



EUROPEAN CENTRAL BANK

EUROSYSTEM

Status update on ongoing work

Bilateral Collateral
Management Expert
Group

CMH-TF
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Single Collateral Management Rulebook for Europe
common rules for managing collateral



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Overview

The Bilateral Collateral Management Expert Group has focused on 2 main topics:

1. Guidance on usage of Settlement Transaction Type codes

Scope:

- Guidance on Usage of Settlement Transaction Types in **Repurchase and Reverse Repurchase Transactions**
- Usage of Settlement Transaction Types in **Securities Lending and Securities Borrowing Transactions**
- Usage of Settlement Transaction Types in **Buy/Sell-back and Sell/Buy-back Transactions**

2. Current usage of Settlement Transaction Types codes.

1. Guidance on Usage of Settlement Transaction Types

Example for Repurchase and Reverse Repurchase Transactions:

	The seller and buyer will release the message types corresponding to their role in the transaction:
Seller: REPU	The party receiving the cash in exchange for the securities (the seller) will see itself as counterparty to a repurchase transaction (REPU) and will always send a delivery instruction for <u>the opening leg</u> (and a receive instruction for <u>the closing leg</u>)
Buyer: RVPO	The party receiving the securities and delivering the cash (the buyer) will see itself as counterparty to a reverse repurchase transaction (RVPO) and will always send a receive instruction for <u>the opening leg</u> (and a delivery instruction for <u>the closing leg</u>).

Guidance:

Example for Repurchase and Reverse Repurchase Transactions

1. The opening/initiation of the transaction

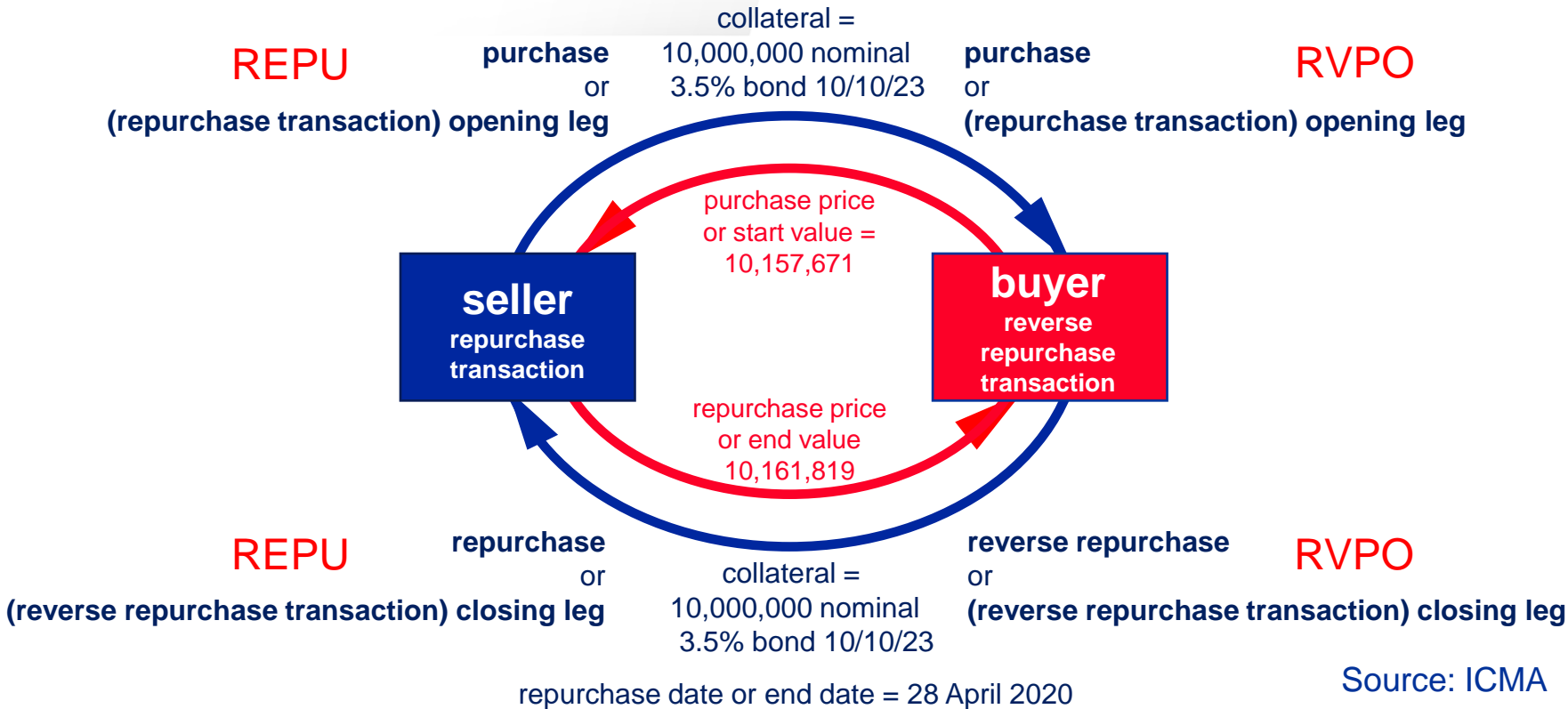
Two leg transaction	Explanatory description	MT / MX Message	Settlement Transaction Type
Repurchase transaction: purchase or opening leg	The seller in a repurchase transaction sells collateral securities in the purchase or opening leg	543 / sese.023	REPU
Reverse repurchase transaction: purchase or opening leg	The buyer in a reverse repurchase transaction buys collateral securities in the purchase or opening leg	541 / sese.023	RVPO

2. The closing/repurchase/return leg of the transaction

Two leg transaction	Explanatory description	MT / MX Message	Settlement Transaction Type
Repurchase transaction: repurchase or closing leg	The counterparty that was the seller in the opening leg of a repurchase transaction (and is still called the seller) buys back collateral securities in the repurchase or closing leg.	541 / sese.023	REPU
Reverse repurchase transaction: repurchase or closing leg	The counterparty that was the buyer in the opening leg of a repurchase transaction (and is still called the buyer) sells collateral securities back in the repurchase or closing leg.	543 / sese.023	RVPO

Example

purchase date or start date = 21 April 2020



Source: ICMA

2. Current usage of Settlement Transaction Types codes

The Expert Group propose to collect information from CSDs on the current usage of Settlement Transaction Type Codes.

Main objective of questions:

- The aim is to understand how broadly the market practices are being implemented. A distinction will be made between ICPs and DCPs. For DCPs: are transactions matched and how (with same or different values). Do actors with a different profile, such as ICPs have different implementation of market practices, etc.
- The general usage is requested for bilateral SFTs (not related to triparty and not related to central bank autocollateralisation and also not CCPs).

2. Current usage of Settlement Transaction Types codes

Questions:

1. Can you indicate the number of identified SFT settlement instructions you receive, sorted by Transaction Type as well as the overall figure of received ICP settlement instructions excluding CCPs? Please provide data for Q1 2020. (to get a clear idea of each SFT - only the ones used bilaterally and instructed directly by the ICPs to the CSD)
 - o REPO, RVPO, SECL, SECB, SBBK, BSBK, COLO or COLI
2. Can you provide the equivalent information but in % of the total EUR market value equivalent of all settlement instructions
 - o REPO, RVPO, SECL, SECB, SBBK, BSBK, COLO or COLI

2. Current usage of Settlement Transaction Types codes

3. Can you provide data on how identified SFT settlement instructions have matched in T2S?
 - o % of SFT instructions that have matched with their corresponding opposite transaction types (REPO with RVPO, SECL with SECB...)
 - o % of SFT instructions that have matched with the same transaction type (REPO with REPO, RVPO with RVPO...)
 - o Rest (SFTs that have been matched with other transaction types).

4. Do you modify the transaction type received by ICPs before sending the instruction to T2S?

Upcoming work

- **Guidance on usage of Settlement Transaction Types**
 - Complement the guidance note: Briefly set out the expected benefits of ensuring a consistent use of the identifier, e.g. (i) ensuring CSDR compliance, (ii) enhancing transparency through more granular settlement efficiency figures, (iii) potential operational benefits, e.g. enabling agents to develop auto-compensation functionality. Identify exceptions (e.g. NETT for CCPs and there may be others which will hopefully be visible from the additional CSD analysis on current usage of the field)
 - Send out the guidance note for comments.
- **Current usage of Settlement Transaction Types codes**
 - Send out the questions to CSDs (ECSDA).