

Outcome and follow-up items

Fourteenth meeting of the AMI-SeCo HSG's

Collateral Management Harmonisation Task Force (CMH-TF)

DATE & TIME	23 September 2019 – 10:30 to 17:30 CET
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1. Introduction

Outcome:

CMH-TF members approved the agenda. Members took note of the outcome of the July 2019 AMI-SeCo meeting and the endorsement of Standards on Triparty Collateral Management, Standards on Corporate Actions, and Standards on Billing processes. The Secretary informed that the three sets of Standards will be published on the ECB website following a further consistency check and editing.

The Chair thanked all CMH-TF members and contributors for their strong support in the harmonisation work. The next CMH-TF meeting is moved to 12 November 2019.

Documents: [Outcome](#) of the July 2019 AMI-SeCo meeting

2. Next steps for Collateral Management Harmonisation

2.1. General direction and organisation of the work

Outcome:

CMH-TF members agreed to focus on the remaining barriers and opportunities for harmonisation of collateral management (as described in the December 2017 CMH-TF report) and consider new developments/issues/opportunities by leveraging existing expertise. Sufficient time should be allocated to analyse the barriers identified. The following points should also be taken into account in the upcoming work: (i) build on existing industry standards (including existing messaging standards), (ii) clearly identify the relevant problems and opportunities and (iii) identify the scope of activities/instruments. The CMH-TF approved that four CMH Expert Groups (EG) will be established which will report to the CMH-TF (see next

agenda item).

*Documents: Presentation on the organisation of the future work of the CMH-TF
[Report on collateral management Harmonisation of December 2017](#)*

2.2. Dedicated expert groups

Outcome:

The four CMH-TF expert groups (EG) will have the following focus:

- I. Bilateral Collateral Management EG: CMH-TF members agreed to focus on operational issues/frictions in the mobilisation of collateral, in a first instance covering repo/SFT (cleared and non-cleared) involving T2/T2S. The analysis of these topics should cover improving efficiencies in the mobilisation of collateral across different locations, taking into account existing work and new items related to collateralisation with/without CCPs across ICSDs and T2S. Further analysis should also cover messaging formats/identifiers for SFT, netting arrangements, cut-off times and frictions in the process between collateral takers/givers that may lead to fail rates across ICSDs and T2S. A review of existing industry standards should be part of the work. In a break-out session, the topics were discussed and confirmed and subsequently approved by the CMH-TF.

Follow-up:

CMH-TF and EG members are invited to provide further feedback on operational issues [by 18 October] taking into account the discussion in the meeting covering mobilisation of collateral involving SFTs and T2S. Targeted questions should then be prepared for a survey on Bilateral Collateral Management issues.

- II. Triparty Collateral Management EG: CMH-TF members agreed to continue the work, in particular on the ISO20022 messaging format/messaging guidelines and any remaining questions related to the implementation of the Standards. It should also be analysed further if/how TPAs could contribute to Corporate Actions harmonisation and handling, e.g. with keeping collateral allocated over record date (i.e. avoiding substitution) or enhancing operational efficiencies of procedures/processes related to the communication of taxation-related information (thereby facilitating the handling and processing of such information between collateral giver and taker). TPAs should aim for an approach that could be used for bilateral as well. Further analysis could also be conducted on triparty settlement interoperability.
- III. Asset Servicing EG: CMH-TF members agreed to initially focus on harmonisation of workflows and processes for Corporate Actions of non-debt instruments that are most beneficial for collateral management. Further analysis should identify what information is needed (e.g. transaction type identifier to identify collateral transactions) and how it should be used. In addition, it was agreed that the EG should support the work on the implementation of the already agreed Standards (for debt-instruments) by assisting with the creation of relevant messaging guidelines and any questions which may arise during implementation. In a break-out session, further clarifications were made on the scope of the work and instruments (focus on equities, then consider other such as funds) and on

the need for broadly applicable rules irrespective of the instrument. The initial scope of the work of the EG was subsequently approved by the CMH-TF.

Follow-up:

The Asset Servicing EG should start reviewing the processes for asset servicing of equities by firstly assessing whether the Standards defined in the context of debt instruments can also be applied more broadly (quick wins), e.g. whether the practices or rounding rules already defined for debt instruments could also be suitable for equities. Remaining work on messaging guidelines should also be completed.

- IV. Taxation Processes EG: CMH-TF members agreed to focus on harmonisation of operational workflows and the communication of information relevant for taxation purposes. Collateralisation may imply specific communication of tax-related information relevant for the collateral giver and taker (e.g. if the collateral taker is the asset holder on record date). Harmonisation should also help governments to improve the processing of information. Operational tax handling processes involving collateral should be harmonised where possible with processes not involving collateral.

The preliminary results of the CMH-TF survey on tax processing/workflows, as presented by an ECB representative, show that (I)CSDs have often a limited involvement in the process while tax agents or tax reclaim agents play typically an important role in the processing of information. It is therefore important to have a strong involvement of agents and other stakeholders in NSGs beyond (I)CSDs. The scope of the work should also cover cross-market transactions.

Follow-up:

CMH-TF and EG members are invited to provide further feedback [*by 18 October*] on relevant processes including information/statistics that demonstrate the importance of harmonisation (involving NSGs and national stakeholders). In addition, further analysis is needed by the EG on the feedback from the CMH-TF survey on tax processing [*by next CMH-TF meeting*].

*Documents: Presentation on Bilateral Collateral Management
 Presentation on Triparty Collateral Management
 Presentation on Asset Servicing
 Presentation on Taxation Processes
 Presentation on feedback from CMH-TF survey on taxation processes*

3. Monitoring of AMI-SeCo Standards – status update

Outcome:

Further clarifications were made on the monitoring process. It was clarified that implementing actors (i.e. (I)CSDs, TPAs and custodians) should be 'able to offer' the services to their clients/users according the endorsed AMI-SeCo Standards (but it depends of the user's decision if users will actually use the services). The following topics will also require clarification: the AMI-SeCo endorsed Standards include that (i) all TPAs should implement the Standard on ISO20022 for processing of billing data (and it could be clarified that all TPAs are 'able to offer' ISO 20022 messaging for billing data to their clients/users by what time); (ii) all CCPs should implement the Standard on ISO20022 for triparty collateral management (and it could be clarified that those CCPs that are active in triparty services are 'able to offer' ISO 20022 messaging by what time); and (iii) all ISO20022 messages should be offered to wholesale financial market participants (and it could be clarified not retail participants). It should also be made clear that compliance is mandatory (Standards are not optional). Custodians explained that implementation of the Standard on ISO20022 messaging may take time, while other stakeholders underlined the need for all stakeholders to swiftly implement the full ISO20022 messaging formats (using harmonised data) to ensure STP processing and communication.

Further clarifications will also be made to ensure a consistent monitoring of Custodians across NSGs (all custodians covering together at least 70-80% of the local custody market). Custodians active in multiple countries will be monitored in their main market (i.e. against the changes as described in the local CSD adaptation plan). In addition, multi-country Custodians should inform on the other markets in which they are active (non-main markets) and to provide information on their other non-main markets. There will be a single survey distributed by the ECB CMH-TF Secretariat via NSGs.

Follow-up:

By the next CMH-TF meeting, the further clarifications should be presented to CMH-TF. An overview list of actors subject to monitoring per NSG should also be presented.

*Documents: Monitoring Framework (July 2019)
Adaptation Plan Template (August 2019)
Implementing actors of the AMI-SeCo Standards (September 2019 Draft)*

4. Considerations on the ISO 20022 adoption for CAs and Billing Processes in Wave 2

Outcome:

CMH-TF members agreed that the timing for Wave 2 ('Wave 2 date') needs to be specified, i.e. the date by when ISO20022 messaging must be offered (supported) by custodians for Corporate Actions and Billing Processes. In addition, a subsequent 'end-date' should also be specified for the end of a coexistence period of old and new messaging formats.

CMH-TF members agreed that initial considerations on a timeline for Wave 2 are related to momentum, co-existence and SWIFT work, while there is also a need for sound budget planning assumptions (need for certainty to plan the work for the next years). CMH-TF members explained that there needs to be a clear approach for end users (i.e. make a separation between wholesale stakeholders which are active in the custody chain and other stakeholders such as clients/end-users which could be granted more flexibility). The CMH-TF should also consider the lessons learnt from previous SWIFT migrations in other jurisdictions.

Follow-up:

CMH-TF members are invited to provide further feedback [by 18 October] on considerations to determine the optimal Wave 2 date and end date, including clarity on end-users and lessons learned from other jurisdictions. In the next CMH-TF, the Wave 2 topic should be considered further with the objective of proposing a Wave 2 date to AMI-SeCo. The CMH-TF should also consider whether an 'end-date' could be specified for the end of the co-existence period.

Documents: Presentation on ISO 20022 Wave 2 adoption

5. Communication and Workshops on Collateral Management Harmonisation Activities

Outcome:

The CMH-TF took note of the communication activities, including communication on the ECB website (foreseen publication of the three sets of Standards endorsed by AMI-SeCo), updated information package (update of the Frequently Asked Questions/FAQs) and workshops with market practitioners/NSGs workshops.

Follow-up:

FAQs will be edited and clarified where needed for publication on the ECB website.

Documents: Updated FAQs on Collateral Management Harmonisation

6. Overall schedule on Collateral Management Harmonisation Activities

Outcome:

CMH TF members took note of the overall planning, including the CMH TF work for the rest of 2019 and the preparations for reviewing (I)CSD and TPA adaptation plans (to be received by

26 September 2019).

7. Updates on ISO 20022 messaging and ECMS

Outcome:

CMH TF members took note of the updates on the status of ISO 20022 messaging work and on the status of the ECMS project.

8. AOB

Outcome:

No additional points were raised.