Minutes of the Expert Group on Corporate Bond Market Liquidity

Brussels, 02 October 2017

Minutes
Meeting of the Expert Group on Corporate Bond Market Liquidity

20 September 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

The Chair welcomed the group and explained that the day would be mainly focused on going through the whole set of recommendations. Discussion on specific topics on which the group has not yet reached an agreement will be necessary. New recommendations will also have to be presented and debated so as to agree on the expert group's stance. It was also mentioned that elements of the ESAs review, to be released during the day, could be discussed as some new proposals may impact the work of the expert group.

In these final stages of the experts' work, the Secretariat's role is twofold: (i) continue to support the work of the expert group, reflecting the group's views in the final texts of the headline and analytical reports, and (ii) provide insight on the Commission stance on some recommendations and the status of the legislation, to avoid recommendations which would be rejected solely due to an inadequate framing or angle.

3.2. The Headline Report (in general)

The Chair presented the Secretariat's assessment of the headline report. The following points were highlighted:

- The report is long and it may be difficult to shorten it. As a consequence, a strong executive summary is necessary to pass the main messages.
The recommendations need to be crisper and sharper. More work is needed to clearly identify who they are addressed to and explain their implementation.

The Chair asked whether the experts were satisfied with the direction in which the headline report was going and if they had any comments. Several experts mentioned the need for some rephrasing.

The Expert Group agreed that Chapter 1 is already quite solid, with work still to be done to: (i) check consistency of figures on corporate bond markets throughout the report; (ii) nuance wording on integration of corporate bond markets pre-crisis; (iii) delete too specific language on the ECB CSPP; (iv) try to find data at EU level rather than Eurozone.

3.3. Recommendations in the Headline Report

Recommendations related to investors:

The recommendations related to investors were discussed, with a view to reaching a consensus on those for which no agreement had been found yet. Some additional needs for editing were discussed. It explained that some recommendations needed to be strengthened by providing more evidence of the problems they intended to solve.

Recommendations related to intermediation and market making:

A new recommendation to improve the post-trading environment of corporate bonds was discussed. The expert group broadly supported the problem definition and the recommendation. Experts discussed how to possibly expose in the report the dynamics of post trading. Still, it was concluded that the expert group needed to provide more concrete examples of their problems to back the recommendation.

The will of the expert group to send a strong message against the mandatory buy-in regime and its impact on liquidity of corporate bonds was acknowledged. Examples would be helpful to start preparing for the CSDR review in 2019.

Recommendation on e-trading:

The problem definition and objective of the recommendation proved broadly consensual. However, it was acknowledged that more work was needed to better explain the recommendation's implementation.

Recommendations related to issuers and issuance:

A new recommendation related to the bond allocation process was presented but did not prove consensual in the group. It was therefore agreed that the recommendation should be redrafted and would need to be discussed again at the next expert group meeting. The other recommendations were discussed and it was agreed that several needed to better specify the problem they aimed to tackle.

Recommendations related to transparency and information:

Recommendations related to transparency and information were discussed one by one. The Commission gave some insight into relevant EU legislations and the current work of EU institutions/European Supervisory Authorities/National competent authorities. The discussion focused
on consolidated tape, pre- and post-trade transparency, credit rating and research on corporate bonds. It was agreed that some recommendations needed to be redrafted to take this information into account.

Recommendations related to the supervisory and policy framework:

Recommendations related to supervisory and policy framework proved consensual.

Experts argued that the report should further emphasize the message that regulators have been drafting regulations applicable to corporate bonds with equity in mind.

3.4. Analytical Report

The Secretariat explained the work done so far on the analytical report:

- The four chapters were consolidated in one document.
- Some editing of the text was done.
- To link the analytical report and the headline report, recommendations were inserted in the analytical report (which would have to be done again when the headline report will be finalised).
- When the recommendation fiches included useful justification for/specification of the recommendations, these were inserted in the analytical report.
- In case of overlaps, relevant sections were merged.
- To follow the structure of the headline report, some sections were moved from one chapter to another.

The Expert Group agreed that the approach taken to build the analytical report should make it an effective document to support the Expert Group's recommendations. It noted that additional work had to be done to make it more homogeneous.

4. Conclusion and next steps

The Chair summarised the day's discussion and stressed on which recommendations the Expert Group should focus in particular before the final expert group meeting. It was made clear that the objective was to have as much a consensus as possible on all recommendations, as dissenting voices would weaken the impact of the report. However, if necessary, it would be possible to footnote the disagreement by individual expert(s) on specific recommendation(s).

The Chair explained the next steps envisaged:

- The headline report should be finalised during the meeting of 9 October;
- By 9 October, significant progress should be made on the analytical report;
- The next step will be a workshop on 24 November, targeting a large audience to give good visibility to the Expert Group's report and the study by Risk Control. A speech by a high level Commission representative would start the day. A press statement by
Commission would state on which recommendations of the Expert Group the Commission is already planning actions.

5. Next meeting
The next and final meeting of the expert group will be held on 9 October 2017 in Brussels.

6. List of participants
Members
Halina ANTOSZYG, Citigroup Inc. - CitiHandlowy
Patrice BERGE VINCENT, ICI Global
Hans BEYER, SEB – Nordic Securities Association
Graziano CREMA, Banco Bilbao Vizcaya Argentaria
Harald ENDRES, Bundesverband Öffentlicher Banken Deutschlands, VÖB - Bayerische Landesbank
Scott EATON, MarketAxess Limited
Harald ENDRES, Bundesverband Öffentlicher Banken Deutschlands, VÖB - Bayerische Landesbank
Andrew HILL, International Capital Market Association
Christoph HOCK, Union Asset Management Holding AG. - Union Investment Privatfonds / Institutional GmbH
Sanjay JHAMNA, JPMorgan Chase & Co.
Paul MALLOY, Vanguard
David MAROTO SOBRADO, Telefonica, S.A.
Denis PROUTEAU, BPCE – Natixis
Kurt SCHACHHT, CFA Institute
Fabrizio TESTA, London Stock Exchange Group - MTS SpA and EuroMTS Ltd
Alexandra VAN GYSEGHEM, Amundi
Victoria WEBSTER, Association for Financial Markets in Europe
Observers

Claudia GUAGLIANO, European Securities and Markets Authority (ESMA)

Philippe MOLITOR, European Central Bank (ECB)

Alex RODRIGUEZ TOSCANO, European Federation of Investors and Financial Services Users (BETTER FINANCE)

European Commission

Niall BOHAN, DG FISMA  (Chair)

Agnès LE THIEC, DG FISMA (Expert Group Secretariat)

Amaury CHAZEAU-GUIBERT, DG FISMA (Expert Group Secretariat)

Sebastien BAGOT, DG FISMA

Agata MALCZEWSKA, DG FISMA

Paul FRAIX, DG FISMA

Santiago MARTINEZ IGLESIAS, DG FISMA

Gaetan PARCHLINIAK, DG FISMA

Lars BOMAN, DG ECFIN