

SCoREBOARD

Corporate Actions – H2 2022

Hungarian NSG

Background

Since publication of the [Collateral Management Harmonisation Report](#) in December 2017, the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) has made a number of significant breakthroughs in its ambition to create a **Single Collateral Management Rulebook for Europe (SCoRE)**.

What is SCoRE?

SCoRE defines common rules for managing collateral in Europe. These rules will replace the fragmented legacy standards, structural constraints and complex and diverse market practices that exist across Europe today. Implementation of SCoRE should remove operational impediments to the availability, usage and mobility of collateral. Market participants in AMI-SeCo have committed to implementing the SCoRE Rulebook, with the first set of rules due to be implemented by November 2023. Their implementation efforts are regularly monitored by AMI-SeCo which facilitates an active dialogue with market participants on issues related to the clearing and settlement of securities and to collateral management.

National stakeholder groups (NSGs) are coordination forums to support the implementation of the Single Collateral Management Rulebook for Europe. They have been established in the markets covered by the AMI-SeCo in order to support the implementation of the Single Collateral Management Rulebook for Europe (SCoRE).

The Single Collateral Management Rulebook for Europe (SCoRE) contains 15 Standards related to the processing of corporate actions (published as the [SCoRE Standards for Corporate Actions](#)). Implementation progress is monitored twice per year.

Introduction

This summary report presents the results of the H2 2022 monitoring exercise conducted by the Hungarian NSG with the involvement among the following stakeholders:

- 1 CSD – KELER
- 8 Custodians
- 5 Issuers

14 entities are monitored in the Hungarian market

The report focuses on the milestones to be met by the time the survey closed. In this monitoring exercise, participants were expected to have achieved all the milestones up to Milestone 8 inclusive “Internal testing Started for SCoRE” (with a deadline of 1 July 2022) as described in section 3 below.

Section 1 presents the key takeaways per entity type i.e. CSD, TPA, Custodian etc. Section 2 depicts for each entity type their compliance status with the standards. Section 3 focuses on the progress against the individual milestones and Section 4 provides concluding remarks.

1

Key takeaways

Implementation of the Corporate Action Standards in the Hungarian market is behind schedule

KELER CSD, three custodians (out of eight) and zero issuers (out of five) provided input to the H2 2022 survey, which shows a decrease in the number of responses compared to H1 2022. Four custodians and four issuers have provided answers to previous surveys, and one Issuers has not provided any answer so far. This section presents the key findings of the survey for each entity type. Previous answers are also considered.

KELER CSD, several custodians and most Issuers are currently behind schedule. A one-year delay is expected in reaching market-wide full compliance.

Figure 1
Summary of the monitoring exercise

|  |  Response Rate |  Implementation Status of the standards | Are all milestones 1 to 8 inclusive achieved? | Will the last milestone 13 be implemented on time (i.e. by 20 November 2023) ? |
|---|---|--|--|---|
| Custodians | 38% | Implemented 21% Implementation started 13.4% Analysis started 39.3% Analysis not started 0% Non applicable standards 9.5% Replies not submitted 16.6% | Average % of milestones achieved 42% | % of custodians on time 88% |
| Issuers | 0% | Aware of obligations 29.0% Not aware of obligations 22.4% Replies not submitted 48.4% | NA (milestones irrelevant for issuers) | NA |
| CSD - KELER | Survey submitted | Implemented 3.82% Implementation started 0% Analysis started 73.1% Analysis not started 0% Non applicable standards 22.9% Replies not submitted 0% | No | 12/24 |

CSD – KELER

KELER CSD intends to comply with applicable standards but indicates a one-year delay for each implementation milestone

KELER CSD has started the necessary analyses to implement each Corporate Action Standard that it deems applicable for the Hungarian market. These analyses are expected to be finished with a 15-month delay compared to the date envisaged by the relevant milestone, i.e. by the start of November 2022, which is reflected in KELER CSD’s compliance status.

KELER CSD intends to comply with each milestone with a one-year delay. However, a subset of the Standards will be complied with by the November 2023 end-date, as KELER CSD intends to implement corporate action notification services for all corporate events and corporate action processing for non-elective events by this time. Implementation of the Standards for corporate action processing for elective

corporate actions is expected by the end of 2024. This means that KELER CSD intends to apply a two-tiered approach in implementing the Standards, thereby reaching compliance according to the implementation dates set in its approved adaptation plan.

Overall, KELER CSD has achieved Milestones 1 and 2, meaning that the additional milestones expected at this point in time, i.e. Milestones 3, 4, 5 and 6 are delayed.

Custodians

39.5% of Custodian answers show that internal analysis has started

Three out of eight monitored custodians provided fresh answers for the H2 2022 monitoring exercise. The three new responses and the previous responses indicate varying levels of compliance.

Two custodians indicated that each milestone will be met on time, five others indicated that despite delays regarding interim milestones the final one will be met on time, while one custodian has not provided answers so far. This shows that the one-year delay planned by KELER CSD regarding each milestone seems to affect the monitored Custodians to different degrees. Additionally, each custodian-relevant Standard already shows some level of full compliance.

Overall, monitored custodians are 44% compliant with Milestones 1 to 6, therefore 56% of answers show some level of delay compared to the expected readiness.

Issuers

28.2% of Issuer answers show positive implementation status

None of the monitored issuers provided answers for the H2 2022 monitoring exercise. Four of the five monitored issuers have provided answers for previous surveys, which show varying levels of compliance.

Overall, monitored issuers lag behind in achieving compliance with the standards, and there is ample room for improvement in the monitoring of these entities.

2 Compliance level with the standards

This section provides an overview of the current status of compliance with the corporate action standards. CSDs and TPAs are monitored on an individual basis and are assigned a colour-code status in accordance with the methodology outlined in figure 2 below. Custodians and Issuers are too many to represent individually. Thus the replies of custodians and issuers from the AMI-SeCo community participating in the monitoring are presented on an aggregated basis per market and assigned a percentage representing their compliance status.

Figure 2
Standards implementation status as defined in the AMI-SeCo framework document



- The Standard has been implemented
- Implementation of the Standard is on schedule (based on the agreed milestones)
- Implementation is behind schedule (based on the agreed milestones)
- Implementation has not started

Table 1

Compliance level with the standards by each entity type

| STANDARD | Custodians | Issuers | CSD - KELER |
|-------------------------------------|------------|---------|-------------|
| 1A: Notification | 49% | 57% | Y |
| 1B: Instruction | 49% | | Y |
| 1C: Advise | 50% | | Y |
| 1D: Confirmation | 46% | | Y |
| 1E: Reversal | 38% | | Y |
| 1F: Meeting Notification | 39% | 28% | Y |
| 1G: Meeting Instruction | 50% | | Y |
| 1H: Meeting Results | 35% | | Y |
| 2: Calculation of Proceeds | 32% | 60% | Y |
| 3: Consistency of Information | 29% | 20% | Y |
| 4: Rounding Rule 1 | 38% | 40% | Y |
| 4: Rounding Rule 2 | 50% | 40% | Y |
| 4: Rounding Rule 3 | 50% | 20% | Y |
| 4: Rounding Rule 4 | 63% | 40% | Y |
| 4: Rounding Rule 5 | 50% | 40% | B |
| 5: Negative Cash Flows | 25% | 0% | B |
| 6: Business Day Rule | | 20% | Y |
| 7: Securities Amount Data Rule 1 | | 40% | B |
| 7: Securities Amount Data Rule 2 | | 20% | B |
| 7: Securities Amount Data Rule 3 | | 20% | B |
| 7: Securities Amount Data Rule 4 | | 20% | B |
| 8: Payment Time Rule 1 | | 20% | Y |
| 8: Payment Time Rule 2 | | 0% | Y |
| 8: Payment Time Rule 3 | | 0% | Y |
| 8: Payment Time General Principle 3 | | 0% | Y |
| 9: Processing Status | 63% | 20% | Y |
| 10: Rule 1 | 38% | | Y |
| 10: Rule 2 | 25% | | Y |
| 10: Rule 3 | 25% | | N/A |
| 11: Default Option | 63% | 40% | Y |
| 12: Handling of Fees | 38% | | Y |
| 13: Reversal | 25% | 20% | Y |
| 14: Foreign Currency | | | N/A |
| 15: ISO 20022 Messaging | 28% | | Y |

Notes:

- For CSDs and TPAs the colour-code reflects the current implementation status of each Standard in accordance with the methodology outlined in figure 1 above.
- TPAs are using custody services provided by CSDs or Custodians in order to disseminate CA information to Collateral Givers and Collateral Takers. Monitoring of TPAs thus focuses on the implementation of triparty specific workflows described in Standard 1.
- For custodians, the percentage of custodians which have implemented standards / standards being under development and implementation.
- Issuers were asked to confirm awareness of their obligation to provide all relevant information to the Issuer CSD (on a Yes/No basis). The % reflects the number of issuers who responded yes to the survey
- Percentages are calculated on the basis of expected respondents, i.e. number of entities monitored in the market.

3 Progress towards the milestones

This section tracks market stakeholders progress in implementing the Standards against the 13 set milestones identified by AMI-SeCo.

The milestones facilitate consistent implementation across markets (given the long-term efforts that are needed) and avoids issues remaining undetected until the deadline of 20 November 2023 to achieve compliance and implementation of the standards.

Table 2
Milestones identified by AMI-SeCo

| Milestone | Description | Date |
|-----------|--|------------|
| M1 | Analysis Started: Have you commenced an in-depth analysis of all applicable SCoRE Standards in order to identify and document all the changes required to internal processes and procedures in order to comply with the SCoRE Standards? | 30/06/2020 |
| M2 | Initial Communication: Has initial high-level communication with external stakeholders on the changes introduced by SCoRE commenced? | 01/03/2021 |
| M3 | Analysis Completed: Have you completed an in-depth analysis of all applicable SCoRE Standards? | 31/07/2021 |
| M4 | Documentation Completed: Have you documented all the internal processes and procedures which need to be adapted in order to comply with the SCoRE Standards? | 31/12/2021 |
| M5 | Detailed External Communication: Has detailed communication started regarding (i) upcoming changes in business processes, (ii) messaging formats and usage guidelines (in the case of new messages based on non-registered latest drafts by SWIFT) and (iii) planned testing activities been provided to users? | 31/12/2021 |
| M6 | SCoRE Adaptation Started: Have you started to adapt/develop the processes and procedures in order to comply with the SCoRE Standards? | 01/01/2022 |
| M7 | SCoRE Adaptation Complete: Have you completed the necessary adaptations/developments for the processes and procedures in order to comply with the SCoRE Standards? | 30/06/2022 |
| M8 | Internal Testing Started for SCoRE: Have you started to test the changes to your internal processes and procedures which have been introduced in order to comply with the SCoRE Standards? | 01/07/2022 |
| M9 | Internal Testing Complete for SCoRE: Have you completed the necessary internal testing? | 02/12/2022 |
| M10 | External Testing Started for SCoRE: Are you in a position to test the changes introduced in order to comply with the SCoRE Standards with your user community (i.e. CSD participants / Collateral Givers and Collateral Takers in the context of the Standards applicable to TPAs)? | 20/03/2023 |
| M11 | Final External Communication on SCoRE: has final communication to users been provided (i.e. updated user guide to reflect the changes implemented, final message usage guidelines for A2A communication) related to the SCoRE Standards? | 01/04/2023 |
| M12 | External Testing Completed for SCoRE: Is the testing of the changes introduced in order to comply with the SCoRE Standards with your user community completed (i.e. CSD participants / Collateral Givers and Collateral Takers in the context of the Standards applicable to TPAs)? | 13/10/2023 |
| M13 | SCoRE Standards Implemented: have the SCoRE Standards been implemented? | 20/11/2023 |

The current H2 2022 monitoring exercise focuses on milestones 1 to 8 given that Milestone 8 inclusive “Internal testing Started for SCoRE” (with a deadline of 1 July 2022) was meant to have been achieved by the time the survey closed.

In each survey round, all the entities are asked to confirm (on a yes/no basis) whether the milestones will be met by the set milestones dates. If it is not the case, they are also asked the expected date for when the milestone will be reached.

For the milestones which had to be achieved by the time the survey closed: the blue colour code is assigned to those milestones that have been successfully achieved. Milestones that will only be achieved later than their set deadline are assigned a yellow status with indication of the likely date of achievement.

For the milestones that are only due to be achieved after the current reporting cycle: the green colour code indicates that the entity anticipates achieving that future milestone on time. A yellow status indicates that the milestone is foreseen to be met later than the set milestone date. In this case, the date of achievement anticipated is also indicated in the table.

Table 3
Entities' expectation of achieving the milestones at the set dates

| | Custodians | CSD - KELER |
|-------------------------------|------------|-------------|
| Milestone 1 June 2020 | 63% | Yes |
| Milestone 2 March 2021 | 38% | Yes |
| Milestone 3 July 2021 | 25% | Yes |
| Milestone 4 December 2021 | 38% | 12/22 |
| Milestone 5 December 2021 | 38% | 12/22 |
| Milestone 6 January 2022 | 38% | 11/22 |
| Milestone 7 June 2022 | 50% | 06/23 |
| Milestone 8 July 2022 | 50% | 07/23 |
| Milestone 9 December 2022 | 50% | 12/23 |
| Milestone 10 March 2023 | 50% | 02/24 |
| Milestone 11 April 2023 | 63% | 04/24 |
| Milestone 12 October 2023 | 75% | 10/24 |
| Milestone 13 November 2023 | 88% | 12/24 |

4 Concluding remarks

KELER CSD plans to comply with all SCoRE Standards on Corporate Actions by the end of 2024, i.e. with a one-year delay, which also applies to interim milestones; however, all respondent custodians plan to achieve compliance by the expected November 2023 deadline, which implies that KELER CSD's delay affects custodians to a lesser degree. Issuers show a low level of responsiveness and compliance regarding the standards.

Overall, the expected milestones at this point in time, i.e. Milestones 1 to 8 are not achieved by the Hungarian market as a whole; nevertheless, a few custodians indicate that they managed to achieve them.

KELER provided the following additional information on milestone planning:

Milestone 3-13: In line with the Adaptation Plan, the implementation of Corporate Action Standards is planned in two phases:

1. Corporate Action notification services for all Corporate Events and Corporate Action processing for non-elective events: by November 2023.

2. Corporate Action Events processing for elective Corporate Actions: by end-2024.

KELER shall be compliant with most standards by November 2023, while standards relevant for processing of elective corporate actions shall be implemented by end-2024. As a result, we can say that KELER will comply with CA standards by end-2024 and that is reflected at each milestone.

© European Central Bank, 2023

Postal address 60640 Frankfurt am Main, Germany

Telephone +49 69 1344 0

Website www.ecb.europa.eu

All rights reserved. Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

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