(Primary) Market Innovation Project

What it means & could mean for the Covered Bond Market

ICMA
International Capital Market Association

ECBC
EUROPEAN COVERED BOND COUNCIL

Why ICMA does this

The world changes fast – we need to as well!

Capital markets are the mirror of economic activity

“We need to rethink the Finance Architecture”

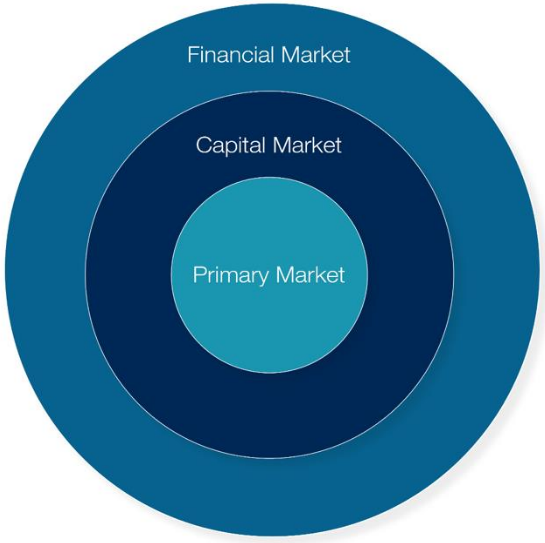
Larry Fink at COP28 (Dec’23) & at the launch of Blackorck’s Bitcoin ETF when embracing tokenization as the future of financial market infrastructur

Rethinking the Finance Architecture

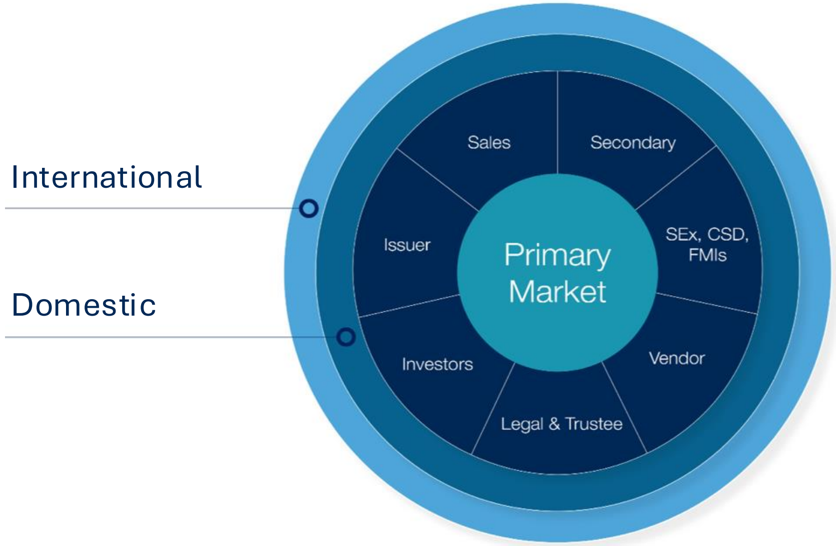
Capital Markets are on a transition journey on how we do things

What?

Who?



How?



ICMA's (Primary) Market Innovation Project

Shared goals – Top-Down & Bottom-up

European Commission

EC – Consultation on the integration and modernisation of EU Capital Markets

Key themes and aims of the consultation

- Enhancing Market Efficiency
- Supporting Technological Adoption
- Identify barriers (and friction) across
  - Legal
  - Regulatory
  - Supervisory
  - Technology
  - Behavioural

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ICMA – Primary Market Innovation Roundtable

Key takeaway

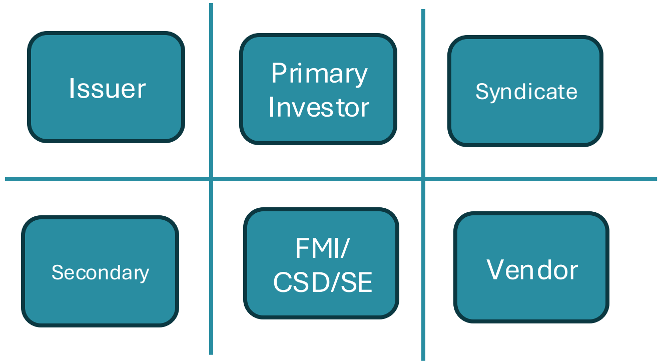
- Unprecedented engagement and willingness among stakeholders to address inefficiencies and embrace digitalization
- Critical need for common language and standards
- Incremental progress over perfection all at once
- Develop education and communication strategies

What we have done so far

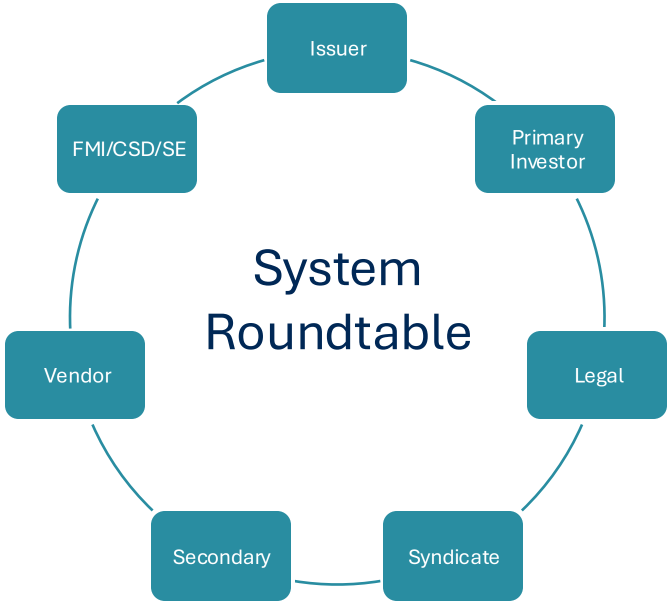
What we have done so far

From Stakeholder to System Roundtables

Interviews



Stakeholder Roundtable



What we have done so far

It quickly became clear…..

- Definition of Change & Innovation has evolved and changed
- Do we need vitamins or painkillers?
- Challenge of the change catalyst – but the joint feeling that the tide is rising
    - Everyone seems willing and engaged
- Question on who are the people driving and paying
- All starts with Data – Garbage in – Garbage out!
- Scaling innovation is the challenge not the innovation itself (Product)
- Implementation is the challenge of innovation on the process side
- Can’t expect a shiny Ferrari but a good car with 4 wheels and a steering wheel
    - Don’t let good be the enemy of perfect (SF language)
- “Feels like late 90s”

What we agreed on!

Agreement – From a common language & starting point

…to a roadmap & next steps

The Role of ICMA

Definition of Change & Innovation

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State of mind

Roadmap & Next Steps

Agreement – From a common language & starting point

…in more detail

The Role of ICMA

- Facilitator
- …even more- a driver of Standards & Principles…
- Track progress & report

Definition of Change & Innovation

- Def. of change has evolved and changed
- Means different things to different people
- Impacts different parts in a different way
- Requires systemic thinking

State of mind

- Effective/Aware/Conscious of Model change
- Evolution rather than revolution
- Short-term = Process
- Long-term = Model Change
- Upstream vs. Downstream

Roadmap & Next Steps

- Data standards = BDT
- Investor classification
- Enabling of the convergence
- Safe transition of products, process & people

Innovation across Process & Product

Primary Markets are the “birthplace” of Financial Assets

Primary Market	Process	Electronification	Life-Cycle	Pre-Issuance	Origination & Documentation
				Book Building	Order Management & Pricing
				Post Issuance	Settlement & Life-Cycle Event Management
	Product	Tokenization	Cash	CBDC	Retail CBDC
					Wholesale CBDC
				Crypto	Stablecoin
					Bitcoin, ETH, SOL etc
			Asset	Digital Native	Public/Private and/or Permission-ed/-less
				Digital Twin	

State of mind

For resilient Capital Markets of today and the future

Effective in delivering on our mandate of raising finance

"Can't afford to break what's not broken"

Aware of….

Process inefficiencies

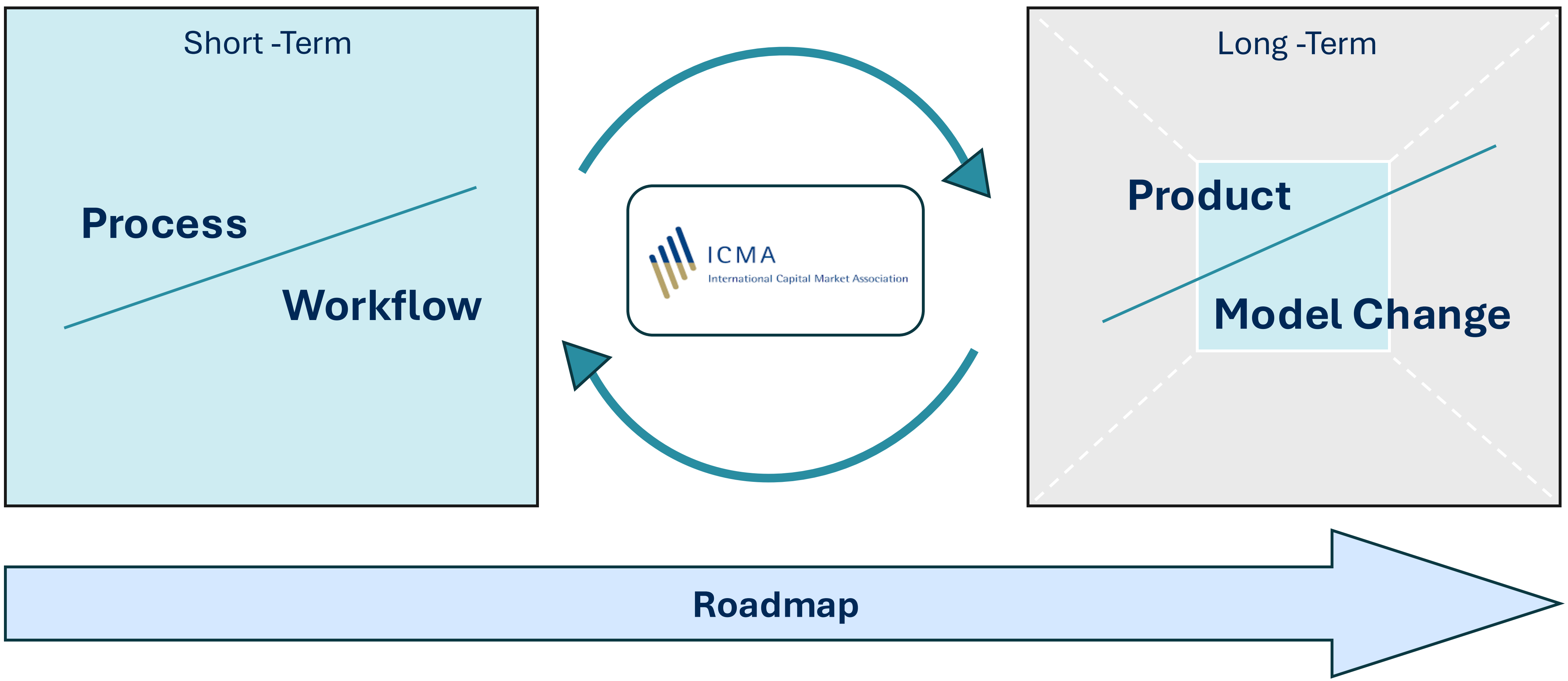
Barrier to entry for: Issuer + Investors

Conscious of the model-change dynamics

"From analog to digital across cash and assets"

Challenges & Roadmap

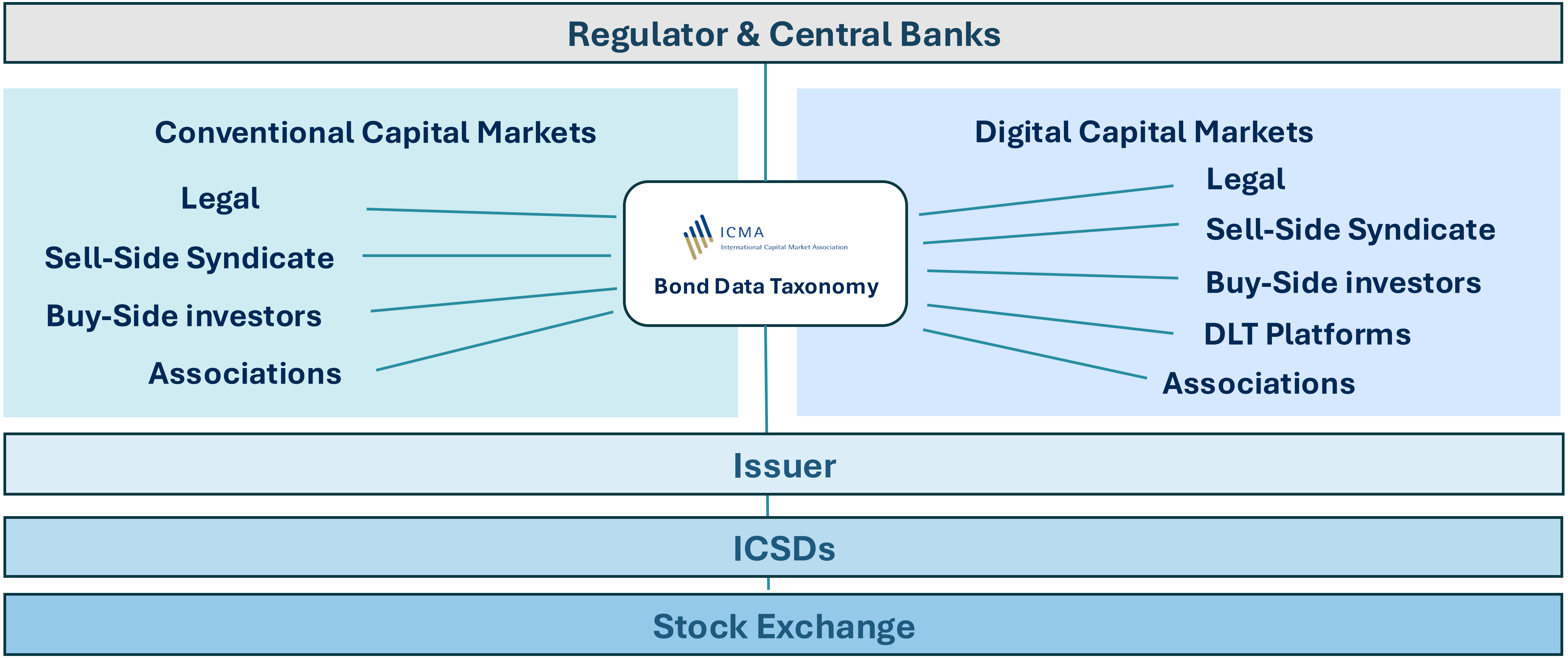
Evolution rather than revolution



What’s next?

Data Standards – The Bond Data Taxonomy (BDT)

Systematic Engagement



ICMA - Bond Data Taxonomy (BDT)

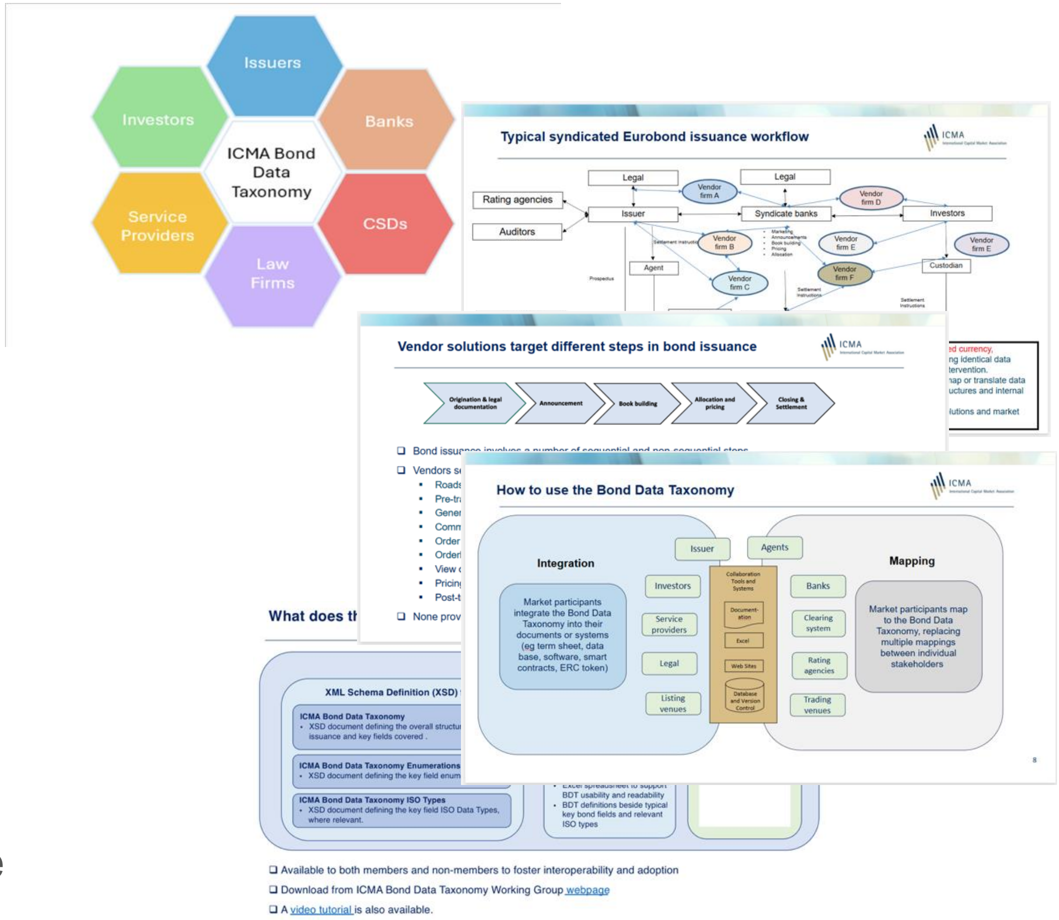
Central to everything we do

❑ What is the Bond Data Taxonomy?

The Bond Data Taxonomy is a common machine-readable language designed for the Debt securities lifecycle & Capital Markets Ecosystem across traditional and tokenised bonds.

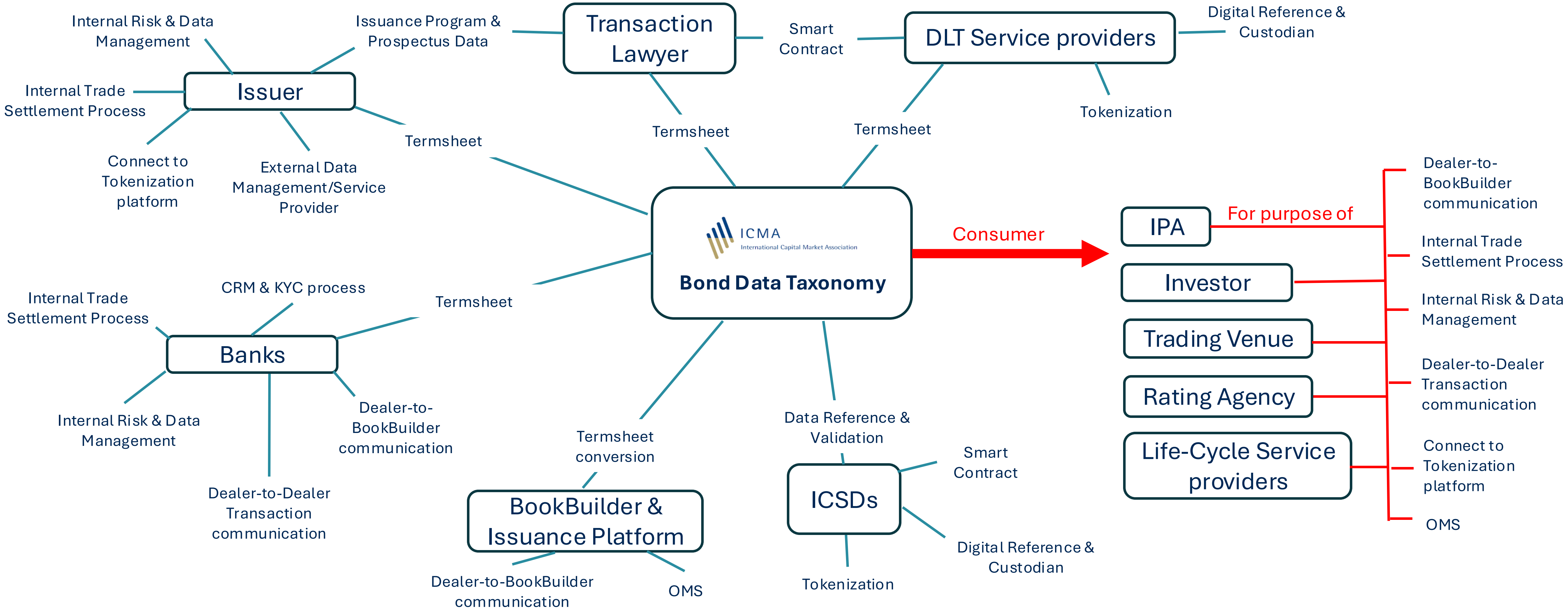
❑ Benefits of the BDT?

- The BDT acts as practice AND data standard
- Promotes both straight-through-processing (STP) and interoperability in the issuance process and post-trade operations
- Helps bridge the gap with tokenised securities.
- Being Vendor & Technology agnostic it enables the exchange of data between multiple solutions & systems



Data Standards – The Bond Data Taxonomy (BDT)

Network of use cases and entry points



BDT Engagement & Adoption Status Update

Conventional Capital Markets

- Integration of BDT into ISO20022, in collaboration with SWIFT.
- Issuance & Post-trade: Clearstream and Euroclear (benchmark for internal modernisation project)
- Reconciliation: World Bank AI prototype use cases 'ASTRA' using BDT as part of their Securities Terms Reconciliation & Analysis and 'SHASTRA' for funding and ALM transactions.
- Vendor adoption: legal documentation (NowCM) and lifecycle management by agents (Inveztor)

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Bond Data Taxonomy

Digital Capital Markets

- Adoption by Hong Kong SAR in multicurrency digital green bonds issuance (HSBC Orion/CMU
- Société Générale Forge CAST Framework.
- Centrepiece of MAS Guardian Fixed Income Framework (published in November 2024) which features different integration proposals: UBS & CMTA, ERC-3643, and solbond (CACIB, Swift, FeverTokens).
- DZ Bank – Smart Bond Contract Whitepaper (May 2025)

Other implementations by issuers and other market stakeholders are ongoing (to be publicly announced in due course).

What else there is

…clarification, collaboration and coordination

Collaboration & Coordination

Governance

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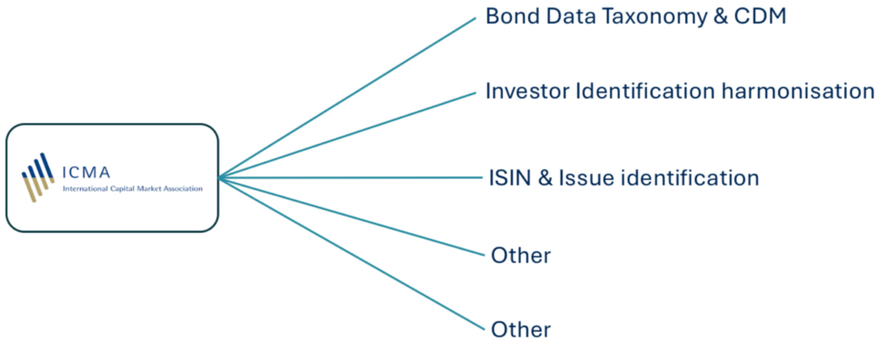
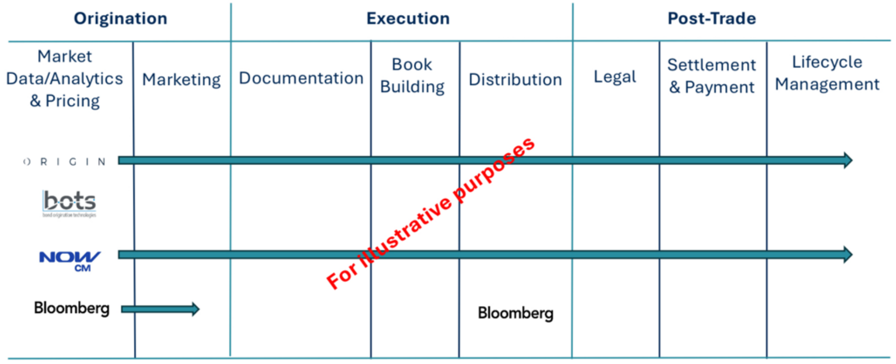
Hamonisation



Mapping



What it could mean for the Covered Bond Market?

Combining infrastructure data with transparency

Unlocking efficiency across the (Covered) Bond Life Cycle

<table>
<tr><td rowspan="3">Primary Market</td><td>Process</td><td>Efficiency is dependant on data standards!</td><td>Efficient
Life Cycle Management</td></tr>
<tr><td rowspan="2">Product</td><td>Product Data</td><td>ECBC HTT</td></tr>
<tr><td>‘Infrastructure’ Data</td><td>ICMA BDT</td></tr>
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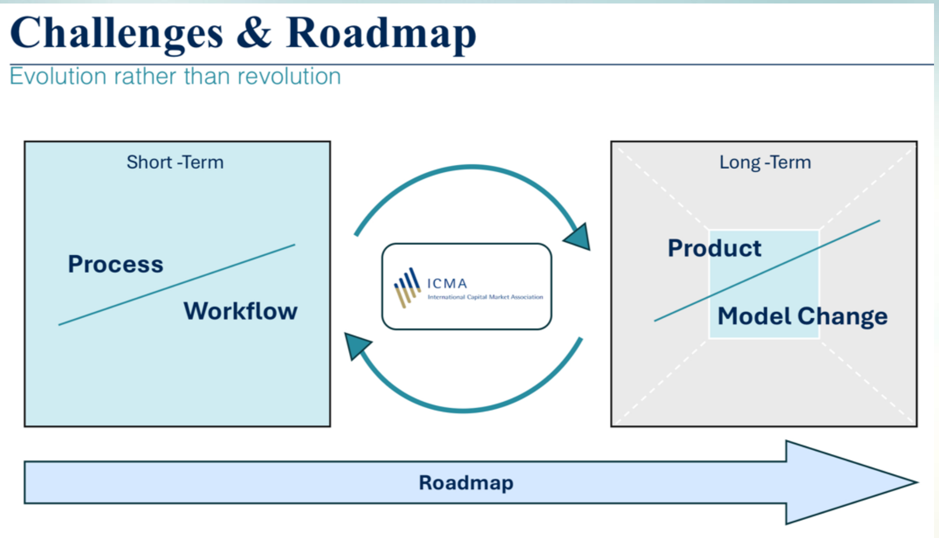
Our Ask

- Be aware
- Engage
  - Interested?
  - Ideas?
- Embrace
- Connect

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Guardian of Product, Process & People.