

Outcome and follow-up items

Thirteenth meeting of the AMI-SeCo HSG's

Collateral Management Harmonisation Task Force (*CMH-TF*)

DATE & TIME	11 June 2019 – 10:00 to 17:30 CET
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1. Introduction

Follow-up: CMH-TF members approved the agenda.

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

2. Organisation of further work

Outcome: CMH-TF members agreed

- To prepare a document describing the further work on other Collateral Management Harmonisation Activities, including the proposal to set-up expert groups to work on Bilateral Collateral Management, Triparty Collateral Management and Asset Servicing (which includes further work on Corporate Actions for non-debt instruments e.g. equities) and taxation processes. The new CMH-TF expert groups should review the remaining harmonisation needs in view of identifying possible barriers and analysing harmonisation proposals.

3. Harmonisation Standards on Corporate Actions

3.1. Update of remaining Standards on Corporate Actions for debt securities

Outcome:

- On Negative Cash Flows (Standard 5):
 - CMH-TF members agreed with the proposed formulation i.e. the cash flow should be from the Investor to the Issuer and should be processed using the Interest Payment (INTR) event.
- On Payment Time (Standard 8):
 - CMH-TF members agreed to specify that for any corporate actions involving both a partial or full redemption, the cash proceeds should be made available to the Issuer CSD (as early as possible) at open for business of the settlement system on the payment date. It was suggested to clarify the rationale for the Standard from a collateral management perspective, i.e. if redemptions are booked before the cash movements, the securities would no longer be eligible

for use as collateral.

- On Blocking of Securities (Standard 10):
 - CMH-TF members agreed to specify that for all relevant CA events where a client election is required, the Issuer CSD and all relevant intermediaries shall ensure that the elected security position is blocked. It was considered necessary to add a list of CA events (and their CA option combinations) which are subject to blocking.
 - On Processing of foreign currency payments (Standard 14):
 - CMH-TF members agreed to specify that CSDs must send the corporate action confirmation to the security holder only upon receipt of the confirmation from the cash correspondent that the cash has been transferred successfully.
 - Follow-up: The updated Standards will be circulated to CMH-TF members and contributors for written feedback.
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- *Document: Presentation on Three Updated CA Standards*
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3.2. Considerations on the ISO 20022 Adoption for CAs for wave 2

Outcome: CMH-TF members agreed

- To prepare a paper summarising all the considerations relevant for determining the second migration wave for adoption of ISO 20022 messaging for CAs. The paper should list all the factors that are relevant for determining the appropriate coexistence period of ISO 20022 with legacy formats.
 - Follow-up: Feedback should be provided on the considerations of the presentation.
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- *Documents: Presentation on Considerations on the ISO 20022 Adoption for CAs for wave 2*
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4. Other Collateral Management Harmonisation Activities

4.1. Tax processes and workflows

Outcome: CMH-TF members agreed

- To clarify further the purpose of the work (i.e. to foster STP for tax processing); to further clarify the type of request for taxation information (i.e. it could be on a per payment basis or on an annual basis) versus the provision of taxation information; to clarify that NSGs should identify actors (such as CSDs, issuer agents, withholding agents, etc).
 - Follow-up: To provide feedback on the draft questionnaire on tax processes, i.e. on the type of assets covered by the survey (debt and/or equity), the scope of the tax processes (type of taxation processes), possible exemptions (e.g. NCBs as collateral taker), what processes are most challenging that may require streamlining (i.e. to avoid substitution/movements of collateral), whether to focus on the owner of the asset (e.g. collateral taker/giver in repo), more detailed descriptions of CSD services (e.g. tax refund, relief, vouchers, for certain actors/residents, for own accounts only, etc).
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- *Documents: Draft « Questionnaire on taxation processes in collateral management »*
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4.2. Collateral mobility (cut-off times, sourcing of collateral, margin calls, other issues)

Outcome: CMH-TF members agreed that

- The survey on cut-off times could serve as a basis for further analysis of the CMH-TF on collateral management (e.g. to manage intraday liquidity and related collateral).
- Follow-up: The survey on cut-off times should be conducted (by ERCC) and its results should be presented in the next CMH-TF meeting.

4.3. Bilateral Collateral Management

Outcome: CMH-TF members agreed that

- The work on Bilateral Collateral Management Harmonisation Activities should take into account the earlier work in the context of AMI-SeCo (e.g. triparty settlement interoperability, the use of collateralised transactions at end of-day for treasury adjustment operations), ongoing discussions (e.g. on the potential barriers, bottlenecks or technical requirements related to the use of collateral via investor CSDs) and the work of other groups (e.g. product definition for repo/securities financing and compensation processes by ERCC).

5. Communication and Workshops on Collateral Management Harmonisation Activities

Outcome: CMH-TF members agreed that

- The Frequently Asked Questions (FAQs) on Collateral Management Harmonisation Activities will be updated.
- Follow-up: The CMH-TF will take a strong leadership role in communication. In particular, the CMH-TF will develop proposals for communication via different channels, consider action plans for migration and coordination, suggest information sessions and involve NSGs.

6. Overall schedule on Collateral Management Harmonisation Activities

No follow-up

7. Update on ISO 20022 messaging and ECMS

No follow-up