



ICMA

International
Capital
Market
Association

Impact of Recent Regulatory Changes & Other Structural Issues

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Recent Decisions on the Regulatory (“Basel III”) Treatment of Assets

- » A broad deep and detailed intervention: two specific areas:
 - Risk weight treatments – evolving and remain under review
 - Liquidity coverage ratio: allowing all ‘investment grade’ securities to count

- » Changes from Basel => changes in behaviour => (potentially) changes in market liquidity

The Progressive Introduction of Harmonised CACs in Euro Area Government Bonds

- » Background
 - » ICMA promulgated standard CAC language in 2004 and strongly supports this euro-area initiative

- » Current status – Mills Group report

- » Key themes:
 - » Market practice is evolving
 - » Enhanced transparency of the terms of sovereign bonds

- » A beneficial change but not a ‘silver bullet’

Labels

» General points and context

» Covered bond labels:

- CBIC initiative: The CBIC transparency template was used when designing the ECBC transparency template;

- Covered bond label: <https://www.coveredbondlabel.com/>



» Prime Collateralised Securities (PCS): <http://pcsmarket.org>



- The PCS Label can be awarded to issuance meeting the strict criteria set by PCS; the PCS Label criteria:
 - » seek to embody the PCS mission;
 - » focus on quality, transparency, simplicity and liquidity;
 - » are not a credit rating; nor are they a recommendation to buy, sell or hold any securities;
 - » are designed to assist investors and market participants in understanding aspects of the labelled securities

Setting Standards – Primary Markets

» ICMA member committees and related working groups

- Issuers (FIIF, PSIF and CIF)
- Intermediaries (PMPC and LDC – pretty much all lead-managers of vanilla Eurobond issuance)
- Investors (AMIC and CBIC)
- Consensus decisions by and for the market – complementary, not alternative, to regulation

» ICMA's Primary Market Handbook

- Good market practice since 1985 (IPMA) for intra-syndicate functioning: recommendations to lead-managers (not rules), guidance and model forms
- Periodically updated in response to specific market need (PMPC/LDC advice to ICMA executive) – not exhaustive
- Currently being generally reviewed and re-organised

» Regulatory changes

- Focus on fostering effective laws and regulations and addressing gaps (in cooperation with other associations)
- Prospectus Directive review – Continuing market uncertainty around application by regulators (with changes to Handbook model forms on hold)
- PRIPs ('KID' key investor document concept), Market Abuse Regulation (Pre-sounding and stabilisation) and MiFID L1 (suitability/appropriateness/intervention) and L2 (underwriting)

Setting Standards – Secondary Markets

- » ICMA's Secondary Market Rules and Recommendations
 - Written by the market, for the market
 - Reviewed regularly by SMPC

- » Potential impact of forthcoming regulatory changes:
 - MiFID/CSDR
 - Third countries
 - Market structure
 - » OTFs
 - » Transparency
 - Potential impact on the dealer model

- » Risks to liquidity and efficiency

Further information on ICMA and its work

Website

www.icmagroup.org

Quarterly Report

<http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Regulatory-Policy-Newsletter/>