

Triparty Collateral Management Adaptation Plan

JP Morgan Bank

Activity	Triparty Collateral Management
Plan submitted by	JP Morgan Bank Luxembourg
NSG	Luxembourg
Date	June 2020

Background

The Adaptation Plan provides information on the changes which will be implemented to meet the AMI-SeCo Standards for Triparty Collateral Management which form part of the Single Collateral Management Rulebook for Europe (SCoRE). Full details of the Triparty Collateral Management Standards can be found on the [ECB website](#).

The document is structured as follows: Section 1 (Cover Letter) provides a high-level summary of the changes in order to implement the AMI-SeCo Standards. Section 2 (Adaptation Plan Table) then provides a more detailed overview per Standard covering a feasibility assessment and the implementation milestones.

1 Cover Letter

JP Morgan Bank Luxembourg (JPMBL) is committed to harmonisation within the Global Securities Financing Industry and is supportive of the ECB's desire to encourage specific harmonisations amongst Triparty Agents operating in the EU.

JPMBL has been informed that it will not be eligible to participate directly with the ECMS as a Triparty Agent (TPA), therefore, unless this position changes, any harmonisation standards linked only to requirements of the ECMS will not be considered in scope for JPMBL as part of this exercise. That said, where there is client demand for such changes in the commercial bank model then JPMBL will perform an analysis and prioritise the development and implementation accordingly.

JPMBL has taken the decision to separate the data element harmonisation from the move to ISO 20022, so that we will harmonise our existing messaging formats as per the standards, prior to implementing the conversion into the new ISO format. There is a broader project internal to JPM globally around the move

from ISO 15022 to 20022, and the requested timeline from the AMI-SeCo has been fed into this project.

The majority of the harmonisation standards are aligned to JPMBL's communication standards, and the target date of Nov 2022 is feasible.

There is currently a detailed analysis ongoing for all message types linked to Triparty, and the technical changes required will be quantified and submitted into the 2021 development pipeline during Q1 2020. Based on this analysis, implementation milestones will be published by July 2020.

JPMBL does however have a significant concern around the potential period during which both ISO standards will be required, as this will consume significant resource. The preferred approach would be to develop the required standards for ISO 20022 and only release them to our clients once the market has confirmed a cessation date for the old format. As we are not planned to participate directly in ECMS, the launch of ISO 20022 format for us is linked to cost, client demand and market cut offs and is independent of the ECMS rollout.

It should also be kept in mind that JPMBL offers a global Collateral Service supporting markets and clients both within the EU and beyond. We have a global operating model with our systems available 23 hours a day 5 days a week, and this model cannot be constrained or otherwise negatively impacted by EU only market initiatives.

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Postal address 60640 Frankfurt am Main, Germany

Telephone +49 69 1344 0

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For specific terminology please refer to the [ECB glossary](#) (available in English only).

2 Adaptation Plan Table

AMI-SeCo Standard			Feasibility Assessment			Implementation Milestones				
No.	Name of Standard	Standard	Adaptation Required?	Description of Changes Required	Legal Barrier Identified?	User Communication	Internal Adaptation	Start of User Testing	Implemented by Nov. 2022?	
STANDARD 1	Implementation of ISO 20022 messages for triparty collateral management	<i>TPAs shall support the usage of ISO 20022 messages for triparty collateral management activities covered by the Standards.</i>				Client discussions will take place in July/August 2020. Regular client checkpoints will be established going forward	Impact Analysis Q4 2020 Development Q2/3 2021 Testing – Q4 2021	User testing planned Q2 2022 onwards		
Additional Information	Message Name	Message Identifier								
	Triparty Collateral Transaction Instruction	colr.019	Adaptation Required	Gap analysis currently being performed to determine complexity of changes, however expected to be formatting only as all required data points are available.	No				Yes	
	Triparty Collateral Status and Processing Advice	colr.020	Adaptation Required		No				Yes	
	Triparty Collateral Allegement Notification	colr.021	Adaptation Required		No				Yes	
	Triparty Collateral Collateral and Exposure Report	colr.022	Adaptation Required		No				Yes	
	Triparty Collateral Unilateral Removal Request	colr.023	Adaptation Required		No				Yes	
	Collateral Management Cancellation Request	colr.005	Adaptation Required		No				Yes	
	Collateral Management Cancellation Status	semt.020	Adaptation Required		No				Yes	
	Receipt Acknowledgment	admi.007	Adaptation Required		No				Yes	
	Approval of Debit	camt.036	N/A		No				-	
	Eligible Securities Creation Request	reda.025	N/A		No	Internal validation of requirements planned. This is a message type that is not currently offered, and is available via the client interface.				TBC
	Eligible Securities Deletion Request	reda.TBD	N/A		No					TBC
	Collateral Value Creation Request	reda.024	N/A		No	Securities valuations used for collateral mobilisation via T2S Central Bank Auto-Collateral, therefore out of scope for JPM				-
	Close Link Creation Request	reda.027	N/A		No	Close link database maintained in ECMS for ex ante check where credit consumers have "close link" to issuers of collateral.				-
	Close Link Deletion Request	reda.TBD	N/A		No	N/A outside of ECMS				-
Collateral Data Status Advice	reda.028	Adaptation Required	No		Further investigation required.				TBC	

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No.	Name of Standard	Standard	Adaptation Required?	Description of Changes Required	Legal Barrier Identified?	User Communication	Internal Adaptation	Start of User Testing	Implemented by Nov. 2022?
STANDARD 2	Initiation of a triparty transaction	TPAs shall offer harmonised business processes and workflows for the initiation of a triparty collateral management transaction.	Implemented	N/A					Yes
STANDARD 3	Increase of a triparty transaction	TPAs shall support harmonised business processes and workflows for the increase of a triparty collateral management transaction.	Implemented	N/A					Yes
STANDARD 4	Decrease of a triparty transaction	TPAs shall support harmonised business processes and workflows for the decrease of a triparty collateral management transaction.	Implemented	N/A					Yes
STANDARD 5	Revaluation of a triparty transaction	TPAs shall support harmonised business processes and workflows when revaluing a triparty collateral management transaction.	Implemented	N/A					Yes
STANDARD 6	Cancellation of a triparty instruction	TPAs shall support harmonised business processes and workflows for the cancellation of a triparty collateral management instruction.	Implemented	N/A					Yes
STANDARD 7	Unilateral removal process	TPAs shall support harmonised business processes and workflows for the unilateral removal of a specific asset in triparty collateral management.	Adaptation Required	New Business process flow. Analysis ongoing	No	Client discussions will begin in May 2020, and regular checkpoints will follow until implementation	Assessment and planning phase in Q4 2020, with development and testing planned in 2021.	Client testing planned to test Q1 2022 onwards	Yes
STANDARD 8	Reporting on flows	TPAs shall support harmonised business processes and workflows for the reporting on flows in order to provide real time information on securities collateralising triparty collateral transactions.	Adaptation Required	All data points are available currently, however harmonisation in the fields to be used is required. Minor gaps to be closed.	No	Client discussions will begin in May 2020, and regular checkpoints will follow until implementation	Assessment and planning phase in Q4 2020, with development and testing planned in 2021.	Client testing planned to test Q1 2022 onwards	Yes
STANDARD 9	Reporting on stocks	TPAs shall support harmonised business processes and workflows for reporting on stocks in triparty collateral management.	Implemented	N/A					Yes

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No.	Name of Standard	Standard	Adaptation Required?	Description of Changes Required	Legal Barrier Identified?	User Communication	Internal Adaptation	Start of User Testing	Implemented by Nov. 2022?
STANDARD 10	Closure of a triparty transaction	TPAs shall support harmonised business processes and workflows when closing a triparty collateral management transaction.	Implemented	N/A					Yes
STANDARD 11	Handling of corporate actions	TPAs shall support harmonised business processes and workflows when handling corporate actions on securities allocated to a triparty collateral management transaction.	N/A	N/A					-
STANDARD 12	Partial settlement	TPAs shall support harmonised business processes and workflows for the partial settlement of a triparty collateral management instruction.	N/A	JP Morgan does not support partial settlement of Triparty Instructions. There is currently no intention to change this approach.					No
STANDARD 13	Reference data	TPAs shall facilitate the communication of reference data by collateral givers and collateral takers using harmonised messaging.	Adaptation Required	Build is required to add some ref data information into consumable messages	No	Client discussions will begin in May 2020, and regular checkpoints will follow until implementation	Assessment and planning phase in Q4 2020, with development and testing planned in 2021.	Client testing planned to test Q1 2022 onwards	TBC
STANDARD 14	Usage of baskets	TPAs shall support the usage of customised collateral baskets by collateral givers and collateral takers.	Adaptation Required	Needs further investigation to determine if there is any gap here.	No	Client discussions will begin in May 2020, and regular checkpoints will follow until implementation	Assessment and planning phase in Q4 2020, with development and testing planned in 2021.	Client testing planned to test Q1 2022 onwards	Yes
STANDARD 15	Future dated processing	TPAs shall support the handling of future-dated requests submitted by collateral givers and collateral takers for triparty transactions settling in commercial bank money.	Implemented	N/A					Yes
STANDARD 16	Operating hours	TPAs shall provide access to triparty services on those days on which the RTGS is open. Allocations to triparty transactions involving central banks as collateral taker shall be possible according to a harmonised operating schedule on those days.	N/A	N/A – Applicable to ECMS only					Yes

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No.	Name of Standard	Standard	Adaptation Required?	Description of Changes Required	Legal Barrier Identified?	User Communication	Internal Adaptation	Start of User Testing	Implemented by Nov. 2022?
STANDARD 17	Cut-off times	<i>TPAs shall offer harmonised cut-off times for triparty services involving central banks as collateral taker.</i>	N/A	N/A - Applicable to ECMS only					-