

Outcome and follow-up

Third meeting of the AMI-SeCo HSG's Collateral Management Harmonisation Task Force (CMH-TF)

DATE & TIME	25 October 2017 - 10:00 to 17:00
ROOM	C3.10 European Central Bank, Main Building

1. Introduction

The chair welcomed the participants. CMH TF members approved the agenda of this meeting and the outcome of the second CMH-TF meeting.

Background documents:

- *AMI-SeCo HSG CMH TF Outcome and follow-up 2nd meeting*

2. Substreams presentation of findings

The five substreams of the CMH-TF presented the current findings of their analysis on possible barriers to efficient collateral management and the business processes and data elements for which they have identified collateral management harmonisation needs so far.

Substream 1 Harmonisation of Triparty Collateral Management (lead: Clearstream);

Substream 1 presented a draft proposal for harmonisation of triparty collateral management, which could be used in the context of Eurosystem credit operations and also in the context of other triparty transactions. The proposal is subject to some further clarifications/feedback from the Eurosystem (including the handling of cash proceeds related to corporate actions) and triparty agents (as it would require changes in workflows/business processes). It also needs to be complemented with further input from market participants (including treasurers who are the major users of triparty services). Substream 1 had prepared in this context an overview table of current triparty processes and messaging of triparty services, which identified several areas for harmonisation of triparty collateral management. Substream 1 also established a common set of definitions for triparty collateral management business processes and an initial classification

of priority for the harmonisation of business processes. Finally, substream 1 analysed possible impediments to the sourcing of collateral to/from triparty agents. In this respect, a set of recommendations was developed to foster harmonisation across markets. Further analysis on the translation of identified workflows into ISO 20022 compliant messages is needed and will be covered in detail after harmonisation proposals will have been approved by AMI SeCo.

The CMH-TF fully supports the work of substream 1 and took note of potential interdependencies with other work.

Follow-up: By the next meeting, the remaining open issues should be clarified. A review is needed of the 2014 [report](#) "Improvements to commercial bank money (CoBM) settlement arrangements for collateral operations" to determine if any of these recommendations should be taken up again. Also the 2016 [reply](#) of the T2S AG and COGESI to the call for evidence of ESMA on asset segregation should be reviewed. The issue of triparty interoperability (which has not been further analysed yet) should be considered.

Substream 2 Harmonisation of Corporate Actions, Taxation Forms, Non-Euro Collateral Management (lead: Citi);

Substream 2 analysed the handling of corporate actions in the context of collateral management and developed an overview table identifying issues/discrepancies/needs across markets which have potential for harmonisation. Findings suggest that either existing harmonisation standards (e.g., those identified by the Corporate Actions Sub Group or the Corporate Actions Joint Working Group) need to be reinforced for the particular purpose of collateral management and, where needed, new harmonisation standards should be developed. Substream 2 also started analysing tax processing in the context of collateral management.

The CMH-TF fully supports the work of substream 2. Furthermore, the CMH-TF took note of the existing restrictions in the areas of corporate actions and tax handling and acknowledged that existing non-harmonisation in these areas hampers use of collateral. More detailed analysis might be needed on certain corporate action and tax processes in the context of collateral management (e.g. handling of corporate actions or tax processes may involve compensation between collateral givers and takers) and the relevance of certain corporate action events for collateral management. Workflows should also be analysed for relevant corporate actions.

Follow-up: By the next meeting, all issues and harmonisation needs should be identified. The topics should also be highlighted that require a more detailed analysis (which could commence after harmonisation proposals will have been approved by AMI SeCo).

Substream 3 Harmonisation of Bilateral Collateral Management, Margin Calls (lead: BNPP);

Substream 3 considered workflow/process descriptions of non-cleared OTC derivatives and securities financing. Harmonisation is needed as different workflows/exchanges of messages and manual processes leads to operational burden and complexity. Interoperability and the leverage of existing infrastructures should be promoted. Some issues which are important for the market participants (i.e. data, CCP margin mechanisms, settlement sequencing and alignment) were not analysed in depth, because the substream 3 considered they may be outside of scope.

The CMH-TF fully supports the work on harmonisation of workflows, standardisation of messages and interoperability. Industry initiatives have also started to work on harmonisation and standardisation, which should be taken into account. For CCP cleared transactions, the need for harmonisation of workflows and standardisation of messages should be considered further (e.g. CCP margin mechanisms) as well as the prioritisation that should be assigned. The terminology also needs to be harmonised, and a glossary will be developed. Members suggested also considering in a follow-up session on bilateral workflows for central bank bilateral collateral movements (in view of the investigations on a Eurosystem Collateral Management System and the usage of ISO 20022 for all communication between ECMS and all market participants) and bilateral movements with / without CCPs. This follow-up session would document and inform on ongoing developments.

Follow-up: By the next meeting, all issues and potential harmonisation needs should be identified. Information will be made available in a follow-up session on considerations for Eurosystem collateral management arrangements (and ISO 20022 messaging). Members are requested to involve treasurers into the process and reach out to experts in their firms. In this respect, also expertise from AMI-Pay should be considered. Further analysis is needed on CCP topics, to ascertain if/how they are part of the harmonisation proposals for AMI-SeCo.

Substream 4: Harmonisation of Fee and Billing Processes, Cut-Off Times (lead: Monte Titoli);

Substream 4 analysed the differences in fee/billing business processes. These differences will need to be confirmed by market participants and (I)CSDs. Information on cut-off times is being collected by industry associations (ICMA/ISLA and ECSDA). The results will be presented in the next CMH-TF meeting.

The CMH-TF fully supports the work and suggests conducting further analysis on the opportunity to use ISO 20022 for fee/billing (which would increase STP processing subject to analysis on additional fields required). Regarding the data elements, members suggest to closely liaise with substream 5. Finally, members suggest that some additional issues may be added to the analysis of fee/billing (e.g. Out of pocket expenses of CSDs) with a view to identify potential harmonisation needs.

Follow-up: By the next meeting, all issues and harmonisation needs should be identified. It was

agreed to ask further input from ECSDA.

Substream 5: Harmonisation of Collateral Dynamic and Static Data (lead: Deutsche Bank).

Substream 5 has analysed the description/definition of the list of data elements relevant for collateral management. As a next step, barriers related to data exchange will be analysed further with a view to identifying harmonisation needs.

The CMH-TF fully supports the harmonisation of data elements. The prioritisation of tasks has to be considered further as part of the overall prioritisation exercise to be conducted by the CMH-TF. Data elements of the SFTR requirements had been considered, and members suggested that it is relevant to highlight them, while recognising that the analysis of the CMH TF list of data elements may be broader.

Follow-up: By the next meeting, all issues and harmonisation needs should be identified and the prioritisation has to be considered (taking into account market and Eurosystem developments).

Background documents:

- *Status update Substream 1: Harmonisation of Triparty collateral management;*
- *Status update Substream 2: Harmonisation of Corporate Actions, Taxation Forms, Non-Euro Collateral Management;*
- *Status update Substream 3: Harmonisation of Bilateral Collateral Management, Margin Calls;*
- *Status update Substream 4: Harmonisation of Fee and Billing Processes, Cut-Off Times*
- *Status update Substream 5: Harmonisation of Collateral Dynamic and Static Data*

3. Prioritisation of activities

The CMH-TF agrees to assemble all the activities in two overall priority groups, i.e. priority 1 and priority 2 activities. Members suggest taking into account the dependencies upon other issues, the CMHAs (as identified in an earlier document of the first meeting), timing and the actors who would need to be involved in the implementation of the harmonisation. Members suggested that guiding principles could be developed, which contribute to the prioritisation of activities.

Background documents:

- *Presentation on priorities of collateral management*

4. Overall planning of CMH-TF work

The CMH-TF considers the progress according to the work plan. Members agree that all sub streams should use a common template to list the business processes relevant to collateral management that should be harmonised.

Follow-up: The ECB will circulate the common template/tables, and the sub streams should fill them in by 13 November 2017.

Background documents:

- *Overview work planning*

5. **AOB**