



EUROPEAN CENTRAL BANK

EUROSYSTEM

DIMCG Survey on European Issuance

Detailed assessment of
responses for the
syndication model



5th Debt Issuance Market Contact Group meeting
10 March 2021

Overview

- 1** Introduction
- 2** General results of the survey: syndication model
 - 2.1** Generic aspects on European debt issuance (syndication)
 - 2.2** Summary of the results per sub-process (syndication)
 - 2.3** Main findings of the survey (syndication)
- 3** Detailed analysis: syndication model

Structure of the assessment

The assessment of the syndication model is split in 2 parts:

1. **Overview part**, summarising the main findings of the survey and of each sub-process
 2. **Detailed assessment**, showing per question of the survey
 - a charts with the distribution of H/M/L classifications
 - a summary of the free text comments
- In the assessment, all responses are counted equally (no weighting)

Initial case study vs. other asset classes

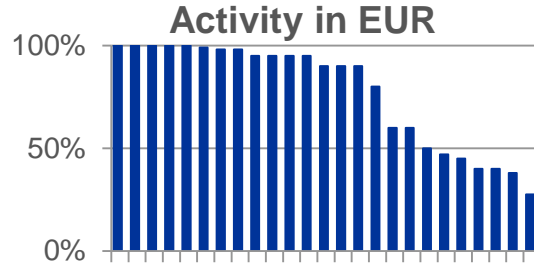
- General assumption: all responses in the survey relate to the initial case study of debt instruments from issuers with a European/supranational perspective
- Exceptions: In some cases it was assumed, directly or indirectly, that a response related to other issuers or asset classes. This was the case for example for the DMO responses, where it is assumed that the response primarily relates to sovereign debt securities and processes
- Usually, the differentiation between initial case study and other asset classes does not influence the response. In responses where the message clearly differed, this is indicated in the presentation

Overview

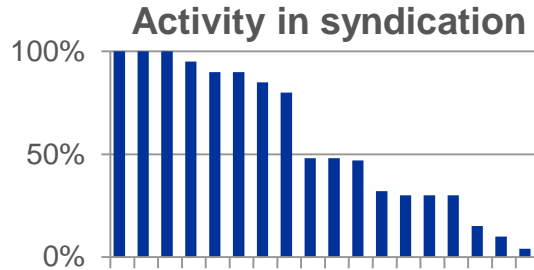
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Depending on your role in the process, what percentage of your annual issuance/
purchase activity is done 3.1.1) in EUR? 3.1.2) via syndicated transactions?

Percentage of annual
issuance/purchase
activity in EUR?*



Percentage of annual
issuance/purchase
activity done via
syndicated transactions*



* Each bar in the charts represents one response

3.1.3 - Please estimate the amount of total gross fees you pay/receive in relation to the EUR issuance amount? What types of services do you receive/deliver for that fee?

- Issuers pay between 0,15% and 0,20% of the syndicated amount to the lead managers
- Fee structure seems very similar across issuers
- These fees are “all-in” and include all services (incl. marketing, advisory, legal, listing, etc.)
- There are no other substantial fees, only minor legal fees for some issuers
- There are split views whether the amount of fees is justified or considered too high (see next slides)

3.1.4 - Which considerations do you take into account when deciding on how to issue your debt instruments or what debt instruments to buy?

Main factors:

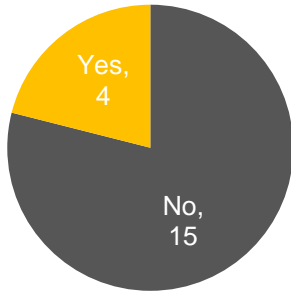
- **Market conditions, investor demand, market depth**
- Debt financing costs (not fees)
- Minimising execution risk
- Diversification, maintain a strategic presence in major markets
- Increasingly: ESG/sustainability factors

Additional considerations:

- Political situations (e.g. Brexit) and events (e.g. ECB Governing Council meetings)
- Complexity of the instrument
- Fulfilling primary dealership obligations (in case of auctions)

Does the location (EU member State) of the relevant actors involved in the process affect 3.1.5) the **costs and resources needed** 3.1.6) the **risks faced** to buy a debt instrument issued via a syndicated transaction?

Location affects costs?

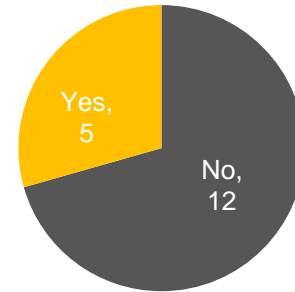


Main differences:

- Legal
- Currency (Euro cheaper)
- Post-trade*
- Documentation*

* Responses by paying agents

Location affects risks?



Main differences:

- Legal
- Operational**
- Currency (Euro less risky)
- Post trade risks (paying agent)
- Eligibility for European passport

**Different institution types active in post-trade

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Preparation and announcement

Risks

- Impact of legal, operational and reputational risks would be considerable, but likelihood of occurrence is low
- Following risks were mentioned most:
 - Breaching of selling restrictions
 - Errors in documentation
 - Market risk or incorrect market assessment
 - Incorrect announcement

Costs

- Most respondents find costs in this step moderate/low
- For each cost type (operational, fees, process duration, legal and FTEs), only 4-6 respondents reported a medium or higher relevance of the respective cost aspect
- Only few respondents provided exact figures for their costs and process duration.
The figures provided differed substantially between the respondents (e.g. costs of EUR 10,000, FTEs between 0.1 and 6, duration between 0.5 hours and 3 business days)
- Only some issuers find overall syndication fees too high

Preparation and announcement

Inefficiencies

- 50% of respondents identified a medium or high level of media breaks, mainly due to the usage of emails and information entered manually or passed via phone
- Low level of standardisation and data pooling
- Low level of process automation and usage of platforms
- Many individual responses mentioned different areas of inefficiencies, but no other major area could be identified

→ 7 respondents mentioned that a common platform could improve the process

Preparation and announcement

Potential for improvement

- 12 respondents see medium or high potential of improvement by fostering harmonisation in at least one of the following areas: terminology, conventions or document templates

Following areas of improvement were mentioned:

- Standardisation of Term Sheet template
- Automation of mandate announcement
- Automation of ISIN allocation
- Enhanced and timely digital data availability from source to improve processing at CSDs

Book building

Risks

- ~50% of respondents consider the impact of operational and reputational risks to be medium or high, but likelihood of occurrence to be low
- Following risks were mentioned most:
 - Manual entry of orders
 - Manual communication and reconciliation
 - Ambiguity in investor identification

Costs

- The majority of respondents find costs in this step moderate/low.
- For 5 respondents, at least one of the cost types (operational, fees, process duration and FTEs) is of medium or high relevance

Book building

Inefficiencies

- Many respondents identified inefficiencies in the book building process, especially in the areas of systems & platforms, quality of service and process complexity

The following areas of inefficiency were mentioned the most:

- Inefficiencies in investor communication
 - Ambiguity in investor identification
 - Fragmentation in systems and platforms
 - Duration of the book building process too long
-
- In addition, the **access to more timely and accurate data** would improve efficiency, enable faster decision making and accelerate the allocation process

Book building

Potential for improvement

- 11 respondents see medium or high potential of improvement by fostering harmonisation in the areas of terminology and document templates
- Also the level of media breaks (email, phone, maula entries) was considered high in by about 25% of the cases

Following areas of improvement were mentioned explicitly:

- Standardisation of order books
- Standardisation of investor identification and classification.
- More granular and faster access to data, as well as improved AI, would speed up the process and improve decision making

Allocation and pricing

Risks

- The risk of misallocation is considered substantial and more likely to occur than risks in the previous steps
- In this process step, respondents also identified considerable financial risks, e.g. if the allocation takes too long and in the meantime market conditions worsen

Costs

- Lengthy duration of the allocation step causes significant costs, also in terms of FTEs

Allocation and pricing

Inefficiencies

- Many respondents identified inefficiencies in the allocation process, especially due to a lengthy process duration, but also in the areas of systems & platforms and quality of service
- Regarding the pricing of the debt instruments, most respondents considered this step efficient

Potential for improvement

- Standardisation of investor identification and classification was mentioned most often, both as a root cause for the duration of the allocation process and as a potential improvement
- More granular and faster access to data, as well as improved AI, would speed up the process and improve decision making

Documentation and preparation for settlement

Risks

- The impact of errors would be considerable, but likelihood of occurrence is very low
- Following risks were mentioned most:
 - Non-STP and multiplicity of tools may lead to manual re-entry errors
 - Unclear or incomplete documentation
 - Compliance and KYC checks

Costs

- Most respondents find costs in this step moderate/low.

Documentation and preparation for settlement

Inefficiencies and potential for improvement

- In the area of documentation and preparation for settlement, the **most inefficiencies were reported** (compared to the other sub processes and counting the free text comments provided and the different inefficiency aspects mentioned therein)
- About half the respondents considered the significance of inefficiencies medium or high

Areas of inefficiency (which relate directly to the proposals for improvement)

- Workflow should be standardised and automated
- Documents should be harmonised and machine readable (STP receipt)
- Emails should be replaced by more standardised and automated means of communication
- A standard for digital data formats and for European debt securities should be established, to improve the processing of a new debt instrument at the CSDs
- Compliance & processability checks are often missing and should be implemented

Settlement and initial distribution

Risks

- Impact of operational and reputational risk is considered high, but likelihood is very low
- Following risks were mentioned most:
 - Settlement risk, e.g. late settlement or failed payment
 - Late authentication of the global note
 - Some also see risks in ICSD settlement, either due to a delayed processing by the ICSDs or due to settlement in Commercial Bank Money

Costs

- Most respondents find costs in this step moderate/low.
- For some, having the global note in dematerialised form and with digital signature would reduce costs

Settlement and initial distribution

Inefficiencies

- ~70% of the respondents see no or only a limited level of inefficiency in the settlement and initial distribution process
- For those that identified inefficiencies, the requirement of global notes in physical form and signatures in wet ink are the main ones
- Many individual responses mentioned different areas of inefficiencies, no other major area could be identified
- Only a few mentioned a potential benefit of shortening the settlement cycle to $<T+5$. Others had the contrary view and were cautious with a potential shortening, due to increased risks in the areas of liquidity provision and legal document generation

Settlement and initial distribution

Potential for improvement

- ~30-40% of respondents see a high potential for improvement in the **harmonisation** of terminology, conventions and document templates

On the other hand, it was mentioned that harmonisation is always a balancing act between cost saving and flexibility, and thus should be approached carefully

- 6 respondents identified **media breaks**, e.g. the use of emails, in the settlement and distribution process. The introduction of dematerialised securities and a higher level of STP and automation could improve the process.

On the other hand, it was mentioned that extensive automation may reduce the robustness of the settlement process under unexpected situations

- **Quality of and access to data** was of lower relevance in this sub process. Some mentioned the benefit of standardised digital data formats and a central data pool

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Main findings: risks and costs

Risks

- The impact of legal, operational and reputational risks are potentially considered substantial by many respondents, although their likelihood of occurrence is mostly considered low
- Only in the allocation process the likelihood of the risks materialising was considered medium or even high by a number of respondents

Costs

- Across the different sub-processes of the syndication model, costs are mostly considered moderate/low
- Only few respondents provided actual cost figures or information on process durations. The figures provided deviate significantly from one another.
- As a tendency, DMOs and responses assumed to relate primarily to sovereign debt instruments reported lower risk levels, lower relevance of the incurred process costs and also fewer instances of a high inefficiency rating

Main findings: syndication fees

- Across the different questions of the survey, respondents provided comments related to the syndication fees paid by the issuers to the syndicate banks
- There were deviating views whether current fee levels are justified or too high

“Syndication fees are standard market fees, unchanged since the year 2000. Intermediaries have made substantial advances [...] and with the growth of bond markets banks have benefitted from economies to scale.

None of the cost reductions has led to reduced fees”

Issuer

“Fees reduction imply a risk of deterioration of services, especially for smaller issuers. Important to find the balance between quality of service from lead managers and fees.”

Issuer

“As a recipient of fees, we are of the position that those are justified currently through the bundle of services we provide”

Bank

Main findings: inefficiencies

Inefficiencies in pre-issuance

- Ambiguity of investor identification and classification (region, type, ESG status).
- Different order book standards and media breaks (manual entries) in the book building process
- Lengthy duration of the allocation process

Inefficiencies in post-trade

- Requirement for physical global notes and signatures in wet ink delay the process and incurs costs and risks
- Fragmentation in document templates and document generation workflows
- Inefficiencies in the ISIN allocation process
- Efforts and delays due to compliance checks

Inefficiencies in data standards and IT integration

- Missing digital data standards. Absence of a centralised golden source for data creates inefficiencies on all levels
- Low level of IT integration and STP along the full transaction chain delays the process and creates costs and risks

Main findings: proposals for improvement (I)

Investor identification via LEI

- All parts of the syndication process could be improved by a common investor identification and classification scheme
- The LEI code was mentioned frequently as a potential solution
- Nevertheless, some respondents are of the view that the LEI alone wouldn't solve the problem
 - individual databases associating LEIs with expected behaviour would still be required and would certainly differ between issuers/banks depending on past experiences and relationships to investors
 - LEI is not granular enough to capture different desks within an entity, e.g. bank trading, bank treasury.

Dematerialised securities and electronic signatures

- Turning away from physical global notes and signatures in wet ink would fasten the process and could reduce costs and risks

Main findings: proposals for improvement (II)

Standardisation and integration of tools and platforms

- Across the transaction chain, there is high fragmentation of the tools in use. Defining common tools and improving interoperability and connectedness could significantly smoothen the process.
→ **7 respondents mentioned that a common platform could improve the process**

Digital data standards and a common data base

- Many actors in the transaction chain rely on external data, e.g. post-trade actors require information about the debt instrument from the issuer or another actor up the chain. Currently, this data is not standardised and provided by different actors via different channels.
- A common data base that is populated with original data (e.g. from the issuer itself) could improve data availability and data processing

Main findings: proposals for improvement (III)

Removal of media breaks and higher degree of automation

- Many activities currently performed manually, via phone or via email could be automated and transformed into STP mode

Standardisation and automation of the ISIN allocation process

- A harmonisation of the ISIN allocation could be beneficial for all market actors and could speed up the issuance process

Process for compliance checks and KYC could be made more efficient

- Standardisation and centralisation of checks on fraudulent/ ineligible securities, black-listed investors or inconsistent/wrong data

Main findings: proposals for improvement (IV)

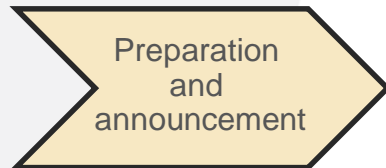
Standardisation of document templates and document generation workflows

- The creation, processing and comparison of legal documents requires a lot of time and manual effort in different areas of the transaction chain. This incurs costs (up to EUR 80,000 per transaction as reported by one syndicate bank) and can prolongate the issuance process
- The harmonisation of document templates as well as the automated creation and machine-readability of the documents could speed up the process, reduce cost and prevent manual errors

Overview

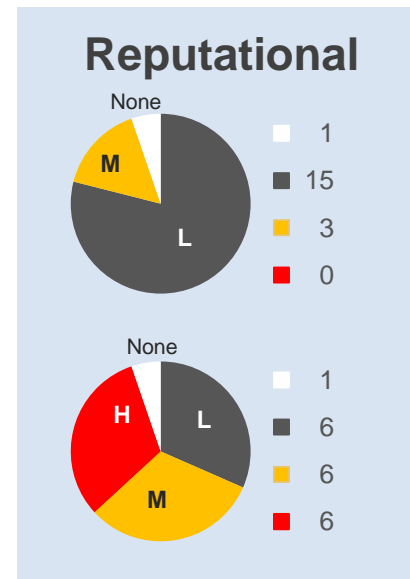
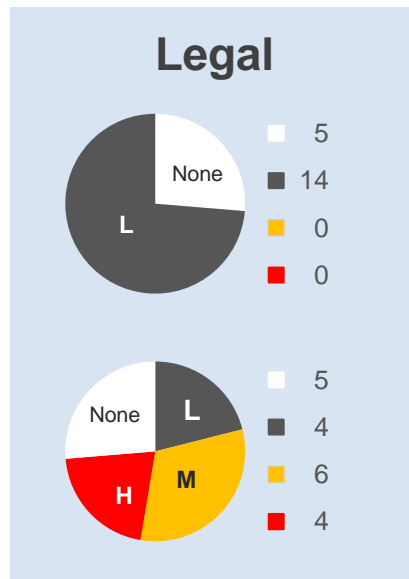
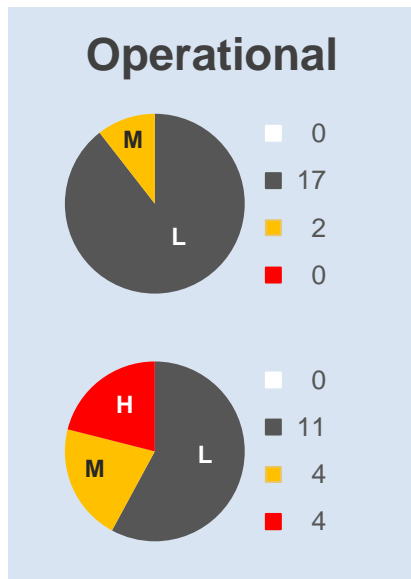
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 - 3.2** Book building
 - 3.3** Allocation and pricing
 - 3.4** Documentation and preparation for settlement
 - 3.5** Settlement and initial distribution

3.2.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?



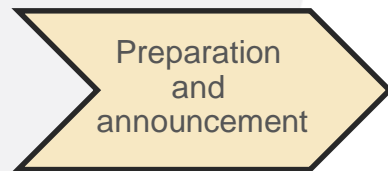
Likelihood

Impact



Total responses: 19

Origin of risks



Operational risks

- 3 Market risk or incorrect market assessment
- 3 Wrong announcement
- 2 Unclear or incorrect communication
- 2 Typos or missing information
- 2 Wrong ISIN
- 1 IT failure

Legal risks

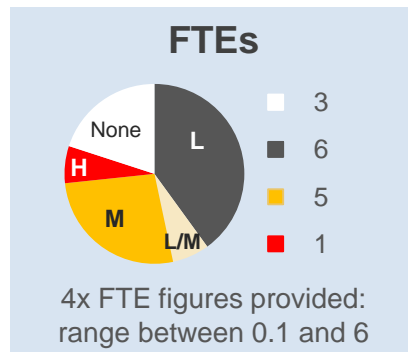
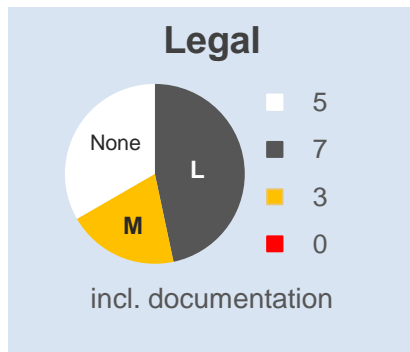
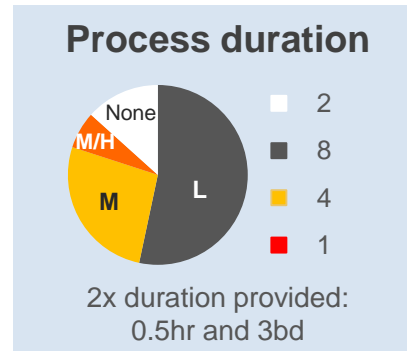
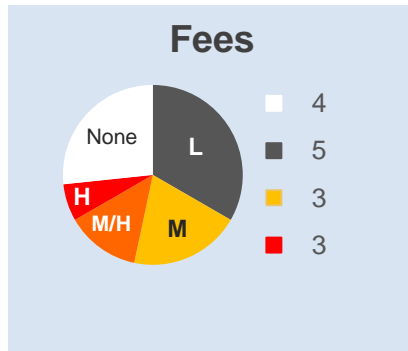
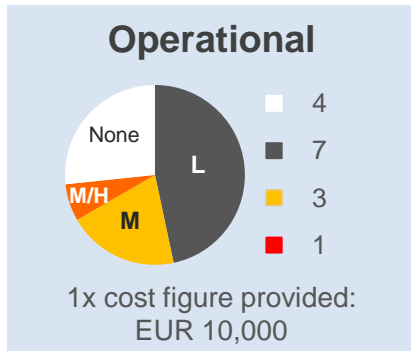
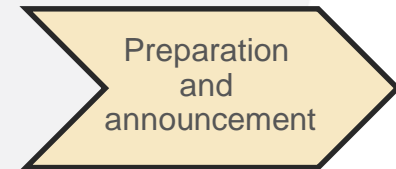
- 5 Breaching selling restrictions or incorrect KYC/AML assessment
- 5 Errors in the documentation
- 1 Wrong legal framework

Reputational risks

- 1 Mainly result from operational and legal errors

3.2.2 - What are the costs/resources associated with this process?

What is the relevance of each cost type?

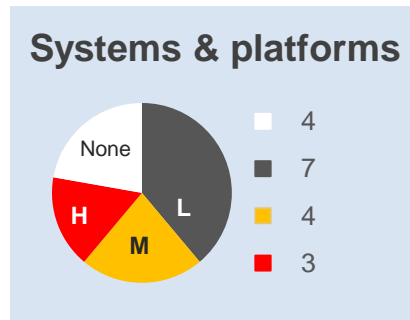
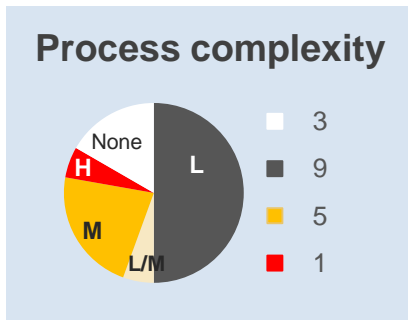
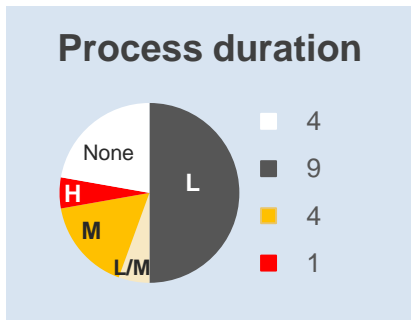


Total responses: 15

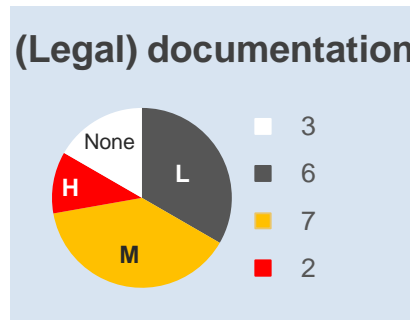
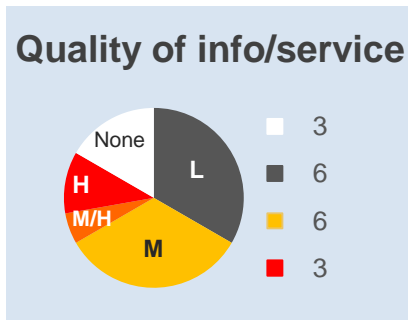
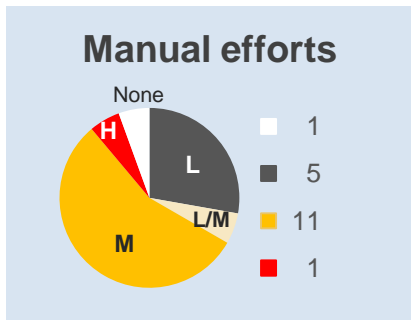
- hr = hours, bd = business days
- M/L counted as M, M/H counted as H

3.2.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?

Preparation and announcement



Total responses:
18



- L/M counted as M
- M/H counted as H

Inefficiencies

Preparation
and
announcement

Common platform









A common platform could improve the process






Common platforms exist, but are not sufficiently used

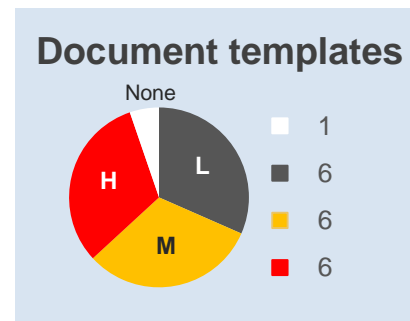
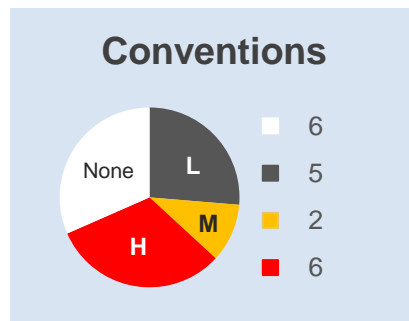
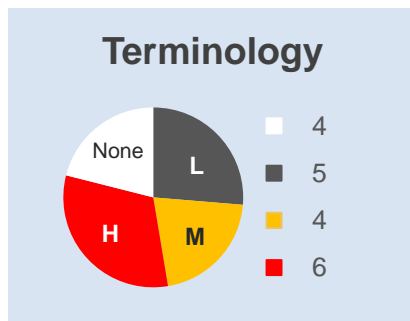
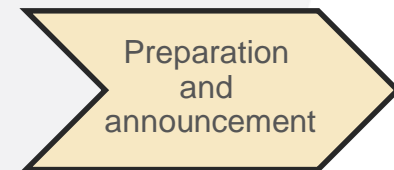
Standardisation and pooling

-  1 The tools in use could be standardised
-  1 Better data sharing or data pooling
-  1 Different communication channels
-  1 No common transaction documentation framework
-  1 Absence of international/European data standards for debt securities and digital data
-  1 No unambiguous investor identification

Other

-  3 Usage of systems and platforms is low
-  1 Banks without own pre-issuance platforms are at a disadvantage when pitching for underwriting roles
-  1 Information on investor activity could be improved

3.2.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?



Total responses: 19

Harmonisation/standardisation proposals

Preparation
and
announcement

Templates and documentation

- 3 Standardisation of Term Sheet template

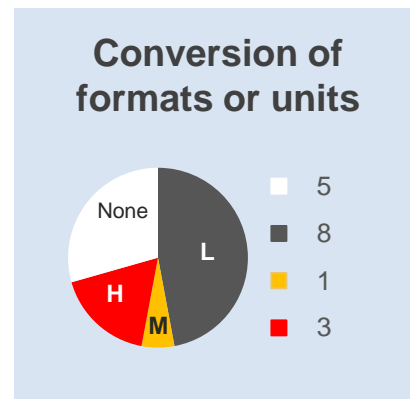
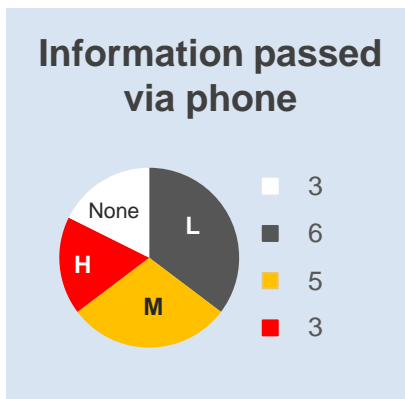
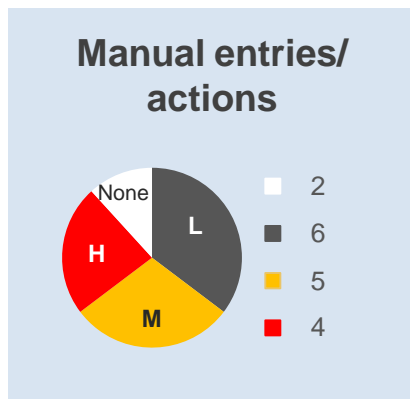
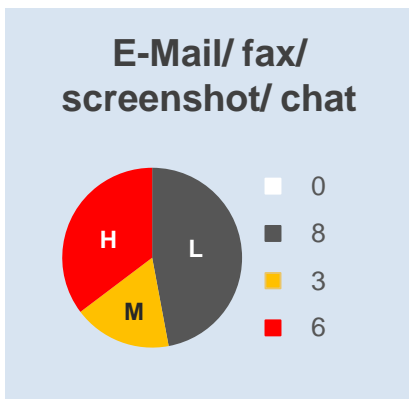
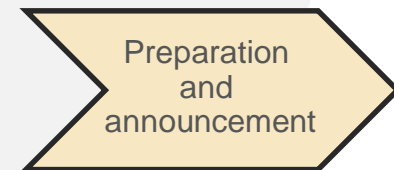
Data distribution and formats

- 1 Definition of generally agreed digital data formats
- 1 Digitalisation of data in a central golden source

Other

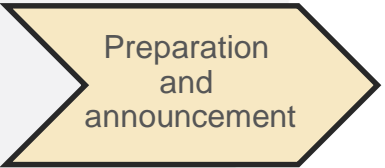
- 1 Common tool to distribute announcements
- 1 Improvement of ISIN allocation process

3.2.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?



Total responses: 17

Examples of media breaks



Preparation
and
announcement

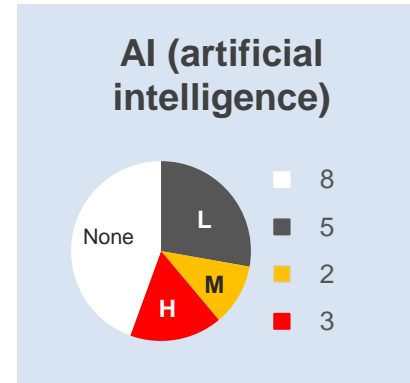
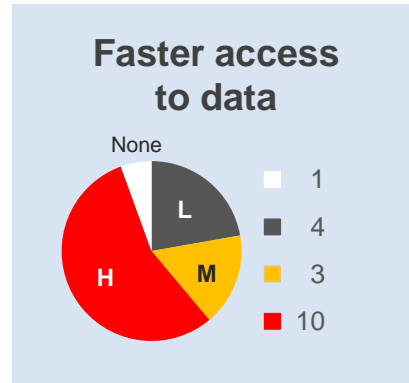
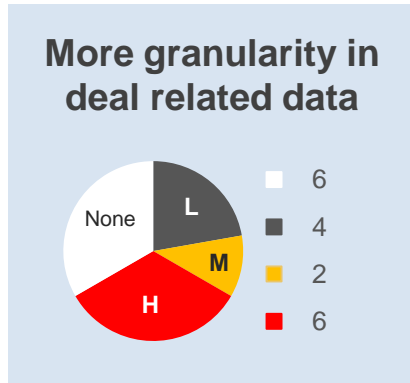
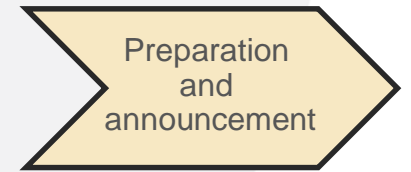
Communication of announcements

- 1 Manual copy/paste of announcements into sales chats
- 1 A common platform to communicate announcements would reduce this type of media break
- 1 Documents received via email in different formats are not machine readable

Audibility

- 1 Different media and communicational channels make it difficult to document and store the process in an audible way
- 1 One standard system with a chatroom and recorded calls would improve audibility

3.2.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?



Total responses: 18

Data processing and AI proposals

Preparation
and
announcement

Submission of data to the CSDs

5

CSDs and post-trade actors

Enhanced and timely digital data from source would greatly enhance admission checks and validations at the CSDs

Communication of mandate announcement

2

Automation would be helpful for legal counsel, newswires and national numbering agencies, amongst others

Automation of the ISIN allocation process

2

Considered beneficial, but would require harmonisation of the final terms and supporting documents

Other

1

reduce the need for data reconciliation

1

enhance speed of data exchange amongst all key actors

1

allow efficient transfer and use of static data

1

bring higher degree of coherent market intelligence to buy-side

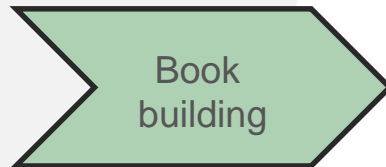
1

improve ECB-eligibility certification

Overview

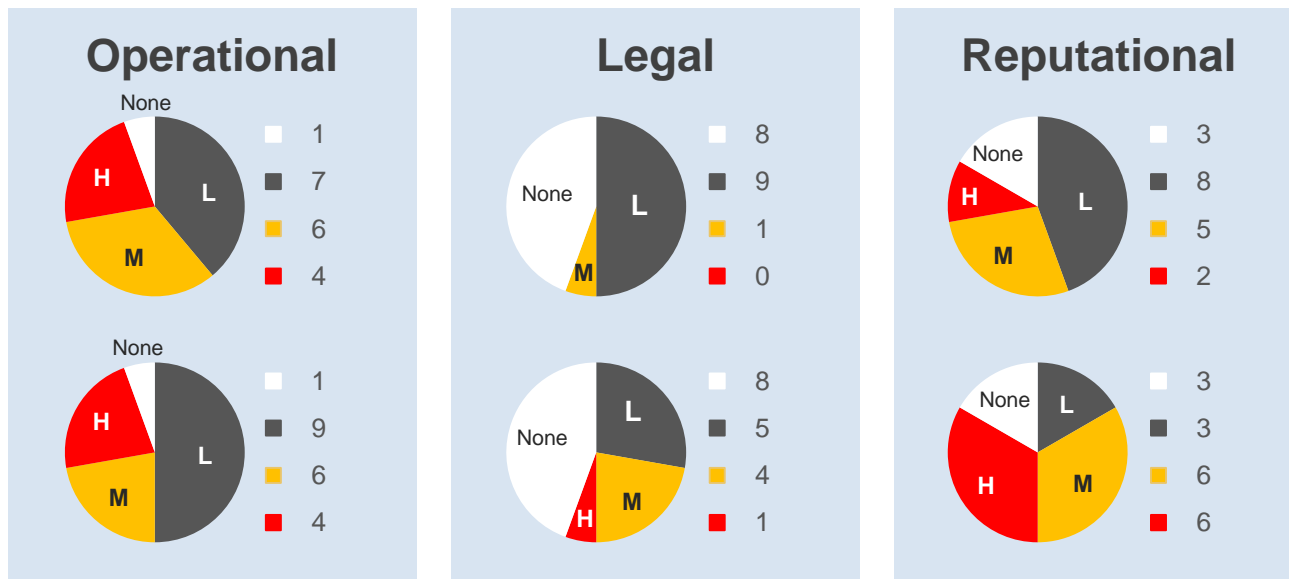
- 1** Introduction
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- 3** Detailed analysis: syndication model
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 - 3.5** Settlement and initial distribution

3.3.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?



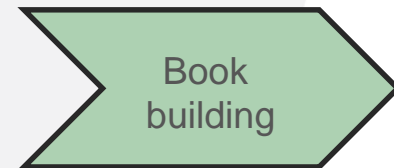
Likelihood

Impact



Total responses: 18

Origin of risks



Operational risks

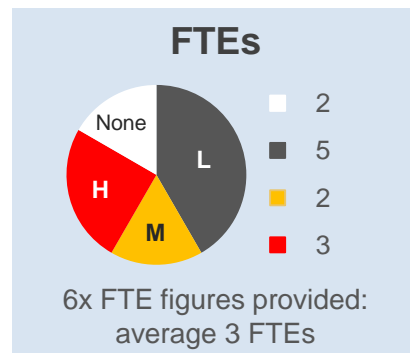
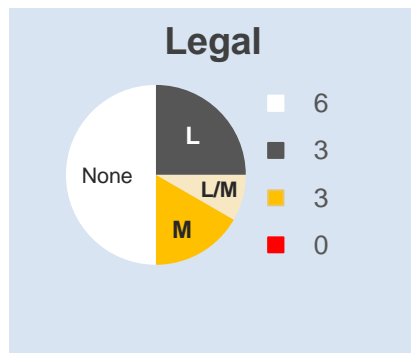
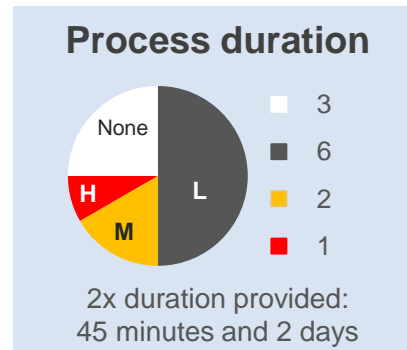
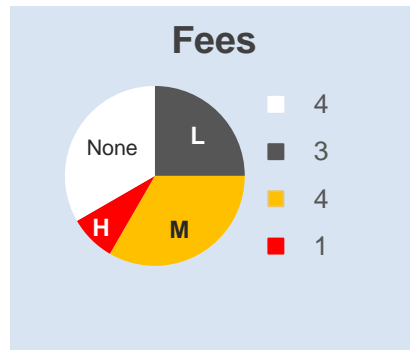
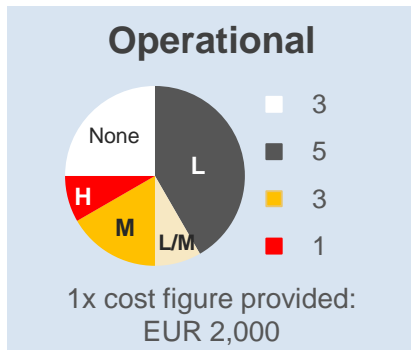
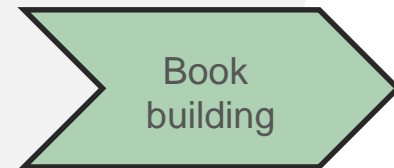
- 7** Manual entry of orders
 - wrong order entry, duplicate/missing orders
- 4** Manual communication and reconciliation
 - Wrong/missed communication about the transaction or a book update announcement
 - Multiple communication channels to investors may result in conflicting information
- 3** Ambiguity in investor identification
 - Confusion about quality of the order book
 - May lead to wrong or delayed communication
- 2** IT failures
- 1** No technical access to the order book creates difficulties to follow the process

Legal risks

- 2** Wrong/missed/delayed communication about the transaction or a book update
- 2** Breaching of selling restrictions

3.3.2 - What are the costs/resources associated with this process?

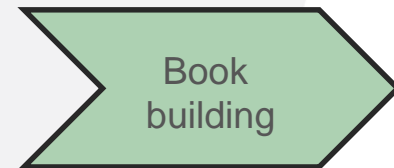
What is the relevance of each cost type?



Total responses: 12

- L/M counted as M

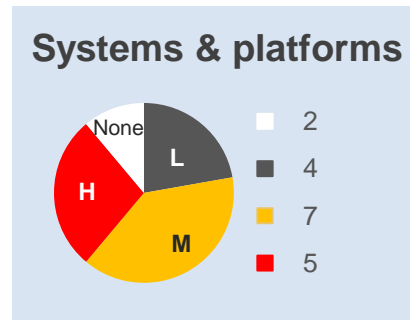
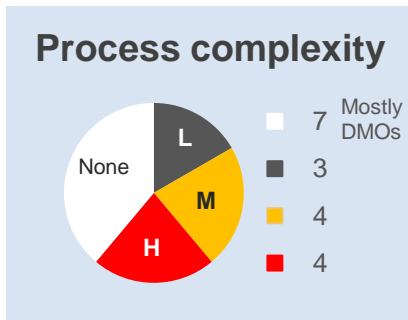
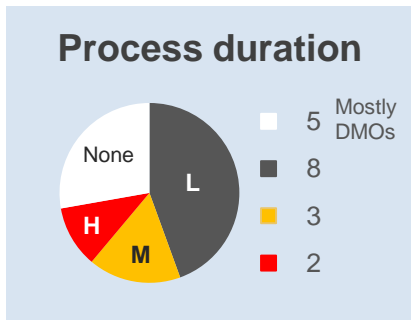
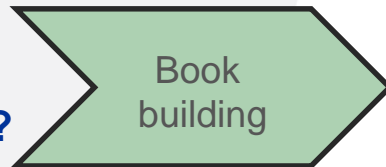
Costs



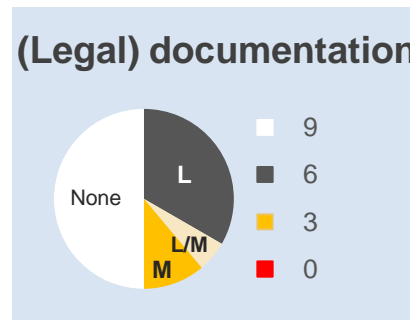
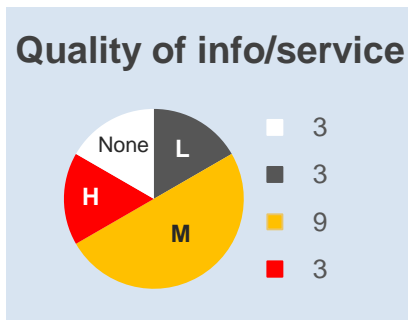
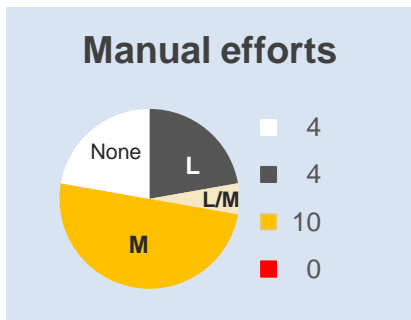
- 1 Overall increased efficiency could allow reduction of operational costs
- 1 Systems subscription causes costs
- 1 Standardisation of investor identification
 - The mapping of orders and investors is very time-consuming and could be improved by having a common identification code



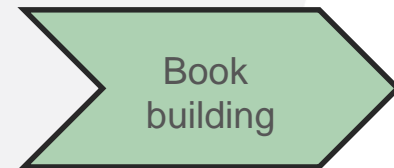
3.3.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?



Total responses:
18



- M/L counted as M



7

Ambiguity in investor identification

6

Inefficiencies in investor communication

- Intransparency in the order book process
- No direct access to the order book
- Inefficiency in the communication of book updates
- A unique system and/or STP connection for investors to order book would be beneficial

Duration of the book building process

2

Too long, creates inefficiencies and market risks

1

Investor

unknown duration at the start, sometimes too long, sometimes too short

Standardisation of systems

3

Systems are not standardised, which leads to manual and reconciliation efforts

Other

1

Term sheets are not machine readable

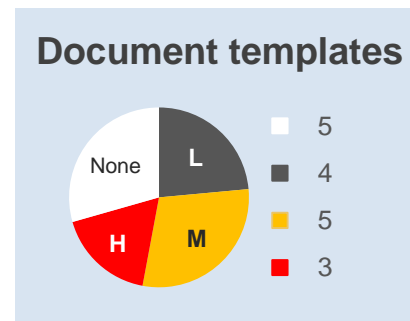
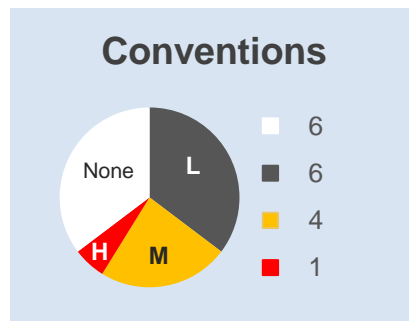
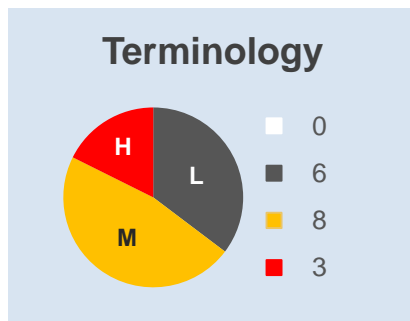
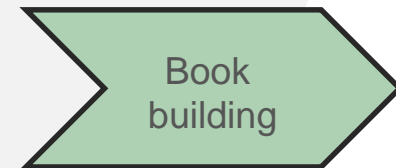
1

KYC requires lot of work

1

Technology issues could slow down book building process

3.3.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?



Total responses: 17

Harmonisation/standardisation proposals



Book
building

Standardisation of order book

3 Standardisation of book building tools

1 One common book building tool

Standardisation of investor identification

5 Standardisation of investor type / region

3 Standardisation of identification.

Other

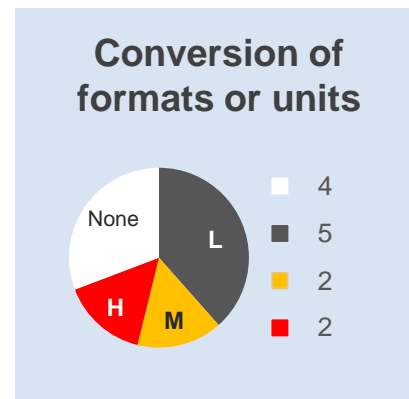
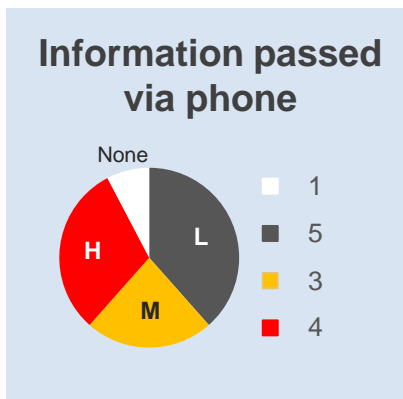
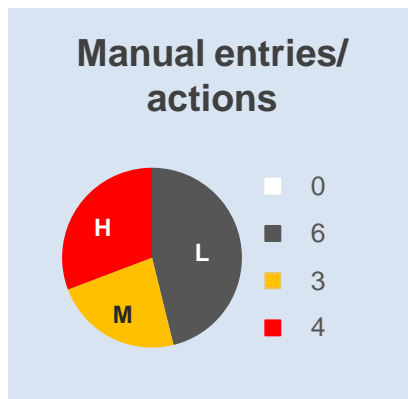
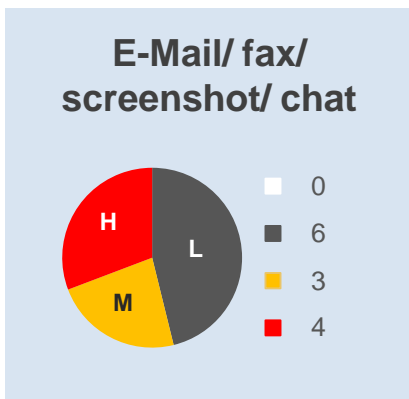
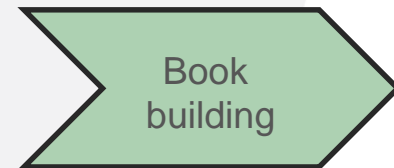
2 Standardisation of term sheet and other documents

2 Standardisation of terminology and conventions

1 Direct access and entry of orders in the books

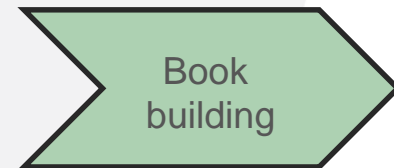
1 Provision of information about hedges
DMO

3.3.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?



Total responses: 13

Examples of media breaks



Order book design

- 2** Differences in order books
- 2** Lack of standardised formats in orderbooks

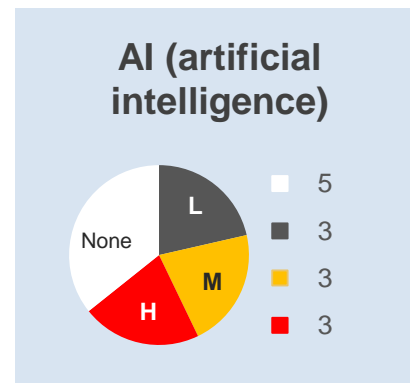
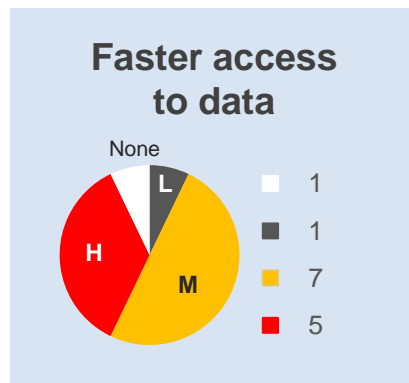
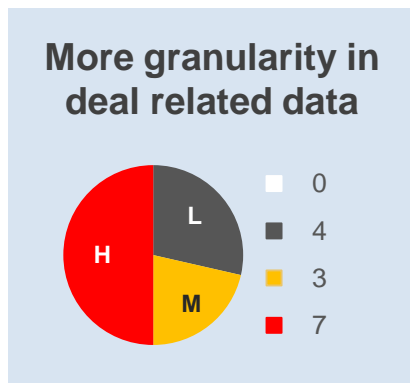
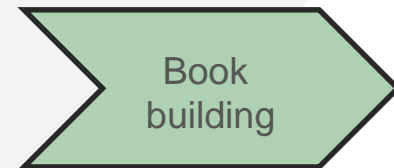
Entry of orders into the order book

- 3** Manual order entry
 - 1** Manual entries for co-lead books
 - 1** Ambiguity to identify investors

Communication channels

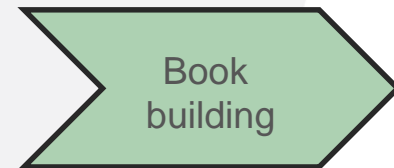
- 2** Manual copy/paste of book updates into sales chats
 - 1** Multiple communication channels to receive the orders
- There are solutions for improved communication to investors available in the market. They are used more and more frequently

3.3.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?



Total responses: 14

Data processing and AI proposals



More timely and accurate data

- 3** Issuers Would enable faster decision making and accelerate the allocation process
- 2** Issuer Would increase efficiency of internal data management
- 1** Issuer Should have the first priority
- 1** Issuer Would provide strong indications for best funding and best bond buyer windows & enhance fair value pricing
- 1** Investor Would enhance our capacity to analyse debt issuances
- 1** Bank Is a critical function for gaining a competitive edge
- 1** Would facilitate the production of statistics and charts, i.e. for the investor presentation or internal analysis

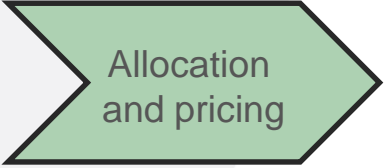
Other

- 1** Issuer Currently, data providing intelligence is compiled and kept by the intermediaries
- 1** Bank We would love more data. Especially of those books, we were not on as a bookrunner
- 1** Issuer Market intelligence platform with anonymized data would be beneficial
- 1** Bank Co-lead system would help

Overview

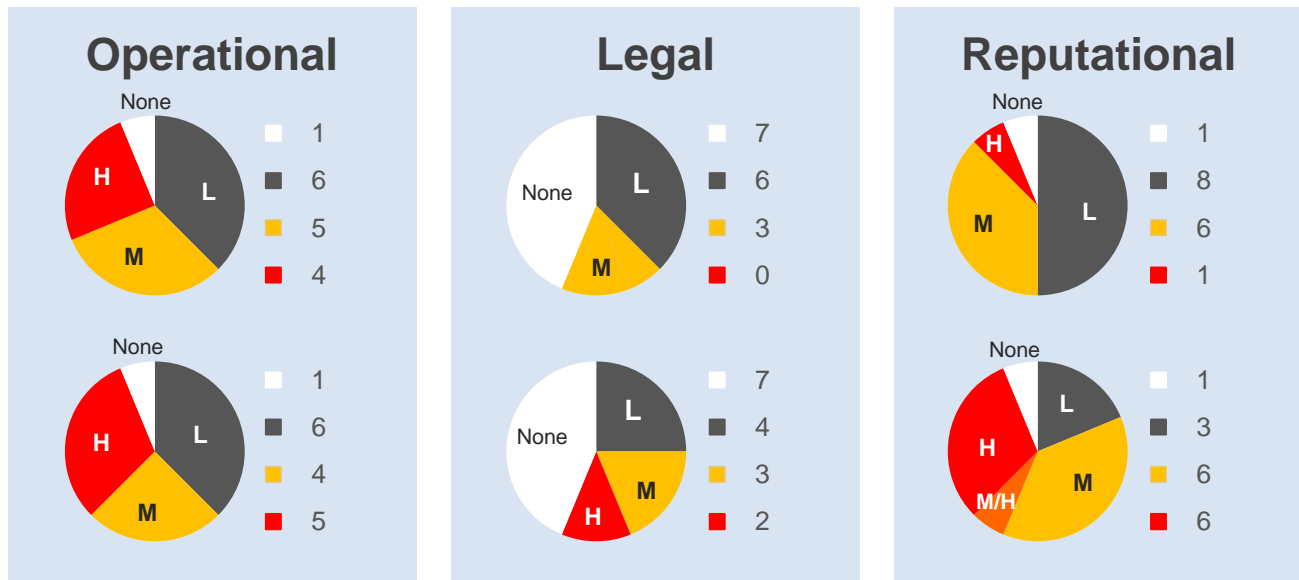
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3.4.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?



Likelihood

Impact



Total responses: 16

- M/H counted as H

Origin of risks

Allocation
and pricing

Misallocation from issuer's perspective

3

Due to inaccurate orders/
information in the order book or
ambiguity in investor identification

Misallocation from investor's perspective

2

When issuers do not allocate
according to their initially
published allocation policy

2

when investors do not receive
their anticipated number of bonds

Financial risk

3

Duration of allocation process too long

3

Turbulences/worsening of the market conditions

Issuers

1

Errors in deal statistics

1

Intransparency of allocation process for investors,
e.g. not being aware of the hedging timing

Legal risks

2

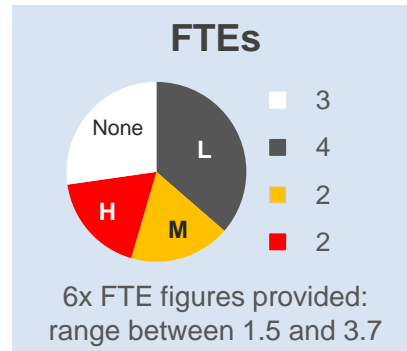
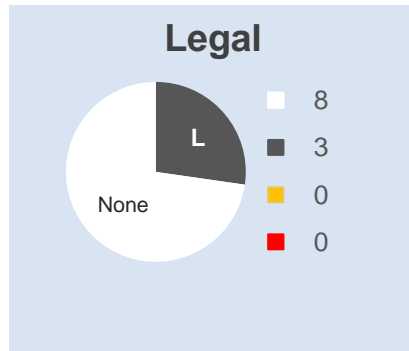
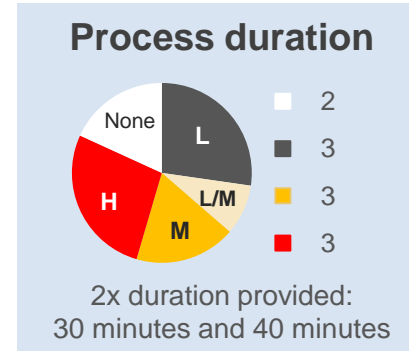
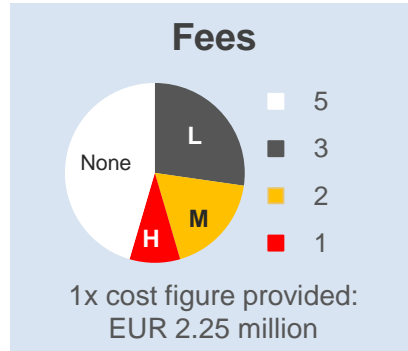
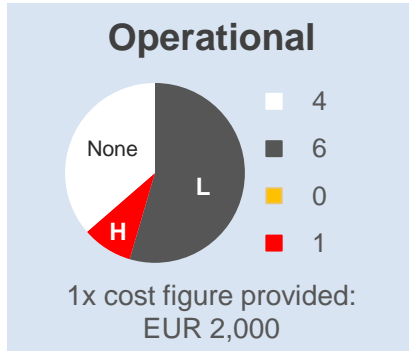
Allocation or communication to investors subject
to selling restrictions

1

Pricing message announcement is incorrect and
gets send by one JLM before the other

3.4.2 - What are the costs/resources associated with this process?

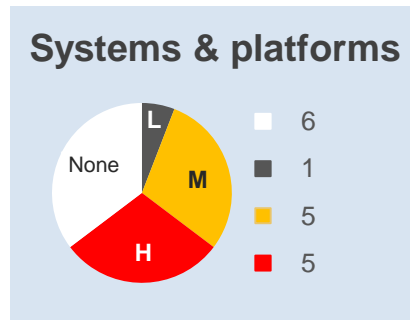
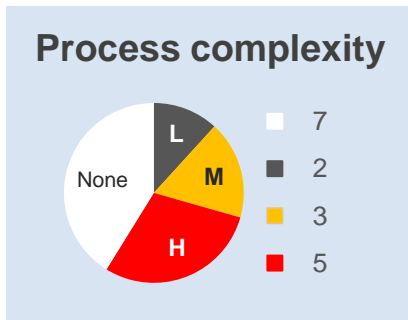
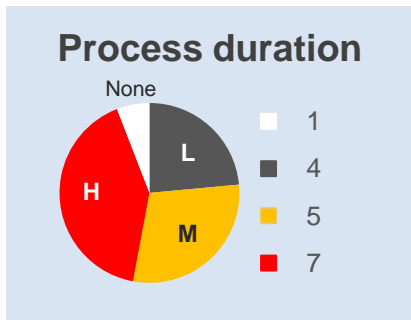
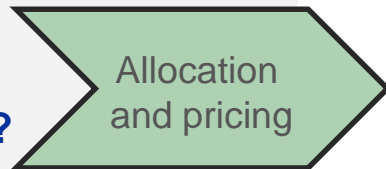
What is the relevance of each cost type?



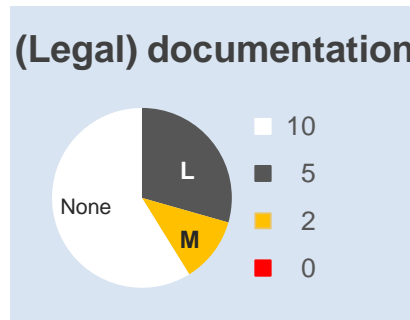
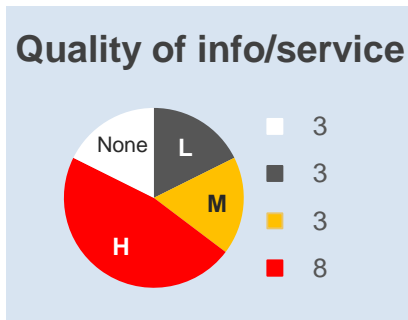
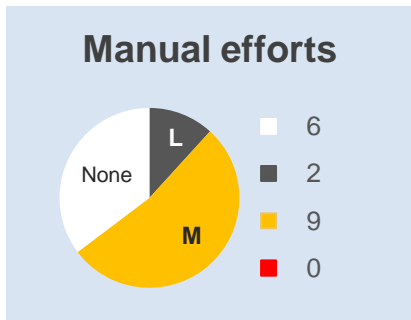
Total responses: 11

- L/M counted as M

3.4.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?



Total responses:
17



10

**Lengthy duration
of the allocation process creates
costs and inefficiencies**

5

**Ambiguity in
investor identification and
classification prolongates the
process and creates inefficiencies**

- For one issuer, should have highest priority
- Clear investor identification would improve quality & timely publication of deal statistics
- One DMO does not see common investor identification (e.g. via LEI) as a solution to reduce duration of the allocation process

System integration/standardisation

2

Integration of the systems used by banks and issuers would reduce manual effort and increase speed of the process

1

Giving investors access to the book building system would improve quality of information in the book

1

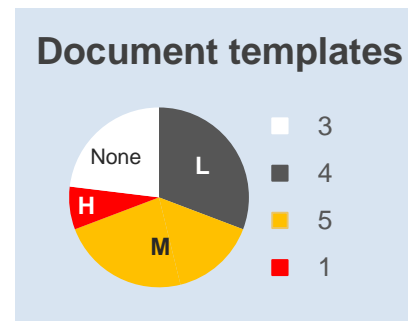
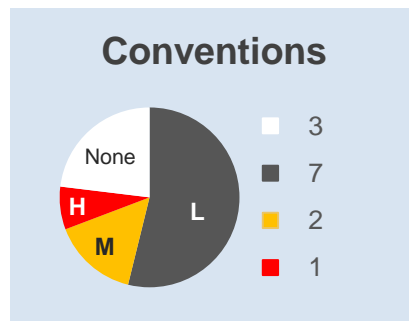
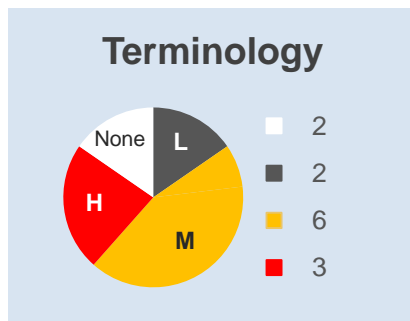
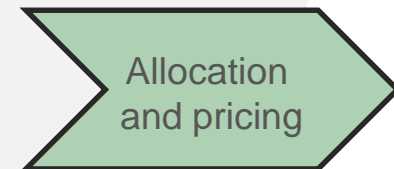
Improvement in data and platforms would improve quality of the allocation and pricing and could reduce risks in this process

1

Investor

**Provide hedging information/
hedging support to investors**

3.4.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?



Total responses: 13

Harmonisation/standardisation proposals

Allocation
and pricing

Standardisation of investor identification and classification

6

A standardisation of investor identification and investor classification would improve the allocation process

2

DMOs

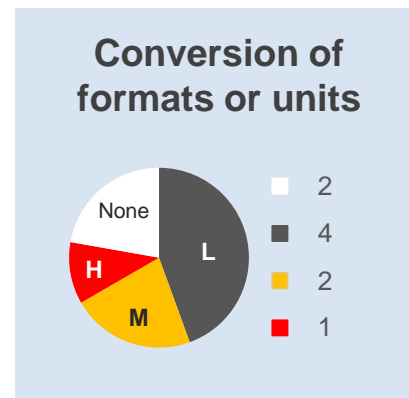
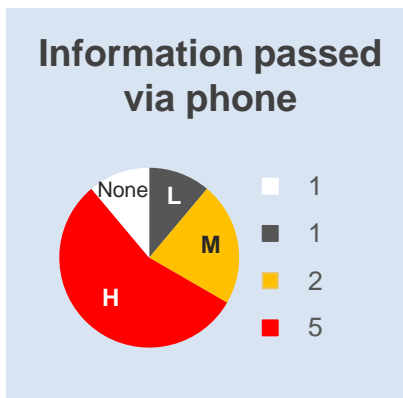
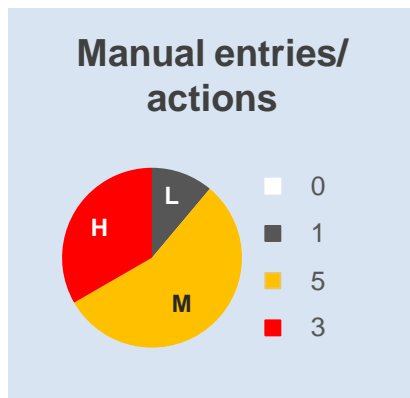
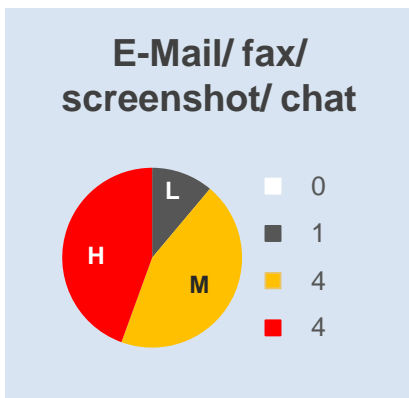
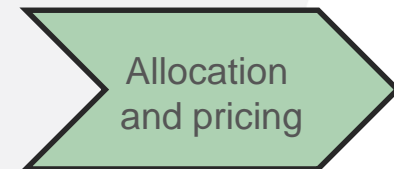
A common investor data base would also support the process and reduce manual efforts

Statement against standardisation

1

We are concerned about the risk of a “centralisation” as well as of a “standardisation” of allocation policies

3.4.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?



Total responses: 9

Examples of media breaks

Allocation
and pricing

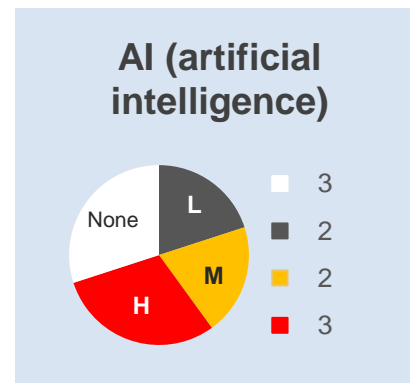
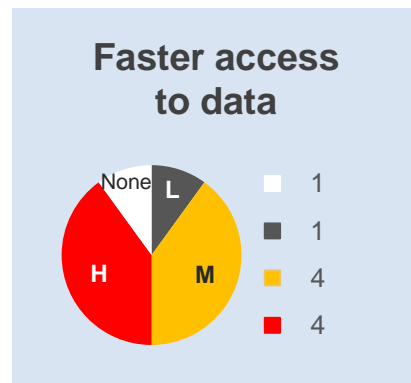
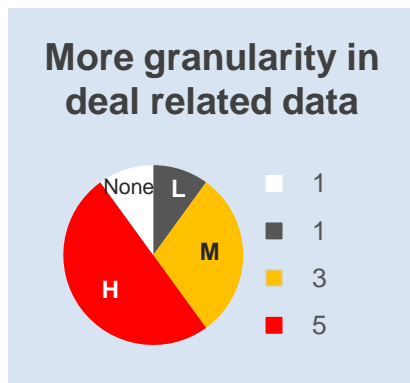
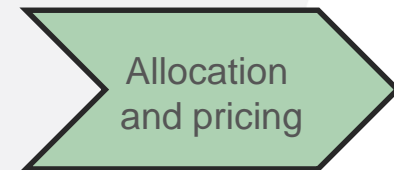
Media breaks are mostly not critical

There is communication via phone, email, chat, but most respondents did not identify problems with that

Individual respondents see value in reducing media breaks in the allocation step

- 1 Manual copy/paste of allocation results into sales chats creates manual effort
- 1 Manual allocation is prone to errors
- 1 An improvement in the updating of the e-book and auto spotting potential duplications would save time
- 1 A common tool and or harmonised identification and classification of investors would improve the process

3.4.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?



Total responses: 10

Data processing and AI proposals

Allocation
and pricing

More granular data could improve the allocation process

5

Clear identification and classification (including ESG status) of investors, e.g. via LEI

1

Issuer

The development of a safe and useable database should have the first priority

1

Potentially AI could help determine the qualitative aspects of an order. Currently, there is not enough data for that

1

Investors and issuers would benefit from a market intelligence platform with anonymized data

Overview

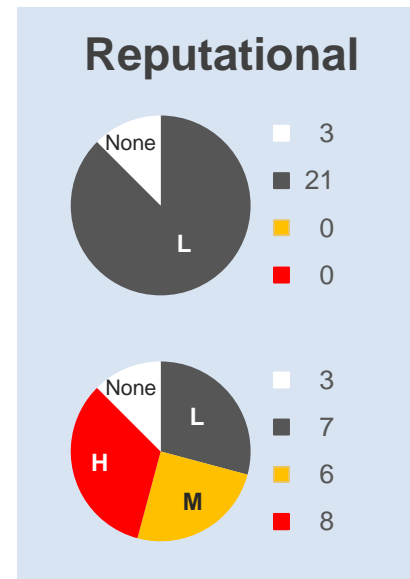
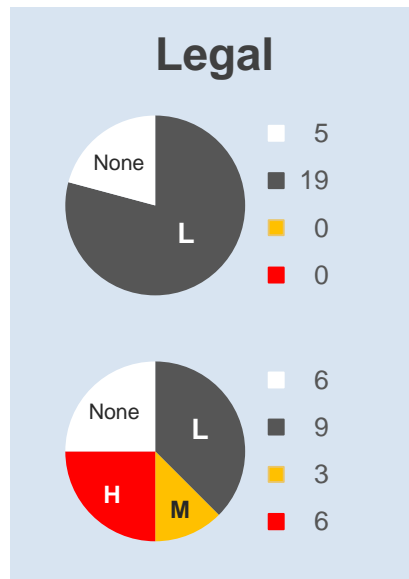
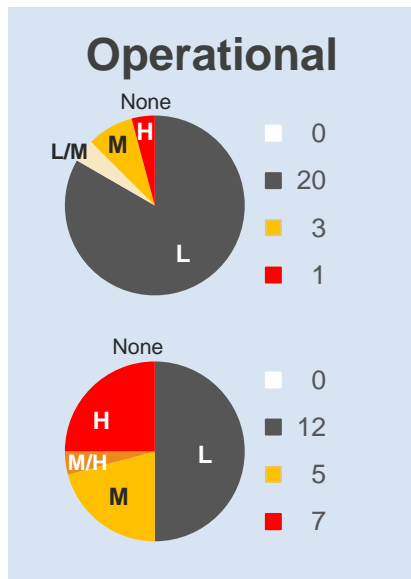
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 - 3.5** Settlement and initial distribution

3.5.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?

Documentation and preparation for settlement

Likelihood

Impact



Total responses: 24

- M/L counted as M
- M/H counted as H

Origin of risks

Documentation
and preparation
for settlement

Operational risks

- 4 Non-STP and multiplicity of tools may lead to manual re-entry errors
 - 1 Different standards and practices in the different CSDs
 - 1 Incorrect settlement accounts

Documentation

- 3 Unclear documentation or wrong interpretation of non-standardised documents, e.g. term sheets
- 3 Incomplete documentation by the issuer
 - 1 Documentation not ready in time
 - 1 Mistakes in terms sheets due to manual entries

Legal risks

- 4 Compliance risk, making fraudulent securities eligible
 - 3 Mistakes in or delays due to KYC/anti-money laundering checks
 - 1 Mistake in the global note

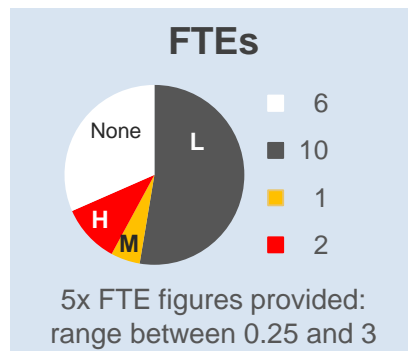
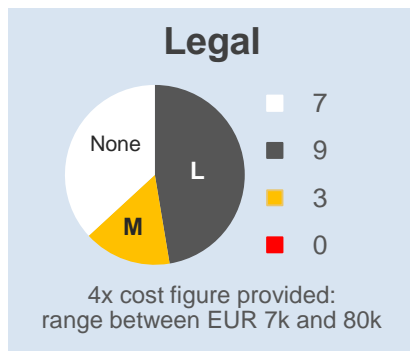
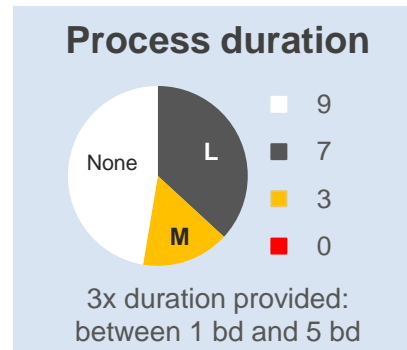
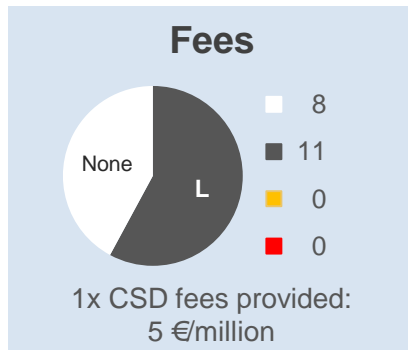
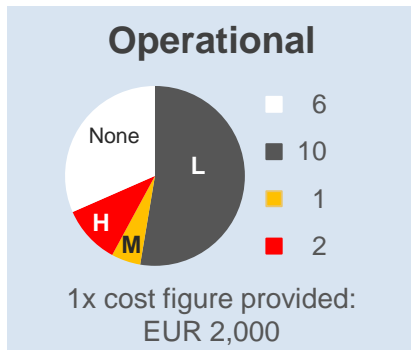
Other

- 3 Liquidity risk
 - 1 Default of paying agent

3.5.2 - What are the costs/resources associated with this process?

What is the relevance of each cost type?

Documentation
and preparation
for settlement



Total responses: 19

- hr = hours, bd = business days

Costs drivers

Documentation
and preparation
for settlement

Lack of harmonisation/standardisation

2

Lack of documentation standards and manual creation of documents may lead to misinterpretations and even disputes

1

Costs generated by the lack of harmonisation are spread across the organisation and can create substantial efforts

Lack of automation and STP

2

Transaction flow not automated – cost due to manual entries and risk for manual errors

Other

2

IT and infrastructure costs due to maintenance, regular updates, incorporation of new regulatory requirements

1

CSD

Legal costs for new prospectus, new EMTN

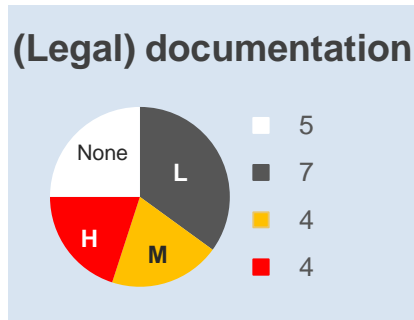
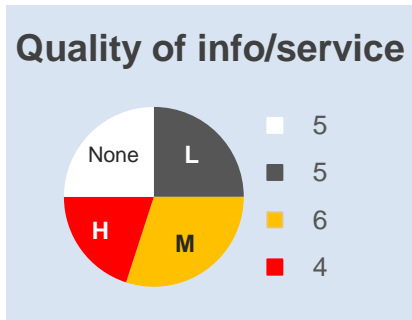
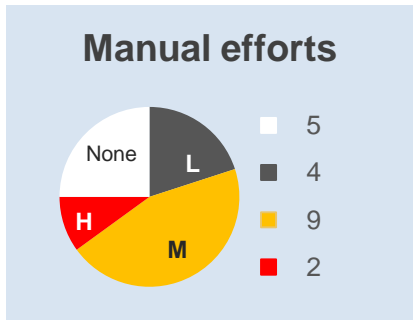
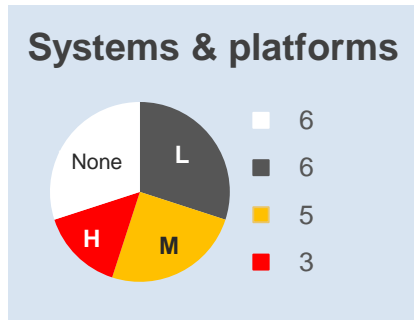
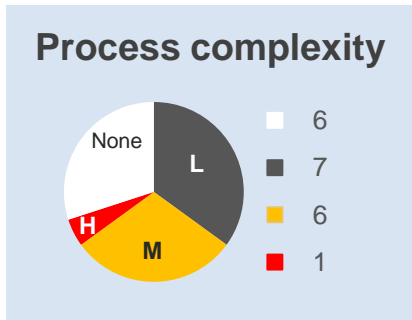
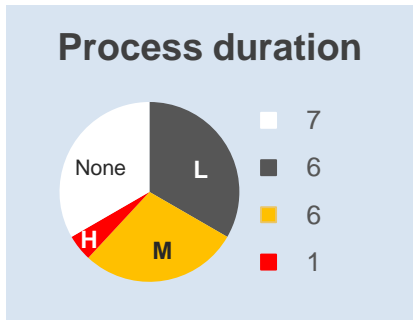
1

Issuer

Requirement to produce a physical global note prolongates the duration of the securities creation process

3.5.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?

Documentation and preparation for settlement



Total responses:
20

Inefficiencies

Documentation
and preparation
for settlement

10

Workflow

Workflow not standardised and automated along the (post-trade) transaction chain

Documentation

8

Documents not harmonised

4

Documents not machine readable

4

Receipt via email or hardcopy

3

No automated document generation

ISIN allocation

4

Allocation not automated

1

Manual validation of ISIN in the CSD

1

No European ISIN standard besides XS

Data

6

No standard for digital data formats

4

No centralised data from source

4

Manual entry of static data

Other

4

Compliance check on issuers needed

3

No European standard for debt securities

1

Communication between the issuer and its Paying Agent can be complex

1

Liquidity challenges in the ICSDs

1

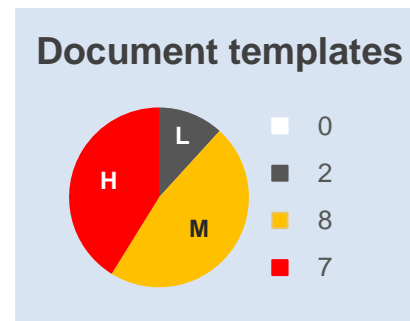
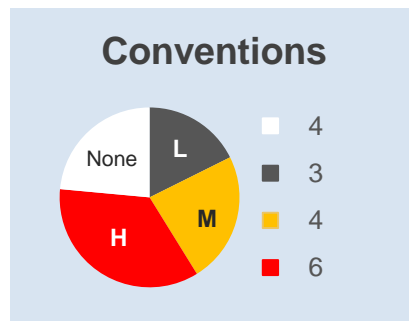
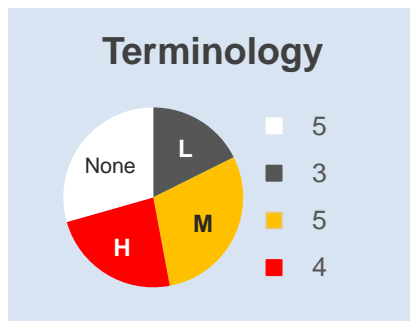
No automated listing

1

Global note required in physical form

3.5.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?

Documentation
and preparation
for settlement



Total responses: 17

Harmonisation/standardisation proposals

Documentation
and preparation
for settlement

Documentation

- 14 Standardise document templates
- 9 Standardise terms and digital data formats
- 3 Standardise conventions
- 3 Extension of the SCoRE Standards to all securities under DIMCG scope
- 2 Data from golden source
- 1 Standardisation of workflow for document generation

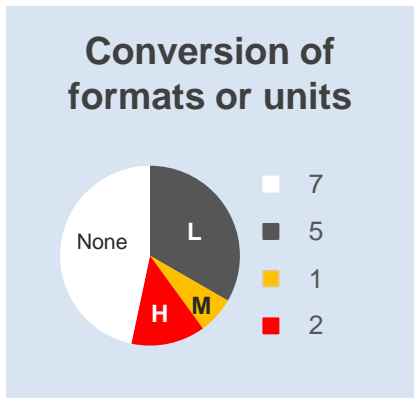
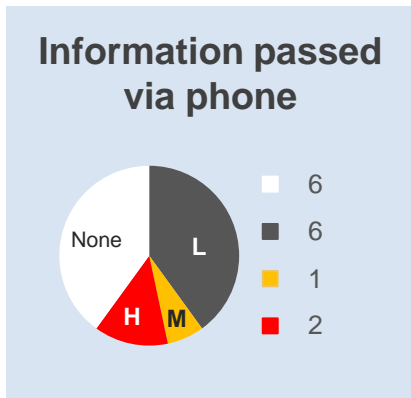
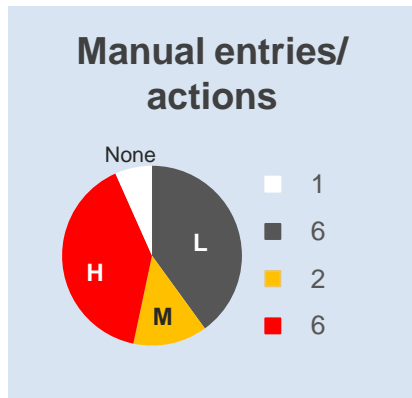
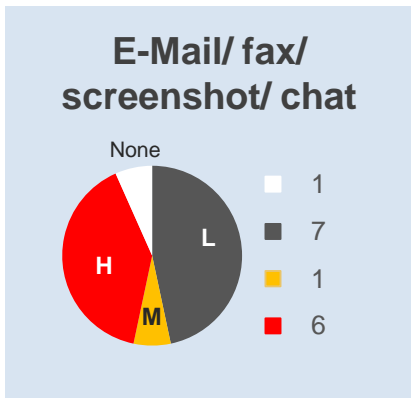
Contrary comment: Harmonisation of the document templates has its limitations and bears risks of losing control when issuing non-standard instruments

Other

- 1 Assessment of the T&C can be cumbersome – existing standards are not followed
- 1 Centralise ISIN allocation

3.5.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?

Documentation and preparation for settlement



Total responses: 15

Examples of media breaks

Documentation
and preparation
for settlement

8

Use of emails

- To transfer documents
- To allocate ISIN
- End to end workflow could be automated and standardised

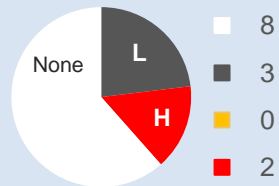
1

Manual entry of data

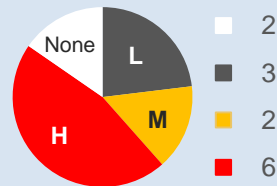
3.5.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?

Documentation
and preparation
for settlement

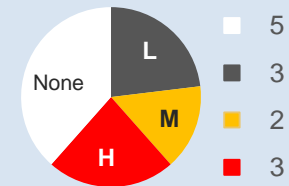
More granularity in deal related data



Faster access to data



AI (artificial intelligence)



Total responses: 13

Data processing and AI proposals

Documentation
and preparation
for settlement

Digital data from a golden source

5 Would improve processing at the CSD

2 Would be beneficial for all actors in the transaction chain

Standardisation of documentation

1 Would enhance processing

1 Increase velocity of the process

Other

2 Fast access to (reliable) data

2 Increase of use of AI to gain operational wins

1 Standardisation of conventions

1 Standardisation of documentation workflow

Overview

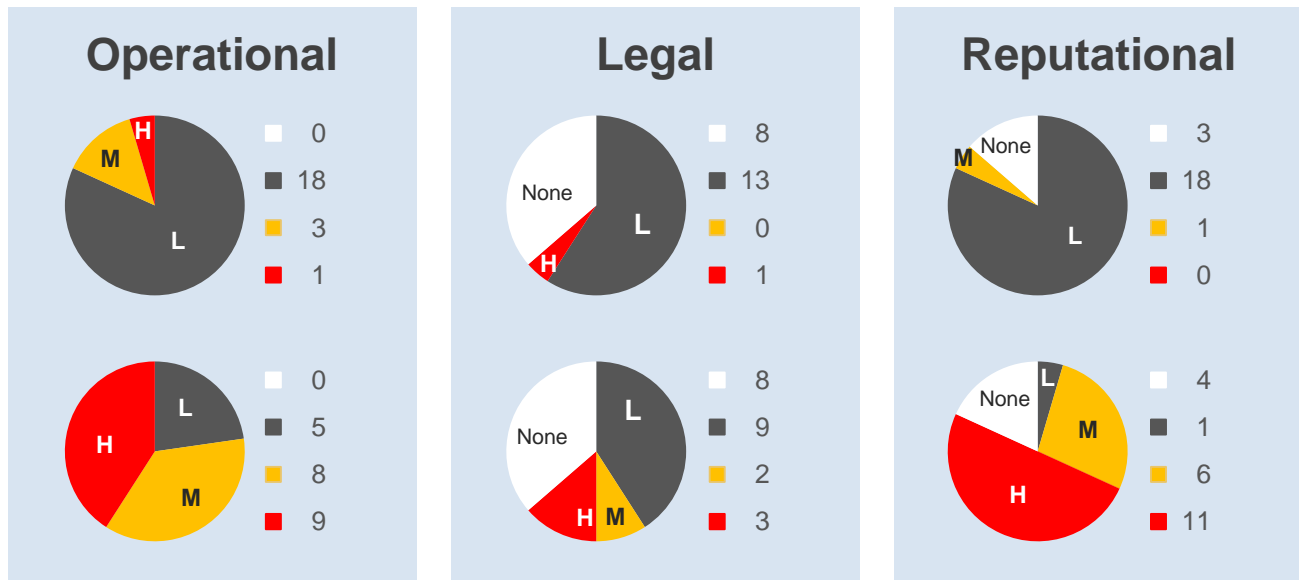
- 1** Introduction
- 2** General results of the survey: syndication model
- 3** Detailed analysis: syndication model
 - 3.1** Preparation and announcement
 - 3.2** Book building
 - 3.3** Allocation and pricing
 - 3.4** Documentation and preparation for settlement
 - 3.5** Settlement and initial distribution

3.6.1 - Which types of risk do you face in this process, what is the likelihood of these risk materialising and what are their impacts?



Likelihood

Impact



Total responses: 22

Origin of risks

Settlement and
initial distribution

Settlement risk

5

General, e.g. late settlement, late instructions

5

Penalties under CSDR due to late settlement

4

Failed liquidity provision or undue processing of a payment, e.g. due to manual errors

ICSD related issues

2

Delayed processing in the ICSDs

2

Settlement risk due to use of commercial bank money (instead of domestic/T2S settlement)

1

Liquidity generation / provision in the ICSD

Other

3

Delivery, authentication and signing of global note

2

Manual data upload and lack of STP

1

Delayed provision of original documents

1

Delayed listing

1

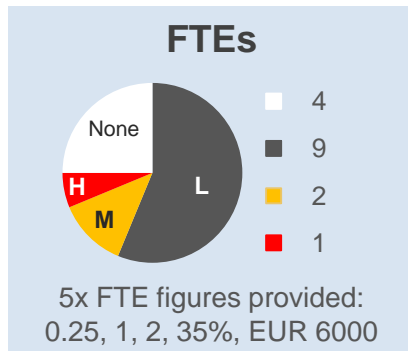
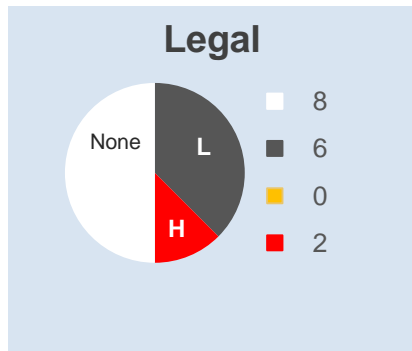
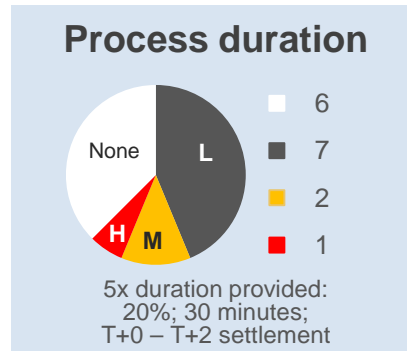
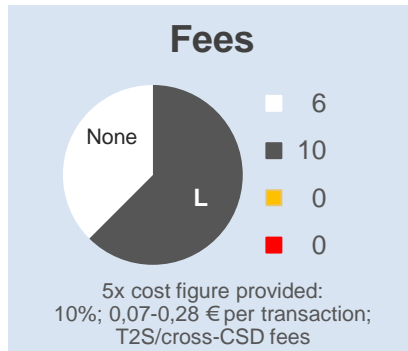
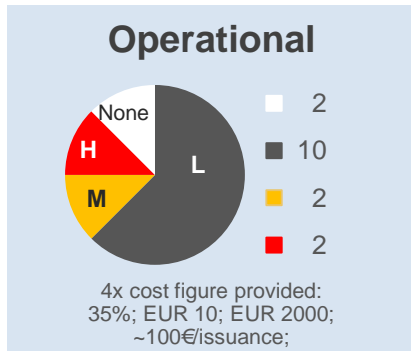
Compliance, making fraudulent securities eligible

1

Claims from Paying Agents


3.6.2 - What are the costs/resources associated with this process?

What is the relevance of each cost type?



Total responses: 16

Cost drivers



Settlement and
initial distribution

Global note

4 Physical delivery of the global note and signatures in wet ink generate costs

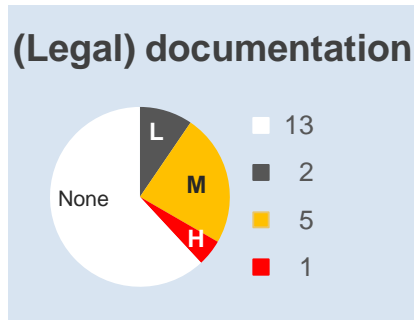
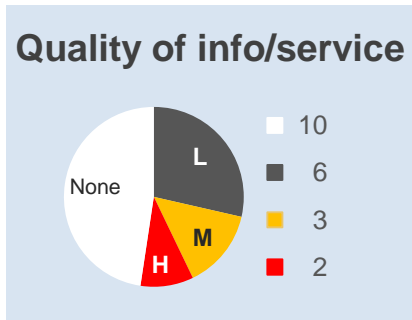
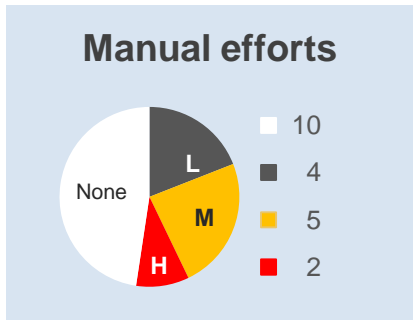
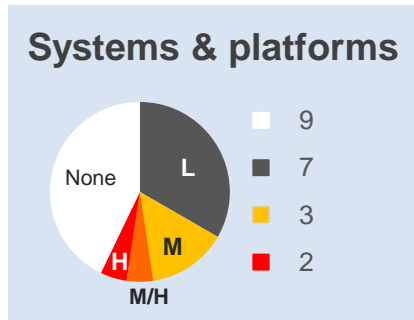
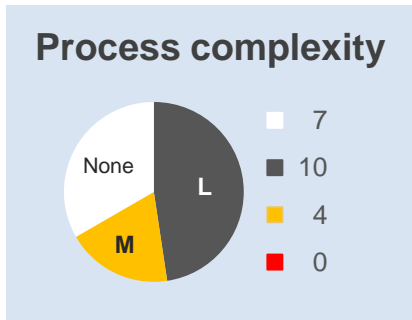
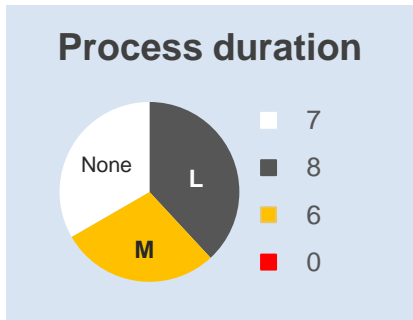
Lack of standardisation and automation

2 Costs due to lack of standardisation, digitisation and automation

IT costs

1 Cost generated by regular IT system upgrades

3.6.3 - In which parts of this process do you see inefficiencies and/or opportunities for improvement and how significant are they?



Total responses:
21

- M/H counted as H

Global note

4 Physical delivery of the global note

4 Signatures in wet ink

Shortening of settlement cycle

1 T+5 settlement could potentially be shortened

2 **Contrary views:** We should be careful with shortening the settlement cycle - organising cash flows takes time and shorter time would increase risks for errors in legal documents

Lack of standardisation

1 Documentation not digitised

1 No European ISIN standard besides XS

1 No harmonised CSD standards

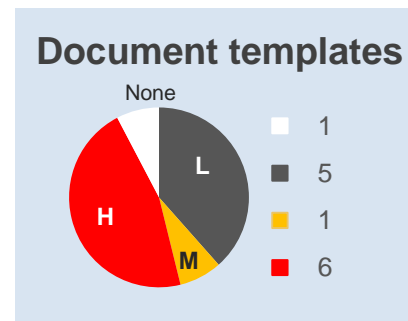
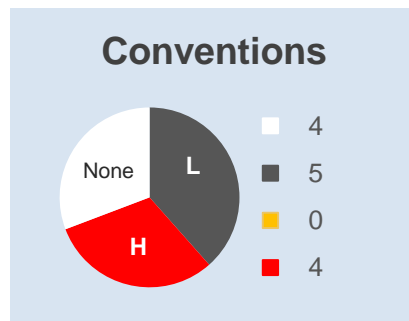
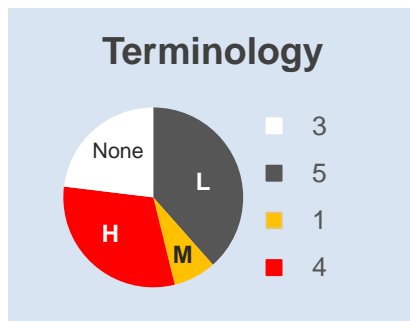
1 Trade confirmations not standardised

Automation

2 Digitisation of workflow

1 Automated transfer of trade related instructions to T2S

3.6.3 a) - In which parts of this process do you see potential for harmonisation and/or standardisation?



Total responses: 13

Harmonisation/standardisation proposals

Settlement and
initial distribution

8

Standardisation of documents

6

Standardisation of terminology and digital data formats

Other

2

Digital signatures

1

Standardise classification of debt instruments

1

Standardise green bond definitions

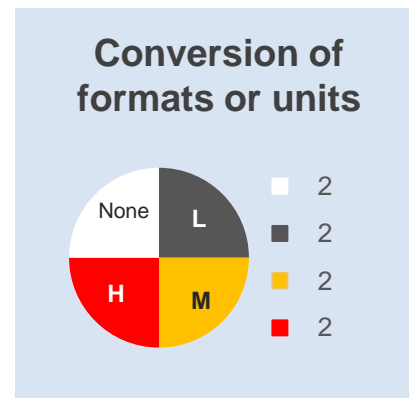
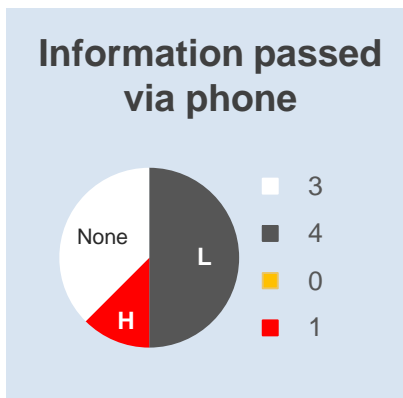
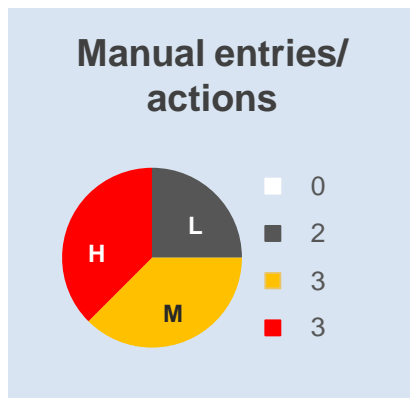
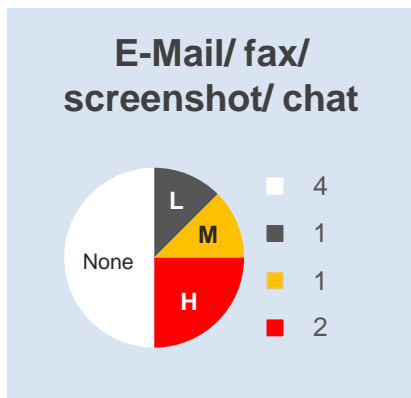
1

Payment and distribution of fees by the underwriter community could be organised more efficiently

Other comment to consider:

Harmonisation is a balancing act between cost saving and flexibility

3.6.3 b) - Do you experience media breaks and/or non-STP (straight-through-processing) in this process?



Total responses: 8

Examples of media breaks

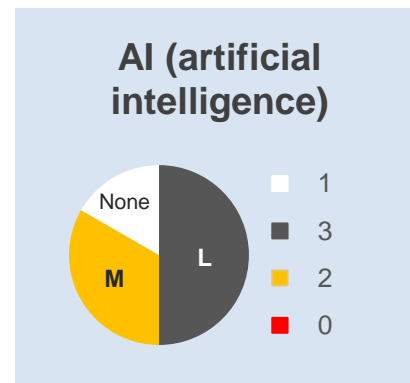
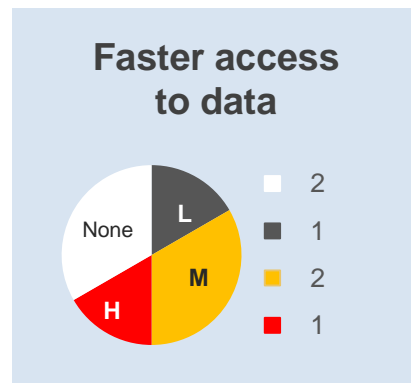
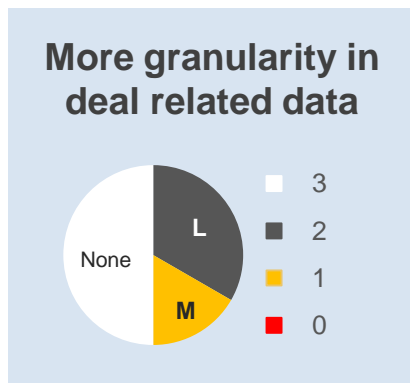
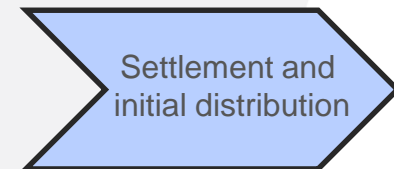
Settlement and
initial distribution

- 3 Physical delivery of the global note and signatures in wet ink
- 2 Use of email for document transfer
- 1 No full STP in the post-trade processing
- 1 Payment process is largely handled manually

Other comment to consider:

Extensive automation may create a trade-off with robustness under unexpected situations

3.6.3 c) - How and in which areas would you benefit if your data availability and data processing capacity would be improved?



Total responses: 6

Data processing and AI proposals

Settlement and
initial distribution

Digital data from a golden source

- 2 Would improve processing at the CSD

Better live data on the trade

- 1 Would reduce operational risk

Other

- 2 Standardisation of documentation
- 1 Physical delivery of the global note and signatures in wet ink