

Follow up and action items

Twelfth meeting of the AMI-SeCo HSG's

Collateral Management Harmonisation Task Force (CMH-TF)

DATE & TIME	9 April 2019 – 10:00 to 17:30 CET 10 April 2019 – 09.00 to 17:00 CET
------------------------	---

1. Introduction

Follow-up: CMH-TF members approved the agenda and agreed

- the outcome of the last meeting, with the inclusion of additional points to the outcome to reflect that (i) the application of Standards on existing securities versus new securities should be considered further, (ii) there was broad support on the draft Standards, while some members requested further work on corporate action standards, (iii) the discussion around relevant stakeholders and monitoring should continue in the next meeting, (iv) mention that operational constraints exist for corporate action and (v) add that legal implications should be analysed.

-
- *Document: Outcome of the eleventh meeting of the AMI-SeCo HSG CMH TF.*
-

2. AMI-SeCo Harmonisation Standards for triparty collateral management (TCM)

Follow-up: CMH-TF members agreed

- to amend the Terminology, i.e. explain that (i) AMI-SeCo markets include the community of financial institutions/stakeholders, (ii) Users comprises of collateral givers and takers (including but not limited to central banks, commercial banks, CCPs)
- to replace „should“ with „must/shall“ in the standards and verify also throughout the document
- to revise the FAQ documents in line with the recommendations for the Triparty Standards and remove redundancies/perform sanity check.
- to verify if the reference to corporate actions in the Triparty Doc has any impact if the CA standards are changing
- to underline the broad endorsement of the standards by all TPAs, Central Banks and other market participants
- to send out for final consultation with Collateral TF and HSG as well as NSG Chairs with Consultation period April 10 to 24. Document to be sent out as Word Doc for ease of comments.

-
- *Document: Revised Harmonisation Standards for TCM; Frequently asked questions.*
-

3. **AMI-SeCo Harmonisation Standards for billing processes (BP)**

Follow-up: CMH-TF members agreed

- to amend Terminology on AMI-SeCo key actors and include that custodians are referred to in their role as account service providers.
- implementing actors: for Standard 1 and 2 - to be applicable to Issuer CSDs, Investor CSDs, TPAs and Custodians servicing CCPs; applicability to Users in the sense of NCBs and CCPs.
- For Standard 3 and 4 - to be applicable to issuer CSDs and Investor CSDs (including the ICSDs). TPAs are only in scope if they are at the same time also a CSD.
- Reflect that „cascade“ of billing information is less an issue and strive to be more ambitious in the applicability of the standards at a later stage also to other players such as Custodians and TPAs.
- To review the use of should versus shall/must and update the FAQ in line with the Standards. Written procedure will also be launched (with triparty).

-
- *Document: Revised Harmonisation Standards for BP; Frequently asked questions*
-

4. **AMI-SeCo Harmonisation Standards for Corporate Actions (CA)**

Follow-up: CMH-TF members agreed

- Presentation of the Standards will be revised to target relevant stakeholders and focus on most relevant issues (the same approach will be applied as with triparty and billing Standards)
- Reflect the need to also consider issuers, advisors (e.g. law firms) of issuers and possibly stock exchanges (for agreement to prospectus), bring issuers in scope of the standards and monitoring process.
- Standard 1 (Business processes):
 - Recommendation to have subsections and avoid duplication other Standards.
- Standard 2 (Data entitlements):
 - Formula agreed
 - Eligible position is defined
 - Standard should mandate one harmonised approach and the definition of the Standard was correct. Goal is to have future issuance in scope very soon after the endorsement of the standards, concrete date to be set.
 - Need for a temporary solution on existing issuance
 - (I)CSDs are invited to provide statistics on number of existing securities impacted (by 25 April)
 - Two additional data fields on current minimum settlement amount and new minimum settlement amount are needed.
- Standard 3 (Consistency issuer/investor (I)CSD):
 - agreed - across all CA standards - to move ISO20022 compliance to a separate standard
 - standard is supported with focus is on common data fields and definitions
 - add that investor CSD cannot change the golden source information of issuer CSD but has to use identical information (incl. event type).
- Standard 4 (Rounding rules):
 - Processing should be per denomination and not per 1,000 (in particular for PCAL)
 - Confirmed assumptions raised in the document and market standards joint working group are applicable to round down that the full unit without fractions for securities

- Add that the minimum standard that everyone has to comply with is the standard of the issuer
- Follow the issuer CSD principle applies on number of decimals, focus on rounding rules (pass on decimals quoted in the CA notification received, no standard rule on restriction on decimals).
- Standard 5 (Negative cash flows)
 - ECSDA to provide additional information which CSDR article and or national law may be an impediment for (I)CSD to debit the account holder (by 23 April).
 - CAJWG and SMPG will work in parallel with CMH-TF to investigate negative interest handling (firstly to review existing work).
 - Agreed not to use PINK CA event.
 - ECB to liaise with ESMA on negative interests payments in relation to CSDR article.
- Standard 6 (Business day rule)
 - Wording was amended and agreed in the meeting and will be shared with revised CA standards document
 - MFBDC creates issue (back dating in commercial bank money should not be allowed)
 - (I)CSDs are invited to provide statistical data (on MFBDC at e.g. 20th month vs end month when MFBDC would need to be applied) (by 25 April)
 - Monte Titoli is invited to provide example on Euribor.
- Standard 7 (Securities amount FAMT/UNIT)
 - Agreed
- Standard 8 (Payment time)
 - Wording was amended and agreed in the meeting and will be shared with revised CA standards document
 - (I)CSD are invited to provide statistics when payment made/received for bonds (gov and corporate) (by 25 April)
 - When issuer csd receives from payment agent/
 - When issuer csd pays
 - Add explanation why important for collateral management
- Standard 9 (Notification of processing status)
 - Wording was amended and agreed in the meeting and will be shared with revised CA standards document
 - cut off time to be added
- Standard 10 (Blocking of securities)
 - Wording was amended and agreed in the meeting and will be shared with revised CA standards document
 - Invite SMPG and CAJWG to provide input.
- Standard 11 (Availability of default options)
 - Wording was amended and agreed in the meeting and will be shared with revised CA standards document
- Standard 12 (Handling of fees for meeting related CA events)
 - Agreed
- Standard 13 (Reversal of CA movements)
 - Wording was amended and agreed in the meeting and will be shared with revised CA standards document (A pre-advice shall be issued in advance of any reversal. In case of a cash reversal, the pre-advice shall be sent sufficiently in advance of the reversal so that recipients have adequate time for cash management)
 - ECSDA and/or (I)CSDs to provide Art of CSDR on cash and securities reversals (by 23 April). ECB to liaise with ESMA if needed.

- Standard 14 (Processing of non-euro CA payments)
 - Additional work needs to be done (describe end to end flow and goal for better reconciliation for non-euro payment/proceeds)
 - Standard 15 (ISO 20022 messages for corporate actions)
 - Wording was amended in the meeting and will be shared with revised CA standards document.
 - Views of CMH-TF will be brought to HSG/AMI-SeCo.
 - Agreed that the communication between custodians and their downstream clients will not be required in ISO20022 and the Standard shall reflect this.
 - Agreed to take back to validate: Staggered approach CA with different timelines (first (I)CSDs, TPAs, Custodians as service providers for collateral givers in the Eurosystem, direct participants of issuer CSDs; second step wider [timing second step tbc in HSG])
 - Clarified that coexistence is possible: To users – down the chain is possible.
 - Written consultation on the revised CA Standards will launched as soon as possible. Contact HSG Chair to request on HSG meeting dates.
-

- *Documents: Harmonisation Standards for CA*
-

5. Monitoring framework Harmonisation Standards

Follow-up:

- Monitoring framework will be revised to reflect the CMH-TF outcome on the Standards.
 - Written consultation will be launched as soon as possible.
-

- *Documents: Monitoring framework*
-

6. Other Collateral Management Harmonisation Activities

For next meeting.

7. Overall planning on Collateral Management Harmonisation Activities

For next meeting.

8. Recent developments and updates

For next meeting.