

DEBT ISSUANCE MARKET CONTACT GROUP

Miguel Tahoces

+49 1624061492

DIMCG-Secretariat@ecb.europa.eu

Summary of the discussion

1st Meeting of the Debt Issuance Market Contact Group (DIMCG) – 23 September 2020

1. Welcome remarks

The Chairperson welcomed the members to the first meeting of the DIMCG taking place under the circumstances of the Covid-19 pandemic. He expressed his appreciation to all members for committing their time and invaluable expertise to the group. He then introduced the mandate of the DIMCG, highlighting in particular that the key objectives of the DIMCG would be i) to identify issues that could be an impediment to further improvements in efficiency and integration in the area of debt issuance and initial distribution in Europe, covering the full transaction chain from pre-issuance to post-trade, and ii) to investigate how these issues could be addressed and opportunities be taken. Based on this analysis, the DIMCG would be expected to deliver an advisory report to the Eurosystem (including concrete recommendations) endorsed by its members to the Eurosystem. The aim would be to have this report published by late 2021.

The Chairperson then invited all participating members and observers to introduce themselves and their expectations for the DIMCG. All the participants expressed appreciation for the setup of the group, and they highlighted in particular the inclusive membership structure of the DIMCG covering the full value chain of issuance.

2. Introduction of the DIMCG

The ECB team presented the roles, responsibilities and activities of the Eurosystem in the areas of financial market infrastructures and payments, notably as operators, catalysts and overseers. DIMCG members took note that the Eurosystem actively promotes European integration, safety, efficiency and a level-playing field, and that through its operational and catalyst function, the Eurosystem has contributed to Eurosystem and market-wide harmonisation and standardisation (e.g. in securities settlement, collateral management, ISO messaging standards) benefitting all relevant financial market stakeholders. A key objective for the Eurosystem would also be to support financial market stakeholders' request for creating a single liquidity pool for payments, securities and collateral, in euro and in central bank money.

The ECB team then briefly recalled the outcome of the ECB market consultation which took place on May 2019. One topic where the majority of the respondents agreed was that further work in the area of harmonisation and standardisation covering the full transaction chain, from the pre-issuance to the post trade, is needed in the EU.

Based on the published [terms of reference](#), the ECB team also presented in more detail how the work of the DIMCG could be divided into three main “pillars”:

- I. Pillar 1: Identification and potentially quantification of the issues and opportunities at stake regarding debt issuance in the EU.
- II. Pillar 2: Identification of potential harmonisation or standardisation topics, including the appropriate methodology and governance that could eventually be followed.
- III. Pillar 3: Assessment of how existing, or potentially upcoming, market solutions could help addressing Pillars 1 and 2.

The DIMCG members agreed with the three-pillars approach. During its second meeting, the DIMCG will further detailing the scope and the organisation of the work for each of these three pillars.

3. Presentations by DIMCG members

In order to facilitate the discussion, several DIMCG members, presented their initial views on, and own experiences with, Pillar 1 (issue at stake) and Pillar 2 (harmonisation). Their presentations primarily focussed on the perspectives of issuers and investors.

Siegfried Ruhl (ESM) presented the main issues that ESM faces as a public issuer today for debt issuance and distribution. He clarified that their main objective as a public issuer is to minimise execution risk, rationalise costs and to support a European domestic market for debt in line with the European Commission’s objective of a Capital Markets Union. The topics presented were structured along four main groups: pre-trade, post-trade, governance risks and existence of a true European domestic Capital Market.

Leland Goss (ICMA) introduced some questions for the DIMCG members, especially addressed to issuers and investors with the aim to identify the potential issues these institutions experience in the issuance and post-trade processes, or the missed opportunities they see, when issuing or buying debt instruments today especially across the EU. DIMCG members provided some indicative feedback on the issues they have been experiencing and the DIMCG agreed to further explore and analyse these questions in the context of Pillar 1 and Pillar 2.

Peter Nijse (BNG Bank) and Gisle Råsberg (Norges Bank) provided their initial lists of topics which they felt could be analysed by the DIMCG under Pillar 2, including, for example, shortening of the primary market settlement cycle, and defining of standard and unique investor identifiers. Both stressed the need for digitalisation of pre-issuance activities. Wider EU topics such as withholding tax procedures could also be considered.

The participants of the DIMCG generally agreed that the initial problem statements and issues raised by the presenters as well as their initial proposals on how to possibly address them are very helpful input for the work on Pillar 1 and Pillar 2. DIMCG expressed the need for further elaborating on the exact boundaries of the issuance process to be covered by the DIMCG (e.g. syndication and auction), the need for a good technical description of the full issuance value chain and its actors (from pre-issuance to post trade) and for clarity on the debt instruments in scope.