Minutes of the Expert Group on Corporate Bond Market Liquidity

Brussels, 15 September 2017

Minutes

Meeting of the Expert Group on Corporate Bond Market Liquidity

13 July 2017, Brussels

1. Approval of the agenda

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

3.1. Introduction and opening remarks

The Chair welcomed the group and noted the good additional work by the subgroups on the recommendations. The focus should now be on the headline report of the Expert Group, which will be the document read by the large majority of stakeholders. The analytical report consisting of the four chapters will be a supporting document.

3.2. The Headline Report

The Expert Group concluded that, overall, the first draft was a good synthesis of the work of the Expert Group, and that the proposed structure worked well to pass the messages. Work now has to focus on qualitative improvements, strengthening and smoothing the narrative, incorporating elements still missing, addressing those underdeveloped, correcting inaccuracies, adding a conclusion etc.

Specific points discussed included the following:

- The first part of the report should better explain the importance of corporate bond markets for the economy, how corporate bonds can help fuel investment, and how retail investors engage in corporate bond markets.
- It should be acknowledged in the report that, while some recommendations are directly linked to corporate bonds, others have a broader reach.
- Possible useful additions to the text are descriptions of: (i) primary allocation and how it may impact liquidity on the secondary market; (ii) how liquidity is generated on secondary markets (including by using hedging, shorting, securities lending, repos); (iii) the fragmentation of corporate bond markets; and (iv) the need to develop national corporate bond markets that remain underdeveloped.
- Some results of the Risk Control study on drivers of corporate bond market liquidity should be used in the report and referenced.

**Timeline for the finalisation of the headline report:**

- FISMA will integrate elements discussed in the meeting of 13 July and contributions received shortly thereafter as much as possible and circulate a new draft by Wednesday 19 July.
- Experts should send their comments by 13 August on the new draft, whether general comments or specific comments in track changes to the Secretariat. Those experts who could not participate to the 7th plenary meeting of 13 July were in particular invited to comment.
- The Secretariat will integrate comments and send a revised version by Wednesday 13 September.
- Experts will be invited to comment on this next version of the headline report in the meeting of 20 September – or welcome to comment by email before the meeting, to facilitate the integration of their comments in the Report and the discussion on 20th September.
- A final agreement should be found on the headline report in the plenary meeting of 20th September.

3.3. Recommendations

Each of the four subgroups presented their recommendations to the Expert Group. Experts were invited by the Chair and the Secretariat to comment on whether or not the headline report faithfully reflected the recommendations put forward by the group.

3.4. Analytical Report

- The four chapters will be reviewed and streamlined over the summer by the Secretariat and circulated early September to the whole Expert Group, so experts can review and comment.
- Chapter 2 (demand side) is still being developed and will be sent to the Secretariat in mid-late August. It has to be early enough to give the opportunity to the whole expert group to review it.
- The analytical report will be a technical document supporting the headline report.

3.4. Recommendation fiches

Secretariat will compile the recommendation fiches drafted by the subgroups. A discussion took place on whether they should be published as a third element of the package – with the headline report and the analytical report. Conclusion was that the Secretariat will compile the recommendation fiches and that the Expert Group would then have to decide whether they should be published.

4. Conclusion and next steps
The Chair concluded by describing the next steps leading to the meeting of 20\textsuperscript{th} September, during which a final agreement should ideally be found on both the headline report and the analytical report. Should any contentious points remain, they would have to be agreed upon in a swift written procedure.

5. Next meeting

The next meeting will be held on 20 September 2017 in Brussels.

6. List of participants

Members

Halina ANTOSZYK, Citigroup Inc. - CitiHandlowy

Patrice BERGE VINCENT, ICI Global

Harald ENDRES, Bundesverband Öffentlicher Banken Deutschlands, VÖB - Bayerische Landesbank

Andrew HILL, International Capital Market Association

David MAROTO SOBRADO, Telefonica, S.A.

Denis PROUTEAU, BPCE – Natixis

Fabrizio TESTA, London Stock Exchange Group - MTS SpA and EuroMTS Ltd

Le Quang TRAN VAN, Association Française des Entreprises Privées / French Association of Large Companies

Alexandra VAN GYSEGHEM, Amundi

Victoria WEBSTER, Association for Financial Markets in Europe

Observers

Claudia GUAGLIANO, European Securities and Markets Authority (ESMA)

Christian STIEFMUELLER, Finance Watch

European Commission

Niall BOHAN, DG FISMA

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Lieven BAERT, DG FISMA

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Lars BOMAN, DG ECFIN