



ICMA

International  
Capital  
Market  
Association

# Impact of Recent Regulatory Changes & Other Structural Issues

Martin Scheck, ICMA  
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## Recent Decisions on the Regulatory (“Basel III”) Treatment of Assets

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- » 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

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- » 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

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» 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

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### » 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

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- » 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](http://www.icmagroup.org)

Quarterly Report

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