

## ICMA FinTech Advisory Committee

ICMA's FinTech Advisory Committee (FinAC) held its fourth meeting on 16 July 2020. Innovation is a topic which is high on the agenda of central banks as evidenced by the proliferation of initiatives. Against this backdrop, Benoît Cœuré, Head of the BIS Innovation Hub, provided an update on some of the latest aspects of the BIS' work in relation to FinTech and the BIS Innovation Hub.

Following on from previous discussions related to primary markets and repo markets, members led a discussion on trends and new initiatives in secondary bond markets as well as adoption scenarios for ISDA's Common Domain Model, which ICMA is in the process of extending to repos and bonds. The purpose was to exchange views on recent developments, identify gaps in terms of common standards and consider potential solutions, and explore how to facilitate the adoption of the CDM.

In secondary bond markets, the practice of exchanging pre-trade information on inventory and trading interests in particular instruments, referred to as "axes", has evolved significantly in recent years. Messages have gradually become more structured and axes are fed directly from trading systems to venues and clients via the FIX protocol and, lately, directly from sell side to buy side.

Currently, there is no single standard for axes and the distribution of axes, a topic which has been addressed by ICMA's Electronic Trading Council. The main reason being that growth has been organic and that implementing a FIX engine for messaging requires appropriate IT resourcing, which can be a hurdle for smaller market participants. As regards trade execution, algorithmic trading has increased driven by the evolution of technology, while electronic trading of corporate bonds in Europe is estimated to have risen to 50-60% by volume (compared to 30-40%) pre-MiFID II.

In light of ICMA's work to extend the derivatives-focused ISDA CDM to repos and bonds, adoption of the model by market participants is a key question. The fundamental industry issues the CDM is seeking to address are inconsistent processes, inconsistent data, and duplicated data. The Barclays White Paper [Industry Adoption Scenarios for Authoritative Data Stores using the ISDA Common Domain Model](#), which was published on 13 July 2020, explores opportunities for the post-trade industry to standardise processes and simplify workflows in order to significantly increase efficiency and reduce costs.

The paper outlines how financial market infrastructures

could operate a golden source for trade data, also referred to as "authoritative data stores" by using the CDM to share transaction data with broker-dealers based on a standardised set of digital representations for lifecycle events and processes. Both traditional centralised models and potential decentralised models can be envisaged. Ultimately, there are many possible adoption scenarios, depending on each market participant's degree of integration with the golden data source and usage of the CDM.

Looking ahead, ICMA is considering the expansion of the FinTech Advisory Committee and is therefore inviting expressions of interest by ICMA member firms who would like to contribute to the FinAC's mission (via the below contact details). Further background on the FinAC and its mission statement are available on ICMA's dedicated [FinTech webpage](#). Recent podcasts related to [FinTech](#) can be found [here](#).

---

**Contact: Gabriel Callsen**  
[gabriel.callsen@icmagroup.org](mailto:gabriel.callsen@icmagroup.org)

---