

# Report on Collateral Management Harmonisation

Prepared by AMI-SeCo HSG's  
**Collateral Management  
Harmonisation Task Force  
(CMH-TF)**

Approach and prioritisation

AMI-SeCo Dec. 7<sup>th</sup> 2017

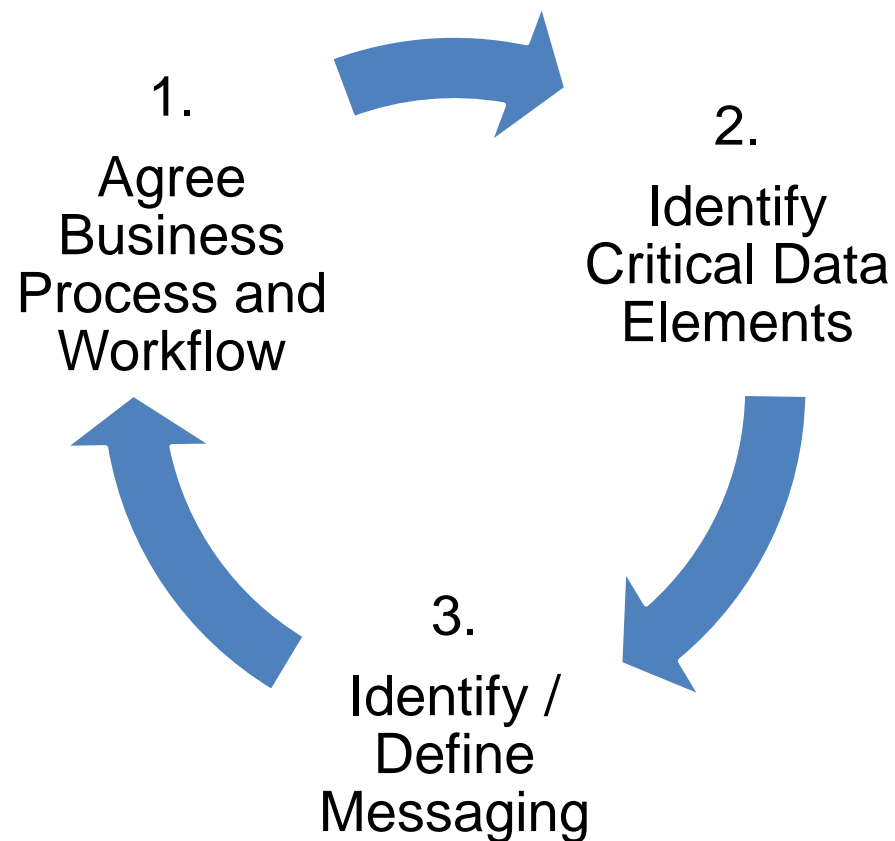
## Mandate of the CMH Task Force

- The CMH-TF:
  - was asked to analyse matters (barriers/issues) related to collateral management and identify a list of key harmonisation activities related to the efficient functioning of collateral management
  - consists of stakeholders from Eurosystem central banks, market participants and market infrastructures primarily active in collateral management
  - should take into account recent market development, including earlier work by COGESI and relevant aspects in the context of the Eurosystem's investigations for a Eurosystem Collateral Management System (ECMS)
- The CMH-TF:
  - Had four meetings
  - Established five substreams
  - Additional contributors were invited outside the CMH-TF to bring expertise
  - Weekly conference calls for sub-streams (~ 30 calls) and detailed fact-finding analysis were performed to identify the barriers for efficient collateral management

## 5 Sub-Groups have strong industry contribution

1. Triparty Collateral Management, Sourcing of Collateral
  - Lead: Clearstream; 29 Contributors
  
2. Corporate Actions, Non-Euro Collateral, Taxation Forms
  - Lead: Citi; 27 Contributors
  
3. Bilateral Collateral Management, Margin Calls
  - Lead: BNPP; 30 Contributors
  
4. Fee and Billing Processes, Cut-Off Times
  - Lead: Monte Titoli; 12 Contributors
  
5. Collateral Dynamic and Static Data
  - Lead: Deutsche Bank; 12 Contributors

# Organisation of CMH-TF Work – 3 Step Approach



**For each functional area a 3-step approach would be followed with the work structured as follows:**

1. Define and agree the harmonised business process and workflow
2. For each business process identify the critical data elements necessary for the functioning of this process
3. Identify / define an ISO20022 market standard message by which these data elements should be transmitted

## 5 Guiding Principles to drive actions:

1. **Principle 1:** Harmonisation should lead to a single pan-European collateral management rule book for interaction of financial market infrastructures (FMIs) and their users including central banks
2. **Principle 2:** Harmonisation should lead to messaging based on latest international standards
3. **Principle 3:** Harmonisation should lead to interoperability
4. **Principle 4:** Harmonisation should lead to straight-through-processing (STP)
5. **Principle 5:** Harmonisation should remove operational restrictions which impede availability, usage and mobility of collateral

# Prioritisation Methodology

Category	Description
Priority 1	<p>Activities (business processes and messages) necessary for the safe and efficient functioning of collateral management arrangements in T2S markets (involving the Eurosystem, collateral management service providers (CMSPs) and users of collateral management services (UCMS) in T2S markets). The activities are only priority 1 if:</p> <ul style="list-style-type: none"> <li>• directly related to the markets that have migrated to T2S, involving financial market infrastructures (FMIs) and their users including Eurosystem central banks.</li> <li>• necessary for the safe and efficient functioning of financial market infrastructures, monetary policy and collateral management arrangements in T2S markets, and</li> <li>• feasible to be implemented in line with the timing of European integration efforts in the CMU.</li> </ul>
Priority 2	<p>Activities (business processes and messages) that are beneficial but not essential for the safe and efficient functioning of collateral management arrangements in T2S markets, and involve activities beyond T2S markets.</p>
Not prioritised	<p>Activities (business processes and messages) are not prioritised for several reasons, i.e. because:</p> <ul style="list-style-type: none"> <li>• the market practices are still evolving and it is too early to provide guidance,</li> <li>• or guidance is not needed (i.e. several collateral management arrangements were considered as already harmonised and/or not related to workflows/interactions between stakeholders).</li> <li>• Additionally, some business processes were identified, inter alia, as not required in the future.</li> </ul>

# Overview of CMHA & Harmonisation Needs

Overview of Collateral Management Harmonisation Activities (CMHAs) and Harmonisation Needs				
CMHA	Title	Priority 1	Priority 2	Non-Prioritised
1	Triparty Collateral Management	11	7	16
2	Corporate Actions	16	5	1
3	Taxation Processes	8	0	0
4	Bilateral Collateral Management	2	2	10
5	Margin Calls	1	0	0
6	Billing Processes	3	2	1
7	Cut-Off Times	0	0	0
8	Collateral Data	6	1	1
9	Sourcing of Collateral	10	0	0
10	Non-Euro Collateral	2	0	0
		<b>59</b>	<b>17</b>	<b>29</b>

105 processes analysed in total, from which 76 harmonisation needs were identified

## Next Phase of CMH-Task Force

- In the next phase (Phase Two) of the AMI-SeCo's collateral management harmonisation effort, a harmonisation proposal should be defined for each agreed harmonisation need.
- The harmonisation proposals should document the business process, the data elements necessary for the functioning of this process and (if available) the ISO 20022 message which should be used for the transmission of the required data elements.
- The CMH-TF will identify who will have to implement the new harmonisation proposal and what should be monitored at which level
- Prepare a detailed timeline for the definition and implementation of the harmonisation proposal. By the end of Q2 2018, the following should be presented to AMI-SeCo on the status of the work:
  - An intermediary report with a first list set of harmonisation proposals for business processes, including in particular proposals in areas which are particularly relevant for FMIs and their users (including central banks).
  - A longer term planning (covering planning up to end-2022)