

# AMI SECO COLLATERAL HARMONISATION TASK FORCE

BILATERAL WORK STREAM - Progress update

Lead - Helene Virello

Secretariat - Steffen Bruns

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# AGENDA

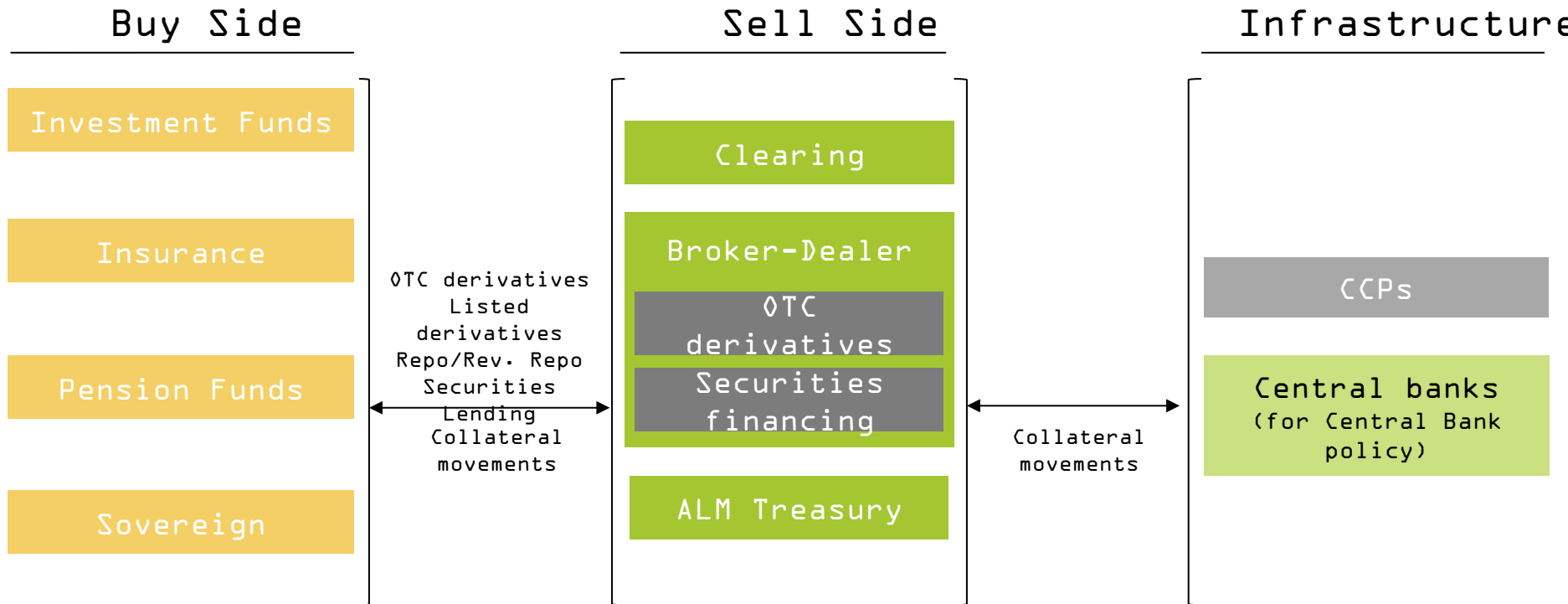
I- INTRODUCTION & SCOPE

II- PARTICIPANTS

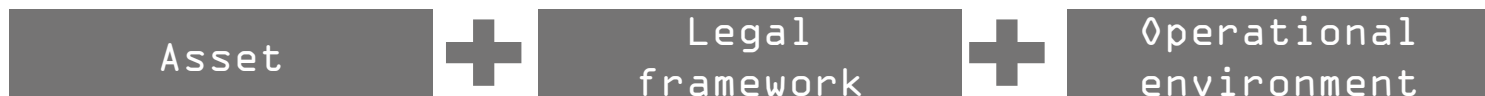
III- METHODOLOGY

IV- FIRST OUTCOME

# Overview

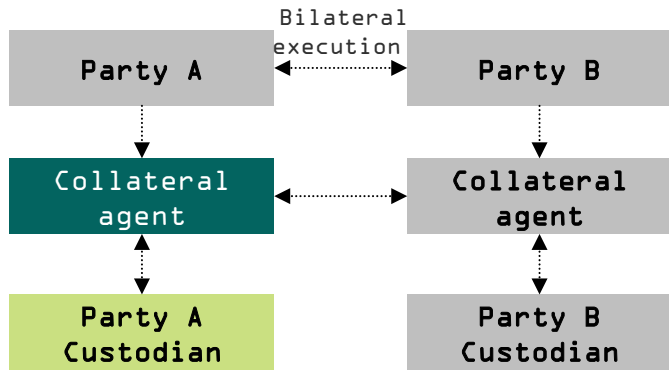


Collateral agents Custodians (I)CSDs



# Two ways to manage collateral

## Bilateral collateral management



Mainly cash  
Securities limited to Bonds

Multi-custodian

T+1/+n settlement  
Same day settlement possible but not

Low turnover of client or counterparty portfolio  
Efficient  
Few number of counterparties

OTC, Repo, SLAB, etc transactions excluding Basket, (USG) Repo

TYPE OF COLLATERAL

CUSTODIAN

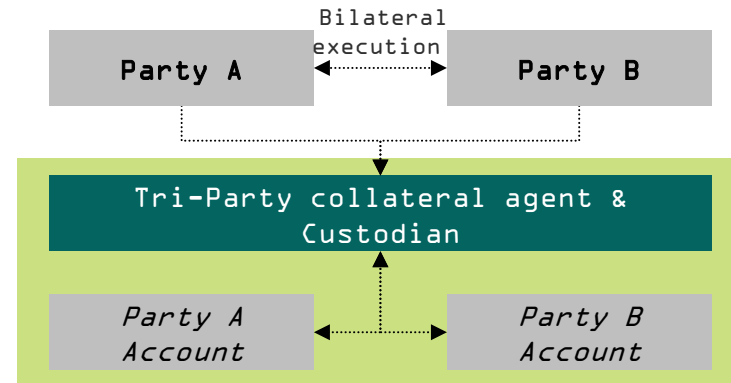
SETTLEMENT

PORTFOLIO TURNOVER

OPTIMIZATION

TYPE OF TRADES

## Tri-party collateral management



Securities (Bonds, Equities, shares of funds)  
Cash possible

One single tri-party and Custodian for all parties  
Same day settlement

High turnover of client or counterparty portfolio  
High number of counterparties requiring sophisticated allocation

OTC, repo, SLAB, etc including Basket (or USG) Repo

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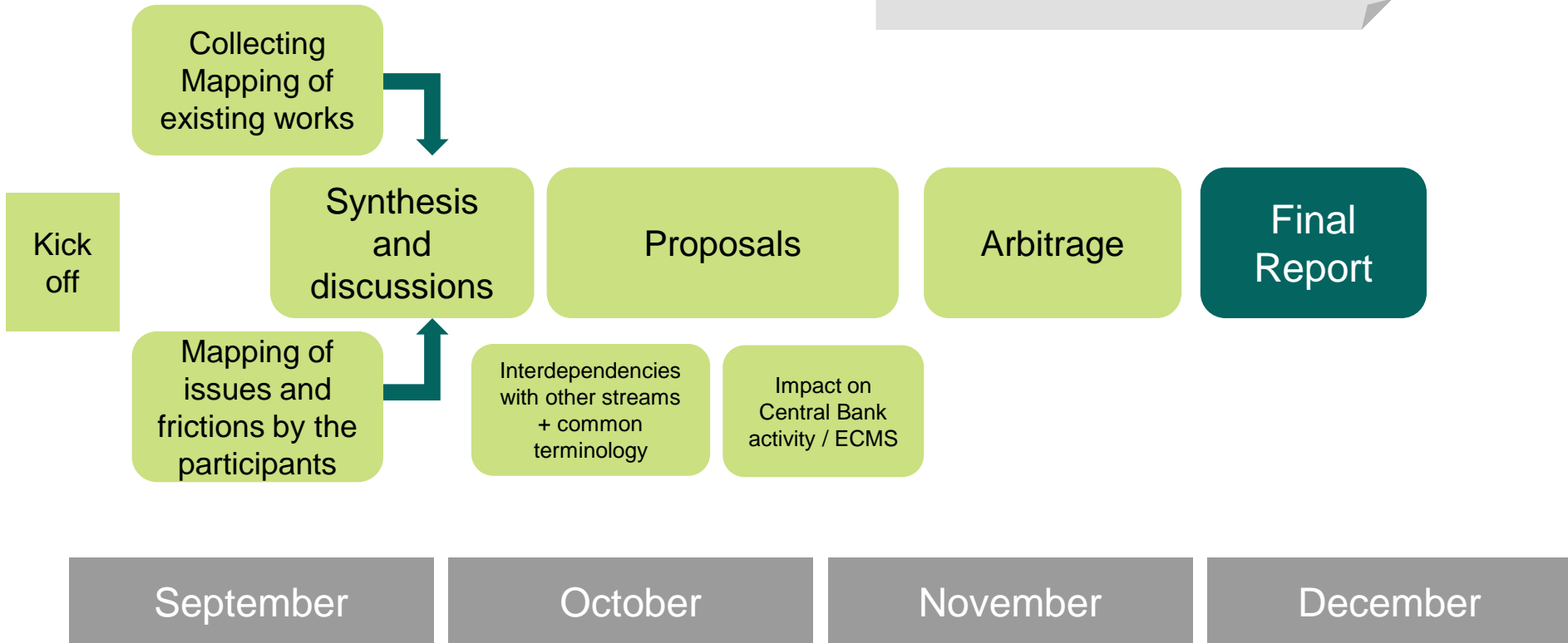
# Participants to the Stream

BNPP (lead)	Hélène Virello
Bundesbank (secretariat)	Steffen Bruns
BNY Mellon	Peter Wijns
Deutsche Bank	Marko Niederheide
Citi	Michael Payne
EFAMA	Vincent Dessard
BME-Clearing	Teresa Castilla
Eurex Clearing	Oliver Bartel
Société Générale	Pierre Lebel
BNPP	David Beatrix
DZ Bank	Kristian Hartmann, Frank Günzel
Clearstream	Marc Poissonon
Monte Titoli	Fernando Gilardi
Danske Bank	Mar Dennis Borella
ECB	Benjamin Hanssens, Michael Schroter, Gary McNamara, Joao Tiago Amaro
LCH	Caroline Collette-Jones
SWIFT	Cecile DESSAMBRE, Charles-Raymond BONIVER, Matthew COOK, Karine TAQUET
UBS	Sally Shackleton
DZ Bank	Frank Guenzel, Kristian Hartmann
LSEG	F. Gilardi
Bundesbank	Cantje Heikamp, Norman Isermann
Morgan Stanley	Adam Bate
Northern Trust	TBC
JP Morgan	Mikal Lovett

# Methodology and planning

- Holistic approach**
- All financial institutions (buy-side ...)
  - All types of activities requiring collateral

**Taking into account what has been implemented (Acadiasoft ...)**

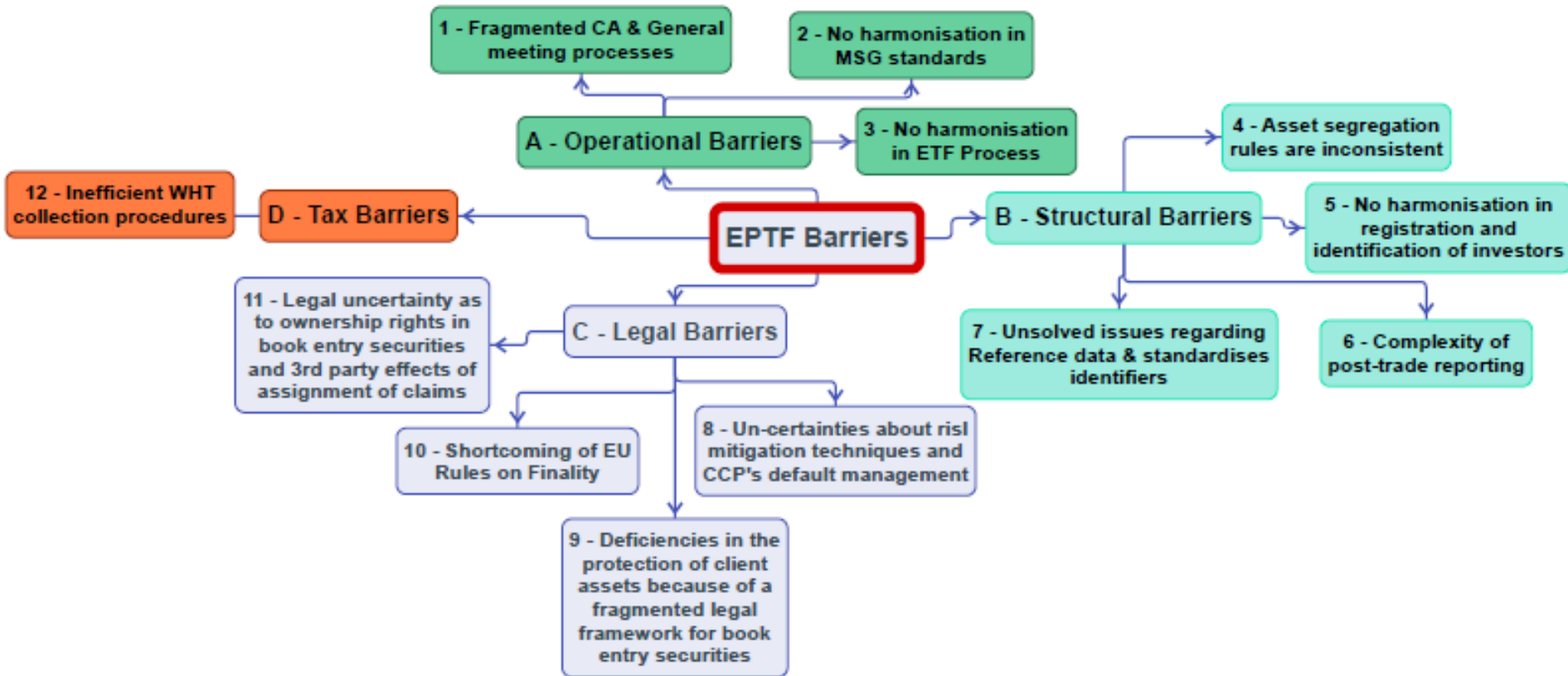


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# Existing working groups in the Industry

<b>ICMA</b> International Capital Market Association	<b>ISLA</b> International	<b>ISDA</b> International Swaps and Derivatives Association	<b>ISSA</b> International Securities Services Association
Repo	Securities Lending	OTC Derivatives	Securities Services
Adam Bate / Pierre Lebel		Michael Payne	Helene Virello
	Collateral TF	Blue Print under discussion Sept 2017	2 reports issues 2014 & 2016
EPTF (see next page)			

# EPTF





# First outcome of the stream

Operational: Emails with associated operational risks
Operational: Connectivity two many different costudians for exchanging IM
legal and technical - collateral eligibility
Legal and documentation - transfers on ECB accounts of counterparties
ECB to guarantee CCPs to avoid payment by EU Savers.
Legal - ESMA limitation on use of repo impacting market liquidity
<u>Legal/Operational:</u> Misalignments in margining timings, collateral settlement lags terms applicable in CSA complexify liquidity management processes and collateral optimization&returns
<u>Technical/operational:</u> Securities attributes data (reference data, security life cycle events...) availability/timings and exchange requirements (identifiers...) to be further harmonised among providing sources between T2S and non T2S markets... Misalignments are a source of disputes and risk in margining processes
<u>Technical/operational:</u> Settlement location fragmentation and cross border complexity (which includes managing different cut-off times) entails operational burden/risks in bilateral collateral management and is a drag on liquidity management processes and collateral optimization&returns. Harmonisation would be beneficial in the bilateral world but also in further bridging the bilateral and triparty worlds to enhance market liquidity
<u>Technical:</u> Settlement messaging for collateral instructions, security life-cycle events (linked to above)... are not standard. Harmonisation needed between T2s and non T2s markets
<u>Regulatory reporting</u> of collateral information (TR reporting in general...)
Insufficient Collateral mobility
Lack of convergence and harmonisation in <b>information messaging standards</b> This concerns all fields from Legal documentation to trade lifecycle management. See "Mappin MSG" for details
<b>Regulatory reporting</b> demand very large data flows that demand stringent data standardisation. Post-Trade reporting structure is too complex
No standard messaging <b>from Clearer &amp; Buy-Side to asset servicers</b>
Lack of harmonisation and standardisation of <b>ETF</b> processes: many legal obstacles and a high degree of fragmentation, in particular in the post trade space
Inconsistent application of <b>asset segregation rules</b> for securities accounts
Maintaining Settlement efficiency to ensure collateral settles as early as it possibly can without friction and the need to effectively manage intra-day liquidity through credit usage.