



EUROPEAN CENTRAL BANK

EUROSYSTEM

Status update on ongoing work

Bilateral Collateral
Management Expert
Group (BCM EG)

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Single Collateral Management Rulebook for Europe
common rules for managing collateral



Teresa Castilla & Jan Grauls
Co-Chairs of the Bilateral Collateral Management EG

Overview

Bilateral Collateral Management Expert Group (BCM EG)

Background

Transaction identifiers used in settlement messaging

Next steps

Background

- **Objective:** To improve mobility of collateral across (I)CSDs in particular for SFTs and T2S.
 - Focus on mobility of collateral (across CSDs settlement involving T2S), with the aim to develop harmonised market Standards and promotion of best practices for SFTs (where needed).
- **Several topics were identified:**
 1. Promote identifiers (transaction codes for SFT, such as COLI/COLO etc)
 2. Efficient management of collateral involving T2S
 3. Support harmonised messaging (to reduce diverse email exchanges)
 4. Cut-Off Times
 5. Sourcing of Collateral
- Work has started on providing guidance on usage of identifiers (item 1 above)

Transaction identifiers in settlement messaging

1) What could be achieved/improved if accurate transaction codes become reality/the standard?

Improvements could be achieved in:

- Operational efficiency
- Reporting

Examples:

- Improved transparency of data from CSDs according to transaction types.
- Improved Corporate Action processing through identification of relevant parties.
- Transaction types are not relevant for penalties/buy-in procedure (CSDR settlement discipline- the underlying asset is the only relevant information). The trading parties are the ones impacted by the management of buy-in regime (and not custodians or CSDs).

Transaction identifiers in settlement messaging

2) Are firms already correctly using transaction type codes in the settlement messaging?

- It is not clear how wide the use is (and which codes are used) and original information is often lost in the settlement chain.
- CSDs could be asked to provide further information

Transaction identifiers in settlement messaging

3) What should be better explained?

- Not all market participants may be familiar with existing usage guidelines and use of codes (for SFT and bilateral collateral management), i.e. SMPG documents.
- Further clarification may however be needed on how to use transaction identifiers and when

Example:

- Existing usage guidelines have been updated and aligned (but should be verified if updates cover the migration to T2S etc).
- Regarding the format (e.g. of best practice for SFTs), examples in other areas could be taken into account.

Next steps

Promoting identifiers (i.e. correction usage of transaction codes)

- Action for EG: To define a market practice to use right code in both sides of the transaction.
- Information on current usage to be collected from CSDs
- Need to involve wide range of stakeholders.