AI in Capital Markets Working Group

In June 2024, we launched our new AI in Capital Markets Working Group (AICM) to address some of the key knowledge gaps, opportunities, and concerns in this field in line with increasing interest in Artificial Intelligence (AI).

2024 has seen many global financial institutions adopt new, innovative applications of AI technology into their workflows, and this has been reflected in the AICM, where various members have shared insights into their respective implementations, use cases and more. The AICM has also kept track of the changing global regulatory landscape, and recently came together to respond to the European Commission's consultation on the use of AI in financial services, supporting the implementation of the EU AI Act.

The AICM now has over 130 members from over 50 firms based across six continents. Representatives from banks, issuers, investors, law firms, vendors, data providers, rating agencies and market infrastructure providers attend.

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F AI regulatory developments

BIS: Paper on regulating AI in the financial sector

On 12 December 2024, the Bank for International Settlements (BIS) published a paper exploring recent developments and main challenges in regulating AI in the financial sector. The paper explores the potential transformative impact of AI on the financial sector, focusing on operational efficiency, risk management and customer experience in banking and insurance. It delves into the widespread adoption of AI technologies including generative AI and examines the associated risks and regulatory implications. While AI exacerbates existing risks such as model risk and data privacy, it does not introduce fundamentally new risks apart from generative AI, which may give rise to hallucination and anthropomorphism risks.

MAS: AI model risk management

On 5 December, the Monetary Authority of Singapore (MAS) published an information paper setting out good practices for AI and generative AI model risk management. These practices were observed during the thematic review conducted by the MAS of banks' AI (including generative AI) model risk management practices in mid-2024. It focuses on those relating to governance and oversight, key risk management systems and processes, and development and deployment of AI. MAS encourages all financial institutions to reference these good practices when developing and deploying AI.

ESM: Five key priorities for Europe on its path to AI leadership

On 19 November, the European Stability Mechanism (ESM) published five key priorities for Europe on its path to AI leadership, including: the potential impact on financial stability; imperative responsible AI; interdisciplinary education and workforce reskilling; access to well-developed European capital markets for Europe's start-ups and scale-ups; and solving the trilemma of European sovereignty protection, ESG, and technological advancement.

FSB: Report assessing the financial stability implications of AI

On 14 November, the Financial Stability Board (FSB) released a report assessing the financial stability implications of AI. The report notes that the rapid adoption of AI offers several benefits but may also amplify certain financial sector vulnerabilities, such as third-party dependencies, market correlations, cyber risk and model risk, potentially increasing systemic risk. The report also calls for financial authorities to enhance monitoring of AI developments, assess whether financial policy frameworks are adequate, and enhance their regulatory and supervisory capabilities including by using AI-powered tools.

SFC: Circular on the use of generative AI language models

On 12 November, the Securities and Futures Commission (SFC) of Hong Kong published a circular on the use of generative AI language models in licensed corporations. The circular is based on the SFC's engagement exercise with a cross section of international and local licensed corporations, which found that firms are leveraging AI language models to respond to client enquiries via public facing chatbots, summarize information, generate research reports, identify investment signals as part of the investment decision making process, or generate computer code during the development of software applications. AI language models may amplify existing risks and pose additional risks on top of those from traditional AI, as they democratise access to AI as they take natural language instructions from users as input such that very little technical proficiency is required to use them.

BIS: Working paper on AI and big holdings data: opportunities for central banks

On 30 October, the BIS published a working paper on *Artificial Intelligence and Big Holdings Data: Opportunities for Central Banks.* The paper discusses how recent AI methods can be used to improve models of the asset demand system by better measuring asset and investor similarity through so-called embeddings. These embeddings can for instance be used for policy making by central banks to understand the rebalancing channel of asset purchase programmes and to measure crowded trades.

HKSAR: Policy statement on responsible AI in the financial market

On 28 October, the Financial Services and the Treasury Bureau (FSTB) set out the Government of the Hong Kong Special Administrative Region's (HKSAR's) policy stance and approach towards the responsible application of AI in the financial market. It states that, given the nature of AI, adopting a dual-track approach is most ideal for AI application in the financial services sector in Hong Kong, promoting the development of AI adoption by the financial services industry, while at the same time addressing the potential challenges such as cybersecurity, data privacy and protection of intellectual property rights.

G7: Statement committing to leveraging AI in a safe, secure and trustworthy way

On 25 October, the G7 Finance Ministers and Central Bank Governors published a statement that highlighted the continued commitment to advancing their discussion on how to leverage AI in a safe, secure, and trustworthy way to increase productivity and growth while minimising the risks to the financial system and the wider economy. Following up on the Stresa shared policy agenda, the group set up a high-level panel of experts to identify the opportunities and challenges for economic and financial policy making arising from the development and use of AI and to prepare a report for the G7. The panel is focusing on the implications of AI for policy makers on areas deemed at the core of the G7 Finance Track, including macroeconomic impact, the potential use of AI by governments and financial agencies, financial stability considerations, implications for skills of the labour force, and environmental sustainability.

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F Wider FinTech regulatory developments

ESAs: Statement on the application of DORA

On 4 December 2024, the three European Supervisory Authorities (ESAs) published a joint statement on the application of the Digital Operational Resilience Act (DORA). As DORA, together with the technical standards and guidelines developed by the ESAs, will apply from 17 January 2025, the ESAs call on financial entities and third-party providers to advance their preparations to ensure their readiness. As DORA does not provide for a transitional period, the ESAs emphasise the importance for financial entities to adopt a robust, structured approach in order to meet their obligations in a timely manner. Financial entities are also expected to identify and address in a timely manner gaps between their internal set-ups and the DORA requirements. The statement also highlights that financial entities should prepare for the new reporting obligations.

ECB: Eurosystem conclusion of tests using DLT for central bank money settlement

On 4 December, the Eurosystem successfully concluded a series of tests employing distributed ledger technology (DLT) for wholesale settlement in central bank money. Between May and November 2024, the Eurosystem processed over 200 transactions and a total value of €1.59 billion. In total, 64 participants comprising central banks, financial market participants and DLT operators completed over 40 trials and experiments. Trials included actual settlement in central bank money, while experiments were tests with mock settlement. The full list of use cases tested is available on the ECB's website.

HKMA: Launch of Digital Bond Grant Scheme

On 28 November, the Hong Kong Monetary Authority (HKMA) announced the launch of its Digital Bond Grant Scheme (DBGS). The HKMA aims to promote the development of the digital securities market and encourage broader adoption of tokenisation technology in capital market transactions. A maximum of HK$2.5 million will be offered to each eligible digital bond issuance in Hong Kong, subject to the satisfaction of relevant eligibility requirements. The DBGS started accepting applications on 28 November 2024, for an initial period of three years.

ECB: Occasional paper on the impact of CBDC

On 14 November, the European Central Bank (ECB) published an occasional paper on the impact of central bank digital currency (CBDC) on central bank profitability, risk-taking and capital. The paper analyses how the introduction of CBDC that is available to households (sometimes called "retail CBDC") may affect a central bank's balance sheet, profitability, financial risks and capital. It develops a model to quantify the change in central banks' net interest income compared with a balance sheet without CBDC. This is then applied for the euro area and the potential introduction of a digital euro under different scenarios.

IMF: Paper on CBDC progress and further considerations

On 8 November, the International Monetary Fund (IMF) published a paper on *Central Bank Digital Currency: Progress and Further Considerations*. The paper briefs the Executive Board on further considerations on CBDC. These cover the positioning of CBDC in the payments landscape, cyber resilience of the CBDC ecosystem, CBDC adoption, CBDC data use and privacy protection, implications for monetary policy operations, and cross-border payments with retail CBDC.

AMF: Conditions for the intermediation of financial securities

On 6 November, the Autorité des marchés financiers (AMF) specified the conditions for the intermediation of financial securities admitted to the operations of a DLT market infrastructure. It provided clarification as to the obligations inherent in the activity of intermediation of financial securities admitted to the operations of a DLT market infrastructure and thus meets the needs expressed by the candidates for the EU's DLT pilot regime.

BIS: Report on tokenisation opportunities, risks and future considerations for central banks

On 21 October, the BIS published a report for the G20 on tokenisation highlighting the opportunities, risks and future considerations for central banks. The report looks at the implications tokenisation could have for the future of finance and the role of central banks in payments, monetary policy and financial stability. It highlights four key considerations for central banks: private sector initiatives; trade-offs between different types of settlement assets; sound regulation, supervision and oversight for tokenisation; and the impact on monetary policy implementation.

FSB: Report on the financial stability Implications of tokenisation

On 22 October, the FSB published a report on the financial stability implications of tokenisation. The report identifies several financial stability vulnerabilities associated with DLT-based tokenisation, which relate to liquidity and maturity mismatch; leverage; asset price and quality; interconnectedness; and operational fragilities. These vulnerabilities have been identified in the context of a number of constraints and assumptions, due to a lack of comprehensive data about the scale and activities of existing tokens and an understanding that tokenisation is rapidly evolving and its future state is unknown. In light of the rapid evolution of the technologies that facilitate DLT-based tokenisation, and through the report's findings, it highlights initial issues for the FSB, standard-setting bodies, and national authorities.

EBA: Final guidelines on redemption plans under the Markets in Crypto-Assets Regulation

On 9 October, the European Banking Authority (EBA) published its final guidelines on the orderly redemption of token holders in case of a crisis of the issuer. The guidelines, which are addressed to competent authorities designated under the Markets in Crypto-Assets Regulation (MiCAR), cover issuers of asset-referenced tokens (ARTs) and of e-money tokens (EMTs). The guidelines specify the content of the redemption plan to be developed by issuers of ARTs and EMTs in going concern, including the liquidation strategies of the reserve of assets, the mapping of critical activities, the content of the redemption claims, the main steps of the redemption process, and the elements that may lead to the trigger of the plan by the competent authority.

ECB: Working paper on stablecoins, money market funds and monetary policy

On 7 October, the ECB published a working paper on stablecoins, money market funds (MMFs) and monetary policy. The paper documents an important distinction between stablecoins and MMFs, namely their very different response to crypto and US monetary policy shocks since 2019. Drawing on a new series of crypto market shocks and a standard measure of monetary policy shocks, the paper shows that crypto shocks are inconsequential for MMFs and traditional financial markets but negatively affect stablecoins. In contrast, US monetary policy shocks significantly affect MMFs (especially prime MMFs in the roughly three-month horizon considered in the paper) and stablecoins, but in opposite directions. While prime MMF assets grow after contractionary monetary policy shocks, stablecoin market capitalisation significantly declines.

Bank of England and FCA: policy statement on the Digital Securities Sandbox

On 30 September, the Bank of England and Financial Conduct Authority (FCA) published a policy statement on the Digital Securities Sandbox. The statement sets out the Bank and the FCA's joint approach to safely adopting new technologies in the operation of financial market infrastructure and opened the sandbox to applications.

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A The Thai bond market: a 30-year journey towards a fair and efficient market

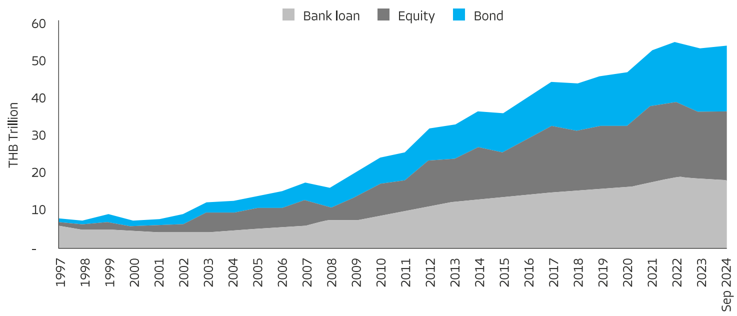
by **Ariya Tiranaprakij**

Three decades of growth

Over the past three decades, Thailand's bond market has evolved into a cornerstone of the country's financial system. From modest beginnings in the 1990s, it made significant steps after the 1997 Asian financial crisis, which underscored the need for a well-developed bond market to strengthen the country's financial system. This led to significant reforms and development initiatives, driving the bond market into a critical funding channel for both government and corporate sectors. The Thai Bond Market Association (ThaiBMA), established as the Bond Dealers Club in 1994, is one of the key institutions supporting the development of Thai bond market. It acts as the self-regulatory organization (SRO) and information centre for Thailand's bond market.

Thanks to strong support from the public and private sectors, the bond market has grown remarkably from THB3.4 billion (9% of GDP) in 1997 to an impressive THB17.2 trillion (96% of GDP) as of September 2024.

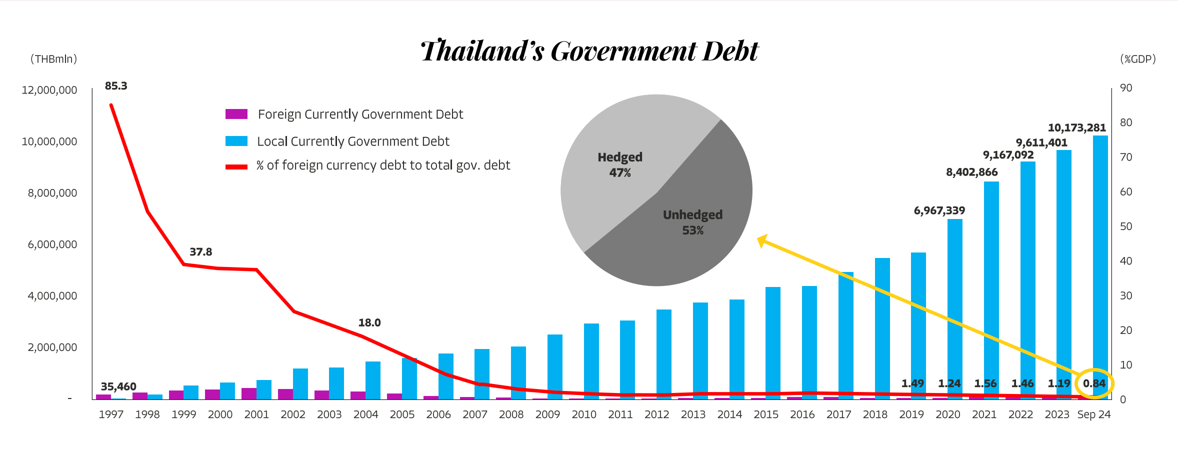
Outstanding of Thailand's Financial Market – Balanced funding from 3 sources



Funding Sources	Outstanding (THB Trillion)	% of financial market	% of GDP
Bond	17.2	32.1	96
Equity	18.0	33.7	100
Ban Loan	18.2	34.2	102
Total	53.4	100.0	298

*(*GDP in year 2023 was THB 17.92 Trillion)*

• At the end of Sep 2024, the total outstanding value of bond market was THB 17.2 trillion, accounting for 96% of GDP.



The evolution of the bond market has contributed to the diversification of Thailand's financial system, balancing funding across three main pillars: bank loans, the stock market, and the bond market. Notably, the Thai Government's reliance on foreign debt has declined dramatically, from 85.3% of total debt in 1997 to just 0.98% in May 2024, minimizing foreign currency risk and enhancing financial stability.

Corporate bond market and innovations

The corporate bond market has also flourished with annual issuance surging from THB10 billion in 1994 to over THB1 trillion since 2022. The number of issuers has expanded from 20 in 1994 to 653 across 30 business sectors.

In recent years, the Thai bond market has embraced technology, introducing digital bonds through blockchain technology. These bonds, accessible via the Government's "Pao Tang" mobile app, lowered the minimum investment to THB1,000 and allowed 24-hour trading. ThaiBMA further supported retail investors by introducing the "MeBond" app, which offers comprehensive tools for tracking bond investments, viewing real-time data, and notifications for payments.

The rise of ESG bonds

Thailand's ESG bond market in Thailand has seen exponential growth, with outstanding ESG bonds reaching THB724 billion in Q2 2024 – a 28-fold increase from THB23 billion in 2019. This growth has been driven by the Ministry of Finance (MOF), which pioneered the issuance of sustainability bonds for infrastructure projects, and COVID-19 relief efforts. In November 2024, the MOF achieved another milestone by issuing Asia's first sovereign sustainability-linked bond.

Corporate ESG bonds have also surged, growing tenfold to THB245 billion since 2019, with issuers increasing from two to 27. The ThaiESG Fund, launched in 2023, has further spurred this growth by offering tax incentives to encourage sustainable investments.

Despite progress, ESG bonds account for just 5% of total bond market value, leaving room for expansion. ThaiBMA has actively supported this segment by subsidising credit rating and external reviewer fees via the Capital Market Development Fund (CMDF), organising workshops, and developing ESG-focused tools like indexes and a centralised information platform.

Future outlook

Looking ahead, ThaiBMA remains committed to sustaining the market's growth with a focus on:

- *Promoting ESG bonds:* encouraging sustainable practices and aligning with global trends.
- *Enhancing market quality:* raising standards for issuers and underwriters to ensure market trust and integrity.
- *Investor protection*: strengthening governance to safeguard stakeholders and ensure market resilience.

By embracing innovation and adhering to global best practices, ThaiBMA will continue to play a pivotal role in driving the ongoing development of the Thai bond market.

Ariya Tiranaprakij is Senior Executive Vice President, Thai Bond Market Association (ThaiBMA).

2025

ICMA Capital Market Research

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

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

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

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

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

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

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

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

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

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

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

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

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

Considerations for Risk Factors and Disclosure in DLT Bond Offering Documents
Published: 21 November 2023
Author: Gabriel Callsen, ICMA

ICMA Guide to Asia Repo Markets: South Korea
Published: 8 November 2023
Author: Richard Comotto

Market Integrity and Greenwashing Risks in Sustainable Finance
Published: 10 October 2023
Authors: Nicholas Pfaff, Simone Utermarck, Ozgur Altun and Stanislav Egorov, ICMA

ICMA Report: European Secondary Bond Market Data (H1 2023)
Published: 27 September 2023
Authors: Simone Bruno, Andy Hill, Nina Suhaib-Wolf, ICMA.

ICMA Report: European Secondary Bond Market Data (H2 2022)
Published: 25 April 2023
Author: Andy Hill, ICMA

ICMA Analysis: SFTR Public Data for Repo in 2022
Published: 31 March 2023
Author: Richard Comotto

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)

ICMA Events, Education and Training

Autumn 2024 events spotlight

Throughout the autumn of 2024 we hosted and supported a full schedule of events across varied jurisdictions and covering a wide range of topics.

Highlights of the 23 events hosted by ICMA included our flagship ICMA European Primary Market Forum, where speakers discussed the important upcoming regulatory and current market practice developments relevant to bond offering documentation and risk mitigation, as well as more innovative areas including the role of AI in optimising efficiencies in the workplace.

Our AMIC Forum, entitled *Mind the Gaps – Savings, Investment and Financing the Real Economy*, discussed how UK and EU capital markets are key to mobilising private savings to invest in start-ups and innovation and to create growth, with an additional focus on the importance of financial literacy from Flor-Anne Messy of the OECD.

Later, in December, the popular ICMA Secondary Market Forum included speakers from the UK Treasury and European Central Bank, among other esteemed representatives who covered how technology, innovation, and regulation are evolving the fixed income trading landscape, as well as how bond markets are responding to shifts in the macroeconomic and geopolitical tectonic plates.

ICMA's social networks also enjoyed a strong events schedule. ICMA Chair Janet Wilkinson spoke at the inaugural ICMA Future Leaders (IFL) *Coffee Connection* series in London, which was organised to enable a small group of young professionals to have an open, candid and interactive discussion with a leading figure in the capital markets.

Ahead of celebrating the ICMA Women's Network (IWN) 10-year anniversary in January 2025, IWN held events in London, Dublin, Madrid and Hong Kong, covering topics related to the power of networking, mental self-care, advancing gender equality and diversity.

Events in Q1 2025

ICMA's calendar of events in the first quarter of 2025 features several global events focusing on key industry topics across primary, secondary, repo and collateral markets and asset management as well as our cross-cutting FinTech theme.

The year begins with a joint IWN and IFL event providing advice on how to maximise your effectiveness on LinkedIn, arguably the most powerful business-to-business social media tool.

In early February, ICMA will hold the popular European Primary Bond Markets Regulation Conference, jointly organised with A&O Shearman, where delegates will hear from the European Commission, ESMA, various EU national regulators, the FCA, major stock exchanges and leading market practitioners on a range of regulatory developments affecting primary bond markets (notably regarding prospectuses).

ICMA will hold a one-day conference in Riyadh, Saudi Arabia, on 19 February 2025, entitled *Capital Markets & the Kingdom of Saudi Arabia – Delivering Liquidity Through Derivatives, Repo & Securities Lending*. This event, held in association with ISDA and ISLA, will bring together key local stakeholders, and global market players in the derivatives, repo and securities lending markets, to discuss the ongoing development of the capital markets ecosystem in the Kingdom, including the integration of Sharia-compliant market structures.

Reflecting the 10-year anniversary of the signing of the Paris Agreement on Climate Change in 2015, the ICMA Sustainable Finance team is hosting an event to review the progress made and to consider whether the debt capital market is adequately delivering on its commitments. The agenda includes contributions from a broad range of esteemed speakers from the sustainable finance space.

Building on the success of last year's event, in March we look forward to the second ICMA China Debt Capital Market Annual Forum 2025, where we will bring together official sector representatives, issuers, investors, and other market participants for a full day to examine the latest market and regulatory developments in the Chinese domestic and international bond markets.

If you would like to be part of our next successful event, contact the Events team.

ICMA Webinars & Podcasts

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 360 podcasts and an impressive 141,578 downloads to date from across the globe, the ICMA Podcast series remains a valued service for the market.

ICMA will be holding its 2025 Annual General Meeting (AGM) and Conference in Frankfurt on 4-6 June 2025. The 2025 event will be the 57th edition of ICMA's flagship event, which brings together its global membership. Last year's AGM in Brussels attracted over 1,100 senior public sector officials, bankers and investors who are active in the cross-border bond markets, plus lawyers, academics and journalists, representing 427 institutions from 45 countries. We expect an even greater level of interest in 2025.

Many notable speakers have appeared at the event, including prime ministers, finance ministers and central bankers, and major industry figures. The 2025 programme will again feature a high-level line-up, with insights on the current state and future prospects for capital markets, taking into account the geopolitical environment, and a focus on sustainability, regulatory change and FinTech developments.

Meet the international capital market in Frankfurt at the 2025 ICMA AGM and Conference.

Sponsorship and exhibition opportunities

For the 2025 ICMA AGM, we have introduced a wider variety of sponsorship opportunities to include, amongst others, private meeting and "business lounges" to further facilitate your networking as well as more interactive exhibition ideas.

Download the 2025 ICMA AGM and Conference sponsorship pack here.

To discuss these sponsorship and exhibition opportunities or if you would like a more tailored option, please contact Sanaa Clausse.

The full 2025 Conference agenda will be announced in February 2025.

Registrations will also open at this time. For speaking enquiries, please contact Managing Director, Membership & Communications, Allan Malvar.

Summary of ICMA's forthcoming events

29 January 2025, ZURICH	ICMA Women's Network: The critical role of gender equality when building sustainable, resilient capital markets in Switzerland
4 February 2025, LONDON	European Primary Bond Markets Regulation Conference
19 February 2025, RIYADH	Capital markets and the Kingdom of Saudi Arabia: Delivering liquidity through derivatives, repo and securities lending
4 March 2025, PARIS	10th anniversary of the Paris Agreement: Is the debt capital market delivering on its commitments?
19 March 2025, BEIJING	ICMA China Debt Capital Market Annual Forum
4-6 June 2025, FRANKFURT	ICMA Annual General Meeting and Conference

ICMA Education & Training 2025 course schedule

Level	Course	Course Format	Q1	Q2	Q3	Q4
Foundation	IPMQ (Dubai)	Classroom	3-6 Feburary*			
Foundation	ISOQ (Dubai)	Classroom	10-12 Feburary*			
Foundation	Introduction to Repo	Classroom/ Livestreamed		3-4 April*	16-19 September	
Foundation	Introduction to Sustainable Bonds	Classroom		19-20 May*	16-18 September	
Advanced	OCP (Dubai)	Classroom		14-18 April*		
Advanced	PMC (Dubai)	Classroom		21-25 April*		
Advanced	Primary Market Certificate	Livestreamed		28-30 April & 6-7, 12-14, 19-20 May		
Advanced	Fixed Income Certificate	Livestreamed		28-30 April & 6-7, 12-14, 19-20 May		
Advanced	Operations Certificate Programme	Livestreamed			10-12, 16-18, 24-25 June & 1-2 July	
Advanced	FIC (Amsterdam)	Classroom			29-30 September & 1-3 October*	
Advanced	PMC (London)	Classroom				20-24 October*
Advanced	OCP (Brussels)	Classroom				20-24 October*
Advanced	Sustainable Bond Certificate	Classroom/ Livestreamed			24-26 June & 1-3, 8-9 July	17-20 Nov*
Specialist	Fintech in Capital Markets	Classroom/ Livestreamed		28-29 April & 6-7 May	24-25 September*	
Specialist	Inflation-Linked Bonds	Classroom/ Livestreamed		28-29 April*		24-25 Nov & 1-2 Dec
Specialist	Asset & Liability Management	Classroom/ Livestreamed		12-13 May*		28-29 Oct & 5-6 Nov
Specialist	Intro to Digital Assets (Dubai)	Classroom		19-20 May*		
Specialist	Introduction to Sukuk	Livestreamed	TBC			
Specialist	FIPMC	Livestreamed			10-12 & 16-18 June	
Specialist	Understanding Swaps	Livestreamed			11-12 & 18-19 June	
Specialist	Introduction to Digital Assets	Classroom/ Livestreamed			24-25 June*	8-9 & 15-16 October
Specialist	Corporate Actions: An Introduction	Livestreamed			15-16 & 22-23 September	
Specialist	Introduction to Securitisation	Classroom/ Livestreamed		24-25 March*	17-18 & 24-25 September	
Specialist	Prudential Regulation & Fixed Income	Classroom				6-7 October*
Specialist	Corporate Actions: Operational Challenges	Livestreamed				7-8 & 14-15 October
Specialist	Collateral Management	Classroom/ Livestreamed		19-20 & 26-27 March		3-4 November*
Specialist	Securities Lending	Classroom/ Livestreamed		1-2 April*		24-25 Nov & 1-2 Dec
Specialist	Advanced Repo Trading & Securities Lending	Classroom/ Livestreamed	TBC		29-30 September & 1 October*	
Specialist	Bond Syndication	Classroom/ Livestreamed		18-19 March		6 November*
Specialist	Repo & Sec Lending under the GMRA-GMSLA	Classroom			1-3 July*	28-30 October*
Specialist	Transition Finance	Livestreamed		24-27 March		

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
BDT	Bond Data Taxonomy
BIS	Bank for International Settlements
BMCG	ECB Bond Market Contact Group
BMR	EU Benchmarks Regulation
bp	Basis points
BRRD	Bank Recovery and Resolution Directive
CAC	Collective action clause
CBDC	Central Bank Digital Currency
CBIC	ICMA Covered Bond Investor Council
CCBM2	Collateral Central Bank Management
CCP	Central counterparty
CDM	Common Domain Model
CDS	Credit default swap
CIF	ICMA Corporate Issuer Forum
CMU	EU Capital Markets Union
CoCo	Contingent convertible
COREPER	Committee of Permanent Representatives (in the EU)
CP	Commercial paper
CPC	ICMA Commercial Paper Committee
CPMI	Committee on Payments and Market Infrastructures
CPSS	Committee on Payments and Settlement Systems
CRA	Credit rating agency
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSD	Central Securities Depository
CSDR	Central Securities Depositories Regulation
CSPP	Corporate Sector Purchase Programme
CSRD Directive	Corporate Sustainability Reporting
CT	Consolidated tape
CTP	Consolidated tape provider
DCM	Debt Capital Markets
DEI	Diversity, equity and inclusion
DLT	Distributed ledger technology
DMO	Debt Management Office
DNSH	Do no significant harm
DvP	Delivery-versus-payment
EACH	European Association of CCP Clearing Houses
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Redevelopment
EC	European Commission
ECB	European Central Bank
ECJ	European Court of Justice
ECOFIN	Economic and Financial Affairs Council (of the EU)
ECON	Economic and Monetary Affairs Committee of the European Parliament
ECP	Euro Commercial Paper
EDDI	European Distribution of Debt Instruments
EDGAR	US Electronic Data Gathering, Analysis and Retrieval
EEA	European Economic Area
EFAMA	European Fund and Asset Management Association
EFC	Economic and Financial Committee (of the EU)
EIB	European Investment Bank
EIOPA	European Insurance and Occupational Pensions Authority
ELTIFs	European Long-Term Investment Funds
EMIR	European Market Infrastructure Regulation
EMTN	Euro Medium-Term Note
EMU	Economic and Monetary Union
EP	European Parliament
ERCC	ICMA European Repo and Collateral Council
ESAP	European single access point
ESAs	European Supervisory Authorities
ESCB	European System of Central Banks
ESFS	European System of Financial Supervision
ESG	Environmental, social and governance
ESM	European Stability Mechanism
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards
ETF	Exchange Traded Fund
ETP	Electronic trading platform
€STR	Euro Short-Term Rate
ETD	Exchange-traded derivatives
EURIBOR	Euro Interbank Offered Rate
Eurosystem	ECB and participating national central banks in the euro area
FAQ	Frequently Asked Question
FASB	Financial Accounting Standards Board
FCA	UK Financial Conduct Authority
FEMR	Fair and Effective Markets Review
FIIF	ICMA Financial Institution Issuer Forum
FMI	Financial market infrastructure
FMSB	Financial Markets Standards Board
FPC	UK Financial Policy Committee
FRN	Floating rate note
FRTB	Fundamental Review of the Trading Book
FSB	Financial Stability Board
FSC	Financial Services Committee (of the EU)
FSOC	Financial Stability Oversight Council (of the US)
FTT	Financial Transaction Tax
G20	Group of Twenty
GBP	Green Bond Principles
GDP	Gross Domestic Product
GFMA	Global Financial Markets Association
GHG	Greenhouse gas
GHOS Heads	Group of Central Bank Governors and 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 Standards	International Financial Reporting
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 Association	International Securities Lending
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
LMT	Liquidity management tool
MAR	Market Abuse Regulation
MENA	Middle East and North Africa
MENAT	Middle East, North Africa and Turkey
MEP	Member of the European Parliament
MiFID	Markets in Financial Instruments Directive
MiFID II/R	Revision of MiFID (including MiFIR)
MiFIR Regulation	Markets in Financial Instruments
ML	Machine learning
MMF	Money market fund
MOU	Memorandum of Understanding
MREL	Minimum requirement for own funds and eligible liabilities
MTF	Multilateral Trading Facility
NAFMII	National Association of Financial Market Institutional Investors
NAV	Net asset value
NBFI	Non-bank financial intermediation
NCA	National competent authority
NCB	National central bank
NPL	Non-performing loan
NSFR	Net Stable Funding Ratio (or Requirement)
OEF	Open-ended fund
OJ	Official Journal of the European Union
OMTs	Outright Monetary Transactions
OTC	Over-the-counter
OTF	Organised Trading Facility
PBOC	People's Bank of China
PCS	Prime Collateralised Securities
PEPP	Pandemic Emergency Purchase Programme
PMPC	ICMA Primary Market Practices Committee
PRA	UK Prudential Regulation Authority
PRIIPs	Packaged Retail and Insurance-Based Investment Products
PSIF	Public Sector Issuer Forum
QE	Quantitative easing
QMV	Qualified majority voting
RFQ	Request for quote
RFRs	Near risk-free reference rates
RM	Regulated Market
RMB	Chinese renminbi
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
SFDR	Sustainable Finance Disclosure Regulation
SFT	Securities financing transaction
SGP	Stability and Growth Pact
SI	Statutory instrument
SLB	Sustainability-Linked Bond
SMEs	Small and medium-sized enterprises
SMPC	ICMA Secondary Market Practices Committee
SMSG	Securities and Markets Stakeholder Group (of ESMA)
SARON	Swiss Average Rate Overnight
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SPV	Special purpose vehicle
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SRO	Self-regulatory organisation
SSAs	Sovereigns, supranationals and agencies
SSM	Single Supervisory Mechanism
SSR	EU Short Selling Regulation
STS	Simple, transparent and standardised
SWES	system-wide exploratory scenario exercise
T+1	Trade date plus one business day
T2S	TARGET2-Securities
TD	EU Transparency Directive
TFEU	Treaty on the Functioning of the European Union
TLAC	Total Loss-Absorbing Capacity
TMA	Trade matching and affirmation
TONA	Tokyo Overnight Average rate
TR	Trade repository
VNAV	Variable net asset value

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