I. Introduction

The International Capital Market Association (ICMA) is the trade association which represents stakeholders engaged in the international capital market on both the primary and the secondary markets. The international dimension of ICMA is explained by its 400 members distributed in 48 countries. The trade association is particularly active on pan-European issues affecting its membership base – notably as regards cross-border activities. The focus of the trade association has historically been on the debt market rather than the equity market.

In addition, ICMA also holds a core function in the international bond market. Indeed the organization manages a self-regulatory code comprising industry-driven rules and recommendations which governs issuance, trading, and settlement. As part of its self-regulatory role, ICMA currently manages a transaction reporting and matching mechanism, known as TRAX. The TRAX system offers operational risk management possibilities, trade matching, and regulatory reporting. TRAX also presents a cost effective tool for firms to comply with multiple transaction reporting requirements of regulatory authorities and exchanges. TRAX2, launched in 2006, is an enhanced system performing real time trade matching and reporting of bonds, repurchase agreements (repos), derivatives, equities, and regulatory reporting across all asset classes to multiple European regulatory authorities.

The 2007 AGM held in Berlin recommended a separation of the business activity from the trade association activity, and discussions on this proposal are currently (2008) being held.

This duality of roles explains the legal status ICMA holds in both Switzerland and the United Kingdom. From a legal perspective, ICMA is an association domiciled in Zurich established under the Swiss Civil Code and governed by Swiss law. As a result of its corporate activities related to transaction reporting, the Swiss Federal Banking Commission (SFBC) recognised in October 1998 ICMA (then the International Securities Market Association) as an “institution similar to an exchange” under the Swiss Federal Stock
Exchange Act (SFSTA) and submitted the Association in part under SFSTA. In this capacity and to this extent, ICMA is therefore subject to supervision by the SFBC.

In April 1988 the Secretary of State for Trade and Industry in the UK approved ICMA (then the International Securities Market Association) as the only International Securities Self-Regulating Organisation (ISSRO) for the purposes of the Financial Services Act 1986. Under the new Financial Services and Markets Act 2000, which came into force in December 2001, ICMA retained its ISSRO status. As an ISSRO, ICMA is an exempt person to the extent that it arranges deals in investments through the operation of TRAX.

In February 1988 the predecessor of the Financial Services Authority (FSA), the Securities and Investments Board (SIB), designated ICMA (then ISMA) as a Designated Investment Exchange (DIE) under its Conduct of Business Rules. As a result the regulatory framework provided by ICMA enables banks and securities firms in the UK to deal in international securities in accordance with FSA rules.

This entry will focus on ICMA activities as a trade association and less on the business side of its operations. As mentioned above, ICMA is undergoing a major change of its structure which will probably result in a separation of both activities.

II. Origins and Development

1. Market origins

The origins of capitalism as it is understood today lie in the operations of Italian merchant and banking groups in the 13th, 14th, and 15th centuries. Italian states, like Lombardy and Florence, were dominant economic powers. The merchants had trading relationships across borders and used their cash resources for banking purposes. Financing public and private projects can be traced back to the 19th century. The international capital market as it is currently known started to take form in the early 1960s. The tax law introduced by the American government in 1963 – established to discourage foreign issuers from borrowing from US investors – was central to the growth and development of the capital market. Indeed the US tax regime also made it difficult for US multinationals to raise capital for their overseas subsidiaries from within the USA.

Until 1963 New York had been the main channel for international borrowing. After 1963, however, international borrowers wishing to raise debt denominated in US dollars came to Europe, where a growing pool of inves-