

November 2022

MANDATE OF THE COLLATERAL MANAGEMENT GROUP

1. Preamble

With a view to fostering financial market integration in the fields of securities clearing and settlement and collateral management in Europe, the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo)¹ assists the Eurosystem in the pursuit of its interests and provides advice on infrastructures managed by the Eurosystem, namely the TARGET Services, particularly on TARGET2-Securities (T2S), the Eurosystem Collateral Management System (ECMS) and related matters.² There is consensus among financial market stakeholders that harmonisation of post-trade processes, including usage of international standards (such as, e.g. ISO 20022), and integration are prerequisite for reaping efficiency gains. Furthermore, there is consensus that financial market stakeholders and markets greatly benefit from integration and the adoption of AMI-SeCo established common rules, procedures and standards at pan-European level.

In furtherance of its objective to foster harmonisation and financial market integration, the AMI-SeCo has developed market standards for collateral management and has created a process to monitor and assess compliance with these standards. This work began in 2017 when AMI-SeCo identified a series of areas in which further harmonisation was needed in order to improve the efficiency of collateral management in Europe. To address this fragmentation, in 2018, AMI-

¹ [Add reference to AMI-SeCo mandate]

² <https://www.ecb.europa.eu/paym/target/html/index.en.html>

SeCo commenced work towards developing a Single Collateral Management Rulebook for Europe (SCoRE) which defines common rules for managing collateral. These rules aim to replace the fragmented legacy standards, structural constraints and complex and diverse market practices that exist across Europe today. Implementation of SCoRE also aims to remove operational impediments to the availability, usage and mobility of collateral. In 2019, a first set of rules (SCoRE Standards) were defined, notably for triparty collateral management, corporate actions and billing processes.

The AMI-SeCo has mandated the Collateral Management Group (CMG) to carry out the technical work and prepare the discussions for AMI-SeCo on any issue related to the harmonisation and integration of collateral management falling in the mandate of the AMI-SeCo and subject to the AMI-SeCo's guidance. The core task of the CMG is to define, maintain and monitor the implementation of, and compliance with, SCoRE. The CMG's work will not cover securities and corporate events harmonisation and integration as these areas are covered by dedicated AMI-SeCo substructures.

2. Mandate

2.1 Tasks

The CMG shall have the following harmonisation tasks:

Definition and maintenance of harmonisation activities

- To define and maintain market standards for collateral management.
- To analyse and – where appropriate – present harmonisation and integration proposals or advice to the AMI-SeCo on any matters affecting collateral management, provided that no other AMI-SeCo substructures cover such matters within their own mandate.
- Provide clarifications on, and interpret, collateral management standards owned by the AMI-SeCo to market stakeholders, if and when necessary.³

Monitoring

- To assess and follow the implementation of collateral management standards endorsed by the AMI-SeCo falling within the mandate of the CMG with the help of National Stakeholder Groups (NSGs).

³ The AMI-SeCo Corporate Events Group (CEG) will assume responsibility for the *SCoRE Corporate Action (CA) Standards* following a transition period to avoid disruption of already initiated and ongoing AMI-SeCo monitoring processes. During this transition period, the CMG will retain responsibility for the definition, maintenance and monitoring of the *SCoRE CA Standards*. After the transition period, the CEG, upon approval by the AMI-SeCo, will take over the relevant tasks for the *SCoRE CA Standards* set out in Section 2.1.

- To present a status update of the work of the CMG in each AMI-SeCo meeting and seek guidance where necessary.

The CMG shall also have the following tasks:

- To assess key financial market integration developments and policy issues with a view to any remaining barriers to market integration in AMI-SeCo markets, in particular also including the potential impact of such developments and issues on the Eurosystem's TARGET Services.
- To advise the AMI-SeCo when communicating key harmonisation policy issues to the relevant EU authorities.
- If requested, to support the AMI-SeCo in assessing and forming an opinion on the potential impact of financial innovation on collateral management and the wider EU financial market harmonisation and integration.

The CMG performs the above tasks in coordination with other AMI-SeCo substructures. In case a harmonisation area or financial market integration policy issues are covered by a specific mandate of another AMI-SeCo substructure (e.g. on securities or corporate events), the CMG will not actively cover such area and issues to avoid undue overlaps in AMI-SeCo work. In its reports covering such areas the CMG will rely on the assessments and input prepared by such other, dedicated AMI-SeCo substructures, as appropriate.

2.2 Geographical scope

The geographical scope of reference for the CMG shall in principle correspond to that of AMI-SeCo, i.e. the European Economic Area, Switzerland and the United Kingdom.

2.3 Deliverables

Without prejudice to any future additional regular or ad-hoc deliverable, the CMG will deliver a progress report to the AMI-SeCo on the endorsed harmonisation activities at least on a annual basis. Lack of progress in certain harmonisation items or by certain markets shall be flagged so that the AMI-SeCo can make proposals on how to foster implementation. After endorsement by the AMI-SeCo this report shall be published on the ECB website.

Furthermore, the CMG will regularly report on its other tasks to the AMI-SeCo.

2.4 Expiry

The CMG's mandate shall expire:

- when the AMI-SeCo decides to dissolve the CMG; or

- when the AMI-SeCo mandate expires.

3. Composition

3.1 Chairperson(s)

The AMI-SeCo shall appoint the Chairperson(s) of the CMG upon proposal by the AMI-SeCo Chairperson. The CMG Chairperson(s) shall be entitled to designate an alternate to replace him/her in exceptional circumstances.

The CMG Chairperson(s) shall have the following tasks and responsibilities:

- determine the frequency, format and agenda of the meetings;
- conduct the CMG meetings in line with the CMG's working procedures;
- invite an external expert(s) and/or member(s) of the ECB or the 4CB to the CMG meetings on a specific topic(s) on an ad hoc basis as observer(s), thereby taking into account that the number of observers should be limited;
- liaise with the Chairperson(s) of the other AMI-SeCo substructures with a view to ensuring coordination and no overlaps of AMI-SeCo work;
- report to the relevant composition(s) of the AMI-SeCo;
- represent the CMG in liaising with other relevant European bodies and initiatives – provided such liasing is in line with its mandate and / or endorsed by the AMI-SeCo.

3.2 Secretary

The Secretary shall be an experienced member of staff of the ECB, designated by the AMI-SeCo Chairperson.

The Secretary shall have the following tasks and responsibilities:

- co-ordinate the organisation of the meetings and relevant documents;
- support the Chairperson(s) in the preparations for the CMG meetings;
- draft outcomes of the meetings;
- coordinate CMG interaction with other AMI-SeCo substructures;
- support the Chairperson(s) in preparations for reporting to AMI-SeCo.

3.3 Members

The members and observers of the CMG shall be appointed by the AMI-SeCo, upon proposal by the AMI-SeCo Chairperson and based on suggestions by individual AMI-SeCo members. The CMG shall have a broad and balanced composition and aim to represent a wide variety of stakeholders.

Each member of the CMG shall:

- have an appropriate level of expertise in collateral management.
- ensure that they have sufficient time to be actively involved in the CMG's work and actively contribute to, and / or participate in, meetings and the preparation of CMG deliverables.
- be able to initiate actions.
- mobilise adequate resources for achieving progress within a short time period and in order to contribute to the AMI-SeCo's harmonisation and European financial market integration goals.

Observers may participate in the discussion but their views are not taken into account by the Chairperson(s) when they assess the level of consensus achieved (see 4.1). The number of observers shall be kept to the minimum.

3.4 Participation

Each member can be replaced by an alternate in exceptional circumstances. Such alternates must be notified to the Secretary sufficiently in advance.

The Chairperson(s) may raise to the attention of the AMI-SeCo Chairperson to reconsider the membership of members who are not actively contributing and/or not participating in three consecutive meetings.

4. Working procedures

4.1 Principles

The CMG shall aim to reach agreements or make decisions by consensus as defined by ISO⁴ and in line with the AMI-SeCo working procedures. The Chairperson(s) will determine whether

⁴ ISO defines consensus as: "General agreement, characterized by the absence of sustained opposition to substantial issues by any important part of the concerned interests and by a process that involves seeking to take into account the views of all parties concerned and to reconcile any conflicting arguments. Consensus need not imply unanimity" (ISO/IEC Guide 2:2004 Standardization and related activities – General vocabulary).

consensus has been reached. Deliverables shall be produced in accordance with the CMG's tasks. Major CMG deliverables and strategic input to the AMI-SeCo should be discussed in meetings. If considered feasible, written procedures may be applied.

4.2 Meetings

The CMG should meet as regularly as required for fulfilling its mandate. The exact frequency and form of the meetings is ultimately a decision of the CMG Chairperson(s) but it is understood that the CMG has at least one meeting/teleconference in between two regular AMI-SeCo meetings. When considered feasible, written procedures may be applied.

The Chairperson(s) shall propose the agenda for each meeting.

The Secretary shall circulate meeting documentation sufficiently in advance of the meetings (at the latest three working days prior to a CMG meeting date).

The CMG shall normally hold its meetings via teleconference or at the premises of the ECB.

4.3 Substructures

The CMG may establish substructures to support its work in an efficient manner. The CMG shall define the mandate of such substructures. The CMG shall make sure that the tasks of its substructures do not create any undue overlap with the work carried out by other substructures established by the AMI-SeCo.

4.4 Interaction and information exchange

In order to maximise synergies, the CMG shall co-operate with public authorities and industry initiatives currently working on post trade harmonisation and financial market integration issues and use their work as input for its own analysis. The work of other AMI-SeCo substructures should also be taken into account when harmonisation items and/or financial market integration issues are assessed in the AMI-SeCo harmonisation and financial market integration agendas. The CMG will rely also on the input from the NSGs in monitoring implementation of harmonisation standards by relevant actors and markets and assessing financial market integration developments and policy issues.

4.5 Transparency

The ECB shall make all relevant CMG documentation and information available to the members of the AMI-SeCo in the relevant composition.