



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Harmonisation of term sheets

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Summary of DIMCG  
separate session

19 January 2021



4<sup>th</sup> Debt Issuance Market Contact Group meeting  
27 January 2021

- In its 16 December meeting the DIMCG agreed to hold a dedicated session on term sheet harmonisation among IFIs and DMOs to see how the discussion can build on previous work in this field
- The session was held on 19 January where participants actively provided their contributions
- The following slides aim to provide for discussion the key takeaways from the dedicated session

# Main key takeaways

- Objectives of harmonising term sheets are :
  - I. Promoting effortless and more efficient term sheet generation
    - ✓ In some situations, term sheets are produced by the issuer / lead manager via copy-paste of information from the latest deal into a term sheet template
  - II. Allowing automation / *Electronification*
    - ✓ reducing “confusion” / increasing comparability for all market actors
- Harmonisation work on term sheets could build on the fact that – at least for plain vanilla / not complex products (e.g. bullet, fixed or plain floating rate, simple index-linked) – the content of the term sheets used by the industry is very similar
- Today, many issuers use a standard template across their transactions but these templates vary significantly across issuers
- Third-party service providers are popping up and will create their own proprietary standards / templates

## What could be in the scope of harmonisation?

- A. Content: Core data elements that term sheets should cover (inter alia):
- precise definition of financial data fields (formulas) focusing on those that define the cash flows and
  - the use of conventions: calendar, business day convention, day-count conventions, rounding, etc. – (e.g. at least to reduce, if possible, the number of parallel running alternative arrangements if their differences are arbitrary or stem from different historical origins)
- B. Template: Field names and order of the fields presented in the term sheet as well as machine readability / data model

Approach to harmonisation:

## Content

- How should the data elements in the term sheet be addressed?
  - I. Defining a core data elements that should cover e.g. euro-denominated plain vanilla instruments – expand it with optional ones for more complex products

*Or*

- II. Defining different standard for each product in scope

## Template

- Harmonised presentation / list of field names and their order should aim to reduce time and efforts by stakeholders

## Principles and working assumptions in the work on term sheet harmonisation:

- Should encompass the harmonisation work on conventions (day-count, rounding rules, calendar, business day) that are key elements in a final term sheet (rather than having these in an independent workstream)
- Should select euro-denominated plain vanilla instruments as a starting point, with the view to extend the work to indexed products, and more complex products potentially other currencies (?)
- Focus on financial / trading aspects (rather than legal)
- Should support *Electronification / digitalisation* towards a decreasing use of paper and non-machine readable formats – link to *discussion on use of data models / messaging standards*
- Should build on broad market consensus with standard term sheets potentially be used by third-party / independent commercial entities before they pop-up with their own templates

## Principles and working assumptions (continued):

- Take into account and support the changes / new products the new risk free reference rates SOFR, SONIA and €STR bring to the market as well as the requirements of emerging ESG / green bonds – opportunity to agree on common market template / harmonised content
- Should not limit flexibility / freedom of agreeing on economic content / terms by parties to a transactions

## Next steps:

- The workstream should:
  - ✓ Not start from scratch but build on previous discussions between issuers
  - ✓ Invite other participants (banks / investors) to the term sheet discussion
  - ✓ Use a sanitised (model) term sheet template that could serve as a starting point for discussions
- Report back to the DIMCG with the outcome of this session

# Thank you for the attention

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