

Outcome

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

DATE & TIME	11 June 2018 – 10:00 to 17:30 CET
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1. Introduction

CMH-TF members were informed on recent developments of the ECMS project.

Follow-up: A more detailed overview of ECMS planning and milestones will be presented to CMH-TF.

Documents:

- Presentation ECMS project update

2. Triparty collateral management – Proposals for harmonised business processes and workflows

Triparty agents for collateral management (TPAs) presented the proposals on harmonised triparty collateral management business processes and workflows. CMH-TF members welcomed the proposals for a single, harmonised triparty model for Europe based on the ISO 20022 standard. CMH-TF members also supported that market feedback was taken into account in developing the proposals.

TPAs explained that the triparty proposals include the harmonised process for unilateral removal of specific assets allocated to a triparty transaction, which do not meet the collateral taker's risk control criteria (e.g. concentration limit breach). In a next phase, an additional process will be considered for unilateral removals based on (a wider set of) the collateral taker's eligibility requirements. The triparty proposals also include the provision of real-time/intraday reporting on securities allocated to a triparty transaction via an ISO 20022 message (for triparty models eligible for Eurosystem operations). In a next phase, such a proposal will also be developed for other triparty models. The harmonisation proposal is still under consideration for (the exceptional case of) a compulsory decrease of triparty collateral

exposure due to deduction of an up-coming corporate action event (Feedback from the Eurosystem is expected soon, in order to finalise the proposal). Some of the current differences for such event are related to legal requirements and collateralisation methods, which could be highlighted to AMI-SeCo. CMH-TF participants also explained that the collateral giver typically have the possibility to substitute assets, which are subject to an up-coming corporate action event.

Follow-up: CMH-TF members are invited to send drafting comments by 12 June 2018. CMH-TF members agreed to submit the harmonisation proposals on triparty business processes/workflows for approval to the HSG (June 13th HSG workshop) and AMI-SeCo (June 22nd 2018 meeting).

Documents:

- Triparty Collateral Management - Business Processes and Workflows
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3. **Triparty collateral management – ISO 20022 messaging**

SWIFT presented a revised planning for the introduction of triparty messaging in ISO 20022, which takes into account CMH-TF feedback/harmonisation proposals and the feedback of workshop on triparty collateral management organised by SWIFT.

CMH-TF members supported the planning for the introduction of ISO 20022 triparty collateral management messages (and mapping to existing messages/reverse engineering). The business justification document for ISO 20022 triparty collateral management messages will be co-submitted by SWIFT and Banco d’Espana (Eurosystem).

Follow-up: A more detailed planning will be proposed by SWIFT (which will include workshops/meeting dates). CMH-TF members should inform their constituencies (incl. ERCC, ISLA, EACH, etc) on the planning for ISO 20022 triparty collateral management messages.

Documents:

- Presentation by SWIFT on triparty ISO 20022 messaging, with a specific focus on the time line for development and implementation
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4. **Corporate actions (CA) in the context of collateral management – Proposals for harmonised business processes and workflows**

The ECB presented the proposals for harmonised corporate actions (CA) workflows and business processes (which were based on a verification exercise with ECSDA, SWIFT and relevant stakeholders) for CA events which are deemed relevant to Eurosystem eligible debt instruments.

CMH-TF members welcomed the proposals for harmonised CA business processes/workflows. It was noted that some additional aspects will be analysed in the coming weeks/months as planned in the follow-up work-plan (e.g. key data elements for relevant CA events,

calculation/rounding methods, modified business day conventions, handling of negative cash flows). It was also welcomed that work had already progressed well on other less-critical workflows and business processes (Priority 2) for CA events which are deemed relevant to Eurosystem eligible debt instruments.

CMH-TF members explained the need for the identification of the collateral taker and collateral giver. For triparty transactions and transactions involving a dedicated collateral account, the identification of the collateral taker is automatically possible. For other cases, identification of the collateral giver or collateral taker is relevant and should be analysed further (e.g. the possibility of using settlement messages and the fields in the message when settling the underlying movement). Also CCBM procedures, upcoming regulation (CSDR) and market practices should be analysed on the population of message fields (which would also be relevant in collateralised transactions).

Follow-up: CMH-TF members are invited to send drafting comments by 12 June 2018. TPAs will validate the CA workflows and business processes from the triparty perspective. CMH-TF members agreed to submit the harmonisation proposals to the HSG for approval and subsequently to the June 2018 AMI-SeCo meeting.

Documents:

- Corporate Actions in the context of collateral management - harmonised business processes and workflows
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5. Overall progress in view of 2018 planning of CMH-TF

CMH-TF members agreed with the good overall progress achieved on the priorities in view of the 2018 workplan.

Follow-up: For the next steps (Phase II), a detailed workplan with timelines for deliverables will be developed. This plan should cover all the CMH-TF workstreams (including bilateral collateral management, billing processes and data for collateral management) and include the timelines of ECMS and ISO 20022 messaging.

Documents:

- Work plan for the next steps of CMH-TF
 - Overview meeting dates for 2018
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6. AOB

CMH TF members are invited to raise any additional points which could be of interest to all members.