

DEBT ISSUANCE MARKET CONTACT GROUP

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Summary of the discussion

3rd Meeting of the Debt Issuance Market Contact Group (DIMCG) – 16 December 2020

1. Welcoming remarks

The Chairperson welcomed the participants of the DIMCG and introduced the agenda of the meeting. He clarified that, after having started the work on pillar 1 (efficiency gap) during the previous meeting (with the preparation of the survey), the focus for this meeting would be to initiate the discussions on pillar 2 (harmonisation).

2. Pillar I of the DIMCG - issue / opportunity

2.1 DIMCG Survey

The ECB team reminded participants about the key aspects applicable to the on-going written procedure on the DIMCG survey on European Issuance, including the deadline of 23 December 2020.

A first discussion on the results will take place on 27 January 2021 and a more exhaustive discussion on the outcome is scheduled for the following meeting, on 10 March 2021.

3. Pillar II of the DIMCG – Harmonisation

3.1 Tentative harmonisation agenda

The ECB team presented a first list of topics as candidates for further harmonisation efforts. This list was compiled taking into consideration existing industry standards and feedback received from market participants (both via the May 2019 ECB public market consultation and the discussions of the first two DIMCG meetings).

The DIMCG participants acknowledged the description of the different elements proposed by the ECB team as candidates for further investigation and potential inclusion in the DIMCG advisory report. They were invited to discuss on the potential importance and way forward for each element. The following further actions were discussed by the DIMCG:

- The usage of standard investor identification received considerable support by the DIMCG members as a potential harmonisation topic. The Legal Entity Identifier (LEI) was broadly considered as the best available starting point to be used in this context, in line with existing EU authorities' recommendations on the usage of the LEI in financial transactions. However, it was highlighted that the LEI may need to be extended to cover different investor types under the

same LEI to support e.g. the allocation process. Furthermore the issue of non-LEI availability for some investors may also be a challenge. A subset of DIMCG participants will be asked to analyse this item in detail in a separate session in the course of January and report back to the DIMCG in the meeting of 27 January;

- The harmonisation of Know-Your-Customer (KYC) procedures was also acknowledged by the participants as potential area for improvement involving today a lot of manual and parallel work with stakeholders. A mechanism of pooling of KYC data may help but it is not clear whether such an approach would be feasible both from a regulatory and from a governance perspective. Furthermore, the transversal relevance of KYC procedures (not limited to only issuance transactions) need to be taken into account as well as the specific in-house KYC requirements that may apply. A subset of DIMCG participants will be asked to analyse this item in detail in a separate session in the course of January and report back to the DIMCG in the meeting of 27 January;
- The DIMCG agreed that the potential definition of a pan-European market standard for the term sheet could be another harmonisation candidate. Some DIMCG participants clarified that a considerable amount of work in this area has been carried out recently by some International Financial Institutions (IFIs) represented in the group. The DIMCG agreed to invite this group of IFIs to organise a workshop on the topic, with the inclusion of other interested DIMCG participants, and share their work with the DIMCG and to present their analysis in the next DIMCG meeting on 27 January;
- The ECB team will present those standards of the Single Collateral Management Rulebook for Europe (SCoRE) which are relevant for the DIMCG work, including those on business day, day count and rounding conventions;
- The DIMCG plans to discuss the following harmonisation candidates during its next meetings: book building process, documentation, data exchange / data models and timeline / settlement cycle.

4. Pillar III of the DIMCG – Existing initiatives

4.1 European issuance and market solutions

As defined in the DIMCG Terms of Reference, the ECB team proposed the elements to be used in order to explore how private and public initiatives could support the mitigation of issues and other topics identified in pillar and in pillar 2. The proposal consists of the following four elements: i) coverage of the full transaction chain and interoperability across initiatives, ii) harmonisation across national markets and market actors, iii) pan-European coverage and iv) European governance.

4.2 Primary markets technology directory

This agenda item was postponed to the next DIMCG meeting.