



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Status update on ongoing work

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Asset Servicing Expert  
Group

CMH-TF, Frankfurt  
12/03/2020

Single Collateral Management Rulebook for Europe  
common rules for managing collateral



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Chair of the Asset Servicing EG

# Agenda

1

Implementation guidance on Standard 6

2

EG guidance to DK market on Standard 5

3

Upcoming topics



# 1.

## CA Standard 6

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# Standard 6: request for guidance from IT NSG

- Standard 6 Business day rule:  
*“If the payment date of a corporate action falls on a non-business day (in the country of the currency in which the payment is due), the payment shall be made on the next business day.”*
- The Italian NSG identified a need for additional guidance for the implementation of Standard 6 with regard to securities issued before November 2022.
- The CMH-TF Asset Servicing Expert Group reviewed feedback from NSGs on the application of standard 6 to existing securities that follow the Modified Following Business Day Convention (MFBDC).

# Standard 6: Guidance for common implementation

EG guidance for implementation :

- When the conditions dictated by the MFBDC apply, the record date (RD) may be taken at the closing of the immediately preceding business day of the anticipated payment date (PD).

## Example:

If the scheduled PD falls on a Saturday:

- (i) The effective PD is anticipated to Friday and;
- (ii) RD is anticipated accordingly to Thursday (close of business on PD-1)

Proposal to add this guidance in the explanation of Standard 6.

# Benefits

- Guidance is in line with existing standards (e.g. CAJWG standards on key dates for cash distributions and mandatory reorganizations)
- Local practices are not used any more (the usage of “record time” etc.)
- No impact on Terms and Conditions (T&Cs do not dictate rules for the handling of RD - the RD is a post-trade key date as it enables entitlements calculation and is not mentioned in the T&Cs).
- No re-computation of entitled positions or accrued interest adjustments (for existing bonds). Entitlements will be calculated once (i.e. no re-computation, no reduction of interest period) on the basis of the anticipated record date.

# Recommendations from the EG

- **The EG proposes to consult NSGs and ICMA/ICMSA to endorse the guidance for implementation as presented**



# 2.

## CA Standard 5

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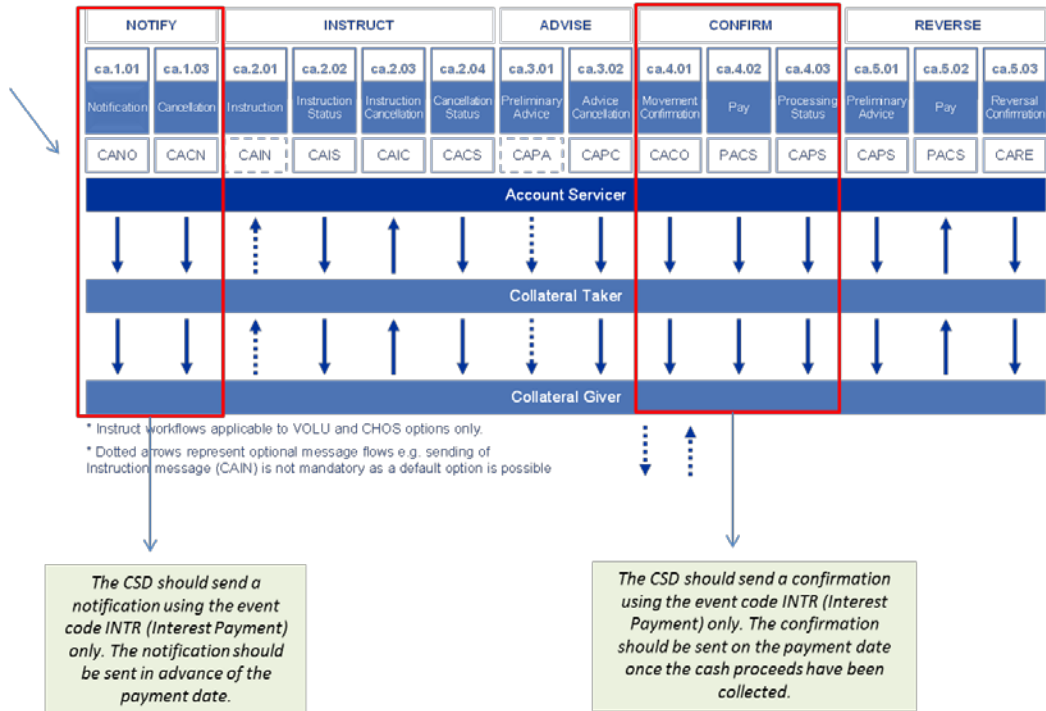
# Standard 5 – request for guidance from DK NSG

- The Danish NSG has analysed possible implementation solutions in order to ensure compliance with AMI-SeCo CA Standard 5 and have identified a solution for negative cash flows that mitigates credit and liquidity risks.
- The Danish NSG has decided to make a redesign of its present model to handle negative cash flows in the expectation that this redesign would make the Danish market compliant with standard 5 within the timeline that has been published by AMI-SeCo.
- The redesign would use INTR and would reduce the two Danish solutions to one solution. In order to avoid credit risk, liquidity risk and legal barriers, partial redemption and final redemption would still be used to allocate cash from the investors CSD participating bank.

# Description

- The Danish NSG has provided the following information on implementation:
  - The CSD will send a notification using the event code INTR (Interest Payment) only. The notification will be sent in advance of the payment date.
  - The CSD will send a confirmation using the event code INTR (Interest Payment) only. The confirmation will be sent on the payment date once the cash proceeds have been collected.

## STANDARD 5: Workflow and corporate action messages



# Next steps

- VP do not foresee any technical obstacles in adapting to the considered model, in order to ensure compliance with the requirements of the standard(s), including the described message flow(s), as laid out in the endorsed standards documentation and the previous slide.
- The Danish NSG stand ready to provide more details about the redesigned model to the EG.



# 3.

## Upcoming topics

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# Applicability of CA Standards beyond debt instruments

- Market participants identified the need for AMI-SeCo Corporate Actions Standards to be broadly applicable across all instrument types in order to avoid the need to adopt different processes depending on the instrument type behind.
- To address this need, the Asset Servicing Expert Group is reviewing the 15 Standards which the CMH-TF has defined in the field of corporate actions in order to assess whether these can already be deemed applicable beyond debt instruments.
- The EG identify a need to complement the description of 4 Standards to ensure coverage is extended to non-debt instruments.
- This will be discussed in the next EG call

# Next steps

- Questions related to the Billing Processes Standards are also being analysed by the Asset Servicing EG.
- Questions on Standard 8 (Payment Time) will also be assessed in the next EG call.



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# Questions?



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