Collateral Management Harmonisation Activities

Presentation to AMI-SeCo

13 May 2019, Frankfurt am Main
Overview

Three agenda items

1.1. Harmonisation Standards

1.2. Monitoring Framework (status update)

1.3. Next Steps (Ongoing work & communication)
1.1. Harmonisation Standards
Overview

- AMI-SeCo’s CMH-TF has transposed agreed harmonisation proposals into Harmonisation Standards.

- 3 ‘Rulebooks’ have been prepared each containing a series of ‘Harmonisation Standards’
The harmonisation work is 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
Building blocks

The 3-step approach serves as the basis for the creation of a Single Rulebook for each activity. The rulebook contains standards covering harmonised business processes, data elements, workflows and messaging.

Harmonisation Standards

Business Processes & Workflows

Data Elements

Messaging

CA Rulebook

Business Processes & Workflows

Data Elements

Messaging

Triparty Rulebook
How the Harmonisation Standards are created

• Explaining the journey from harmonisation needs to harmonisation standards

1. Analysis and Proposals

For each harmonisation activity, the harmonisation needs are analysed in-depth (hereby taking into account existing industry standards and market practices) and harmonisation proposals are prepared.

2. Standards and Rulebook

For each harmonisation proposal a Harmonisation Standard will be defined. Each Harmonisation Standard is accompanied by a detailed rulebook.

3. AMI-SeCo Agreement

The Standards and the accompanying Rulebook are submitted to AMI-SeCo for approval.
Harmonisation Standards

Timeline

Consultation of AMI-SeCo NSGs on Harmonisation Standards
- Triparty
- Billing Processes
- CA
4 Feb - 8 March 2019

Consultation of HSG/CMH-TF on Harmonisation Standards
- Triparty
- Billing Processes
11-25 April 2019

HSG meeting
- Updated Standards
2 May 2019

Consultation of HSG/CMH-TF on Harmonisation Standards
- Corporate Actions
16– 29 April 2019

AMI-SeCo meeting
13-14 May 2019

CMH-TF Workshop
9-10 April 2019
The Triparty Rulebook presents the single, harmonised triparty model for Europe based on the ISO 20022 standard.

- Harmonised business processes and workflows.
- Identification of key data elements to be mapped to ISO 20022 messages.

The Rulebook includes 17 Standards which have been agreed by the HSG.
Billing Processes

- Harmonisation proposals presented in the November meeting of AMI-SeCo have been transposed into Harmonisation Standards.

The Standards cover:

- Harmonisation of **messaging format** for the transmission of billing information.

- Harmonised **billing frequency**.

- Harmonisation of **cut-off dates and payment dates**.
The June 2018 Report on Corporate Actions and the outcome of market feedback on the Issues Notes was taken as a basis for the Harmonisation Standards.

Summary:

> HSG Agreement on 12 Standards
  - E.g. Harmonised business process and workflow per CA event.
  - Consistency of information provided by Issuer and Investor CSDs
  - Reversal of CA movements – pre-advice prior to reversal.
  - Market practice for the handling of rounding.

> Agreement in principle on 3 Standards, where finalised work should be presented to the July AMI-SeCo
  - Harmonised processes for negative cash flows.
  - Inclusion of indicator in CA messages for identification of securities subject to blocking.
  - Harmonised processes for non-euro CA payments.

Agreement on staggered implementation approach for Standard 15, related to ISO 20022 messaging > CSDs to support ISO 20022 by Nov. 2022
I. AMI-SeCo participants are invited to endorse the Standards, i.e.
(i) Harmonisation Standards for triparty collateral management; (ii)
Harmonisation Standards for billing processes and (iii) 12 out of fifteen
Harmonisation Standards for corporate actions (applicable to CA events
relevant to debt instruments), with work on three Standards to be finalised (see
II).

II. Further work on three Harmonisation Standards for Corporate Actions
(i.e. Standard 5, 10 and 14): HSG/CMH-TF to further define by July 2019 the
detailed processes, while agreement in principle was reached on the overall
way forward. The Standards are related to Negative Cash Flows (Standard 5),
Blocking of Securities (Standard 10) and Processing of non-euro CA payments
(Standard 14).

III. Implementation of ISO20022 for CA follows a staggered approach, i.e.
Wave 1 by November 2022: CSDs (providing account services and/or collateral
management services to Eurosystem NCBs), CCPs and Eurosystem
counterparties as collateral givers; Wave 2 (TBC): All other financial market
stakeholders shall implement the Standards (with timing of Wave 2 to be
decided). HSG/CMH-TF to define the deadline for Wave 2
1.2. Monitoring Framework for the AMI-SeCo Harmonisation Standards (Status update)
Promoting an integrated financial market in Europe which is truly domestic

Need for harmonisation of market practices to capitalise on new operational and legislative environment: AMI-SeCo Harmonisation Standards

Need to monitor implementation (compliance) of AMI-SeCo Harmonisation Standards:

Monitoring Framework
Context

- using the experience of T2S harmonisation: Monitor market stakeholders and the Eurosystem implementation of harmonisation

  - Harmonisation Standards on efficient and effective management of securities and collateral
    - Business processes & workflows
    - Critical data elements & Messaging
  - Exchange information involving the National Stakeholder Groups (NSGs)
  - Using existing methodology (the AMI-SeCo’s T2S harmonisation methodology, e.g. assign colour code)
Monitoring Framework

The Monitoring Framework should facilitate structured and consistent monitoring of national markets’ progress in implementing the agreed Harmonisation Standards.

What is covered?
Monitoring will be conducted against a series of Harmonisation Standards designed to support the implementation of agreed proposals.

Who is covered?
Stakeholders (as defined in the Standards):
Providers of collateral management/custody services: (I)CSDs, TPAs, Intermediaries.
Users: NCBs, CCPs, Counterparties, Issuers/Issuer agents.

What markets?
AMI-SeCo Markets include financial market stakeholders in the EU and CH.

By when?
Milestones and Implementation dates (as defined in the Standards).
Harmonisation Phases

The monitoring framework consists of three phases, each of which is comprised of a series of milestones against which progress shall be monitored with a view to fostering compliance of all relevant actors with the Harmonisation Standards by the timelines agreed by AMI-SeCo.

1. Definition
   - Defining the Harmonisation Standards
     - What are the standards.
     - Who is responsible for implementing them.
     - By when.

2. Planning
   - Planning and setting up arrangement to monitor progress
     - What is the adaptation plan.

3. Implementation
   - Evaluate progress of implementation and readiness to comply in accordance with the timelines agreed by AMI-SeCo
     - What is the implementation status.
Triparty collateral management: the NSG should collect and review answers to the survey provided by the TPA (with involvement of its users).

CA: the NSG should collect and review answers to the survey provided by the (I)CSD, TPAs and custodians (with involvement of their users).
Reporting on Progress

The reporting of progress should be based on the input of relevant actors against agreed timelines.
**Harmonisation Standards**
Covers Triparty Collateral Management processes, Corporate Actions processes applicable to Eurosystem eligible debt instruments and Billing Processes
(i) Definition: by May 2019
(ii) Planning: by September 2019
(iii) Implementation: by November 2022

**Remaining work items:**
- HSG will work on Bilateral collateral management, CA processes applicable to other instruments (e.g. equities) and remaining collateral management processes: Monitoring will come afterwards.
- HSG will analyse existing/future governance arrangements to streamline monitoring by end 2019 (for the moment the existing governance arrangements will remain in place for CASG, CMH-TF and other market initiatives).
- HSG members will until September 2019 check/re-assure how to re-use existing info.
1.3. Next Steps
Ongoing work and communication

Following the adoption of the Harmonisation Standards further work on remaining activities is foreseen. Communication should ensure full awareness of the AMI-SeCo harmonisation agenda amongst all financial market stakeholders.

ECB Website

A series of articles and interviews on the adopted Harmonisation Standards on triparty collateral management, billing processes and corporate actions is planned.

Information Pack

The information pack provided to NSGs in February will be updated to reflect latest developments.

Workshops

A workshop with market practitioners on the agreed Harmonisation Standards (in particular Corporate Actions) is planned involving participants from AMI-SeCo, CAJWG, ECSDA and other key stakeholders. Also workshops by NSGs could be organised.