

Outcome

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

DATE & TIME	25 September 2018 – 9:00 to 17:30 CET
VENUE	C2.05 / ECB Sonnemannstr. 20, D-60314 Frankfurt am Main

1. Introduction and ECMS project update

CMH-TF members approved the agenda.

CMH-TF members took note of the ECB's status update on the ECMS project. A document with [ECMS questions and answers](#) was published, which will be regularly updated during the project implementation phase. The ECMS project is also briefly explained on the ECB [website](#).

The AMI-SeCo/AMI-Pay published its [reply](#) to the SWIFT consultation on ISO 20022 Migration Study 2018, which underlined that ISO 20022 will also become the messaging standard for collateral management activities.

Follow-up:

- *CMH-TF members are invited to share further information on the outcome of the SWIFT consultation, once available.*

Documents:

- Presentation [ECMS project status update](#)

2. Harmonisation of triparty collateral management (TCM) provided by TPAs

2.1 *Harmonisation of triparty business processes and workflows – Follow-up work by TPAs and the Eurosystem*

TPAs reported on the follow-up work on triparty collateral management (TCM) as explained in the CMH-TF [Harmonisation report on Triparty collateral management](#) (with [cover note](#)):

Overview follow-up work TCM	
Immediate follow-up	Focus on analysis of other harmonisation needs of relevance to ECMS (triparty real-time reporting messaging cycles/ operational day). Eurosystem central banks to agree a harmonised business process for the handling of cash proceeds
Follow-up (medium term)	Consistent definition and implementation of ISO20022 messaging standards for TCM.
	Development of monitoring and compliance framework.
	Remaining harmonisation needs

TPAs confirmed that progress is being made on the harmonisation proposal for the provision of real-time reporting on securities allocated to a triparty transaction via an ISO 20022 message.

The ECB provided an update to the CMH-TF members on the Eurosystem's envisaged harmonised handling of cash proceeds related to CA events in central bank triparty transactions. The need for the Eurosystem to check, if the overall pool of collateral (and not just collateral mobilised via a TPA) is sufficient to cover the total credit outstanding before remitting corporate action proceeds to Eurosystem collateral givers was highlighted as being a key criterion for the Eurosystem when defining the harmonisation proposal. CMH-TF members took note of the Eurosystem's proposal. However, realising that proposed workflow is, contrary to the initial assumption, no longer a Eurosystem specific one but impacts workflows applied in the commercial triparty context, CMH-TF members suggested further analysing the business process and assessing whether the proposal could be more aligned with commercial processes to avoid breaks in the chain which could adversely impact interoperability and efficiency in the processes for reuse of collateral.

Follow-up

- *TPAs with the involvement of CMH-TF members should review the Eurosystem proposal. The Eurosystem would in principle be open to a revised proposal, if it meets the Eurosystem's requirements.*

2.2 Harmonisation of triparty collateral management (TCM) messaging – Ongoing work on ISO 20022 messaging

SWIFT presented the progress on TCM messaging, with a focus on the reverse engineering of the existing ISO 15022 messages into ISO 20022 messages. Several TCM workshops were organised by SWIFT (6 June 2018, 18 July 2018 and 4 September 2018). Further workshops are foreseen (1-2 October 2018 [took place]; 5-6 November 2018; 29-30 November 2018 and 17-18 December 2018). Progress is in line with overall planning

Documents:

- *Presentation by SWIFT on [triparty ISO 20022 messaging](#).*

3. Harmonisation of corporate actions (CA) business processes and workflows for collateral management – Follow-up work

As immediate follow-up to the [Harmonisation report on Corporate Actions](#), a verification exercise was launched with ECSDA on the corporate actions (CA) issues related to the remaining harmonisation needs of relevance to ECMS:

Overview follow-up work CA	
Immediate follow-up	Remaining harmonisation needs of relevance to ECMS: <ol style="list-style-type: none"> 1. CA Events Applicable to Eurosystem Eligible Debt Instruments 2. Usage of Decimals and Handling of Rounding Differences 3. CA Events where Participation Requires the Blocking of Securities 4. Identification of Parties in a Collateralised Transaction 5. Modified Following Business Day Convention 6. Handling of Negative Cash Flows 7. Handling of Non-Euro Corporate Action Payments
Follow-up (medium term)	Consistent implementation of ISO20022 messaging standards for CA, reporting/messaging cycles.
	Development of monitoring and compliance framework.
	Remaining CA harmonisation needs (transversal activities and events relevant to equities).

Regarding the identification of parties in a collateralised transaction, CMH-TF members suggested taking into account upcoming reporting requirements (with a focus on identifiers such as LEI for counterparties/contracting parties including firms) and the possible use of transaction types as matching fields. This work could therefore also be relevant in the context of work on CMHA5: Bilateral Collateral Management.

Follow-up

- *On the basis of ECSDA's feedback on the immediate follow-up items, proposals for harmonised processes will be developed and sent to the CMH-TF for written feedback before being submitted to AMI-SeCo for approval.*

Documents:

- [Presentation Collateral management harmonisation: Corporate Actions status update and follow-up work](#)

4. Harmonisation of taxation processes for collateral management

A questionnaire is being prepared on operational differences in taxation processes which could hinder the mobilisation of collateral. In particular, the following eight topics were identified and will be covered in the questionnaire:

Overview follow-up work Taxation processes

Immediate follow-up	Remaining harmonisation needs of relevance to ECMS: <ol style="list-style-type: none"> 1) Identification of Existing Differences per Market Relevant to Collateral Management 2) Identification of Collateral Transaction (and Relevant Parties) for Taxation Purposes 3) Identification of Tax Treatment of Securities Depending on Collateral Transaction Type 4) Provision of Tax Service by (I)CSDs 5) Identification of Securities Subject to Withholding Tax 6) Transmission of Information on Counterparty Taxation Status to Local (I)CSD 7) Tax Reclaim Process for Securities Used as Collateral 8) Handling of Tax Reduction.
Follow-up (medium term)	Consistent implementation of ISO20022 messaging standards .
	Development of monitoring and compliance framework.
	Remaining CA harmonisation needs (transversal issues).

Follow-up

- *Once finalised, the questionnaire on taxation processes will be sent to (I)CSDs and feedback will be used for developing proposals for harmonisation.*

5. Framework for monitoring compliance with agreed collateral management harmonisation proposals

The ECB presented the existing T2S harmonisation methodology to the CMH-TF with a view to assessing whether and how this methodology could be applied to collateral management harmonisation. Regarding the scope of a CMH monitoring framework, the CMH-TF suggested to monitor progress of implementation by stakeholders involved in collateral management in Europe.

The monitoring could be organised in three phases, i.e. the definition phase, the monitoring phase and the compliance phase.

- In the definition of CMH standards, the CMH-TF should firstly transpose the agreed harmonised business process/workflow into a harmonisation standard, and then identify the responsible actors and implementation timeframes and deadlines. Responsible actors and timeframes/deadlines may differ depending on the activity, instrument or process concerned. Accordingly, CMH-TF took the view that CMH standards may not be grouped in priority 1 and 2 to avoid giving the impression that some CMH standards are more important than others. The AMI-SeCo should adopt the CMH standards and become the 'owner' of the CMH standards. The HSG/CMH-TF would prepare the definition of the standards, review the implementation plans and monitor the

implementation. NSGs will have to play a critical role in this context.

- The monitoring of CMH standards should, as a minimum, cover markets that have adopted the euro as currency (covering European stakeholders and euro denominated collateral). It should be evaluated, if other non-euro markets, particularly those that issue euro denominated Eurosystem eligible securities could be included in the monitoring. The NSGs in each relevant market should have the responsibility for coordinating the monitoring in their local markets; but also other information channels may be used.
- The assessment of compliance with CMH standards should be based on the input of NSGs and relevant stakeholders.

The status in each of the three phases should be displayed in line with the methodology applied in the T2S harmonisation context.

Some issues might require guidance or confirmation, e.g. additional measures to encourage or promote the adoption of the CMH standards and/or the broader involvement of collateral management experts in NSGs.

CMH-TF agreed with the ECB's proposal to prepare a 'letter of intent', in particular to raise awareness in the NSG markets about achieved and ongoing CMH efforts and to invite the NSGs to start preparing and planning for implementation (in particular of ISO 20022 messaging for corporate actions and triparty collateral management) in view of ensuring that all relevant markets will implement the harmonised processes based on ISO 20022 messaging.

Follow up

- *The ECB will prepare a draft CMH monitoring framework that reflects the CMH-TF discussion.*
- *The ECB will prepare a draft 'letter of intent' for written comments by the CMH-TF.*

Documents:

- Presentation [T2S harmonisation progress monitoring](#)
- Presentation [Monitoring framework for collateral management harmonisation](#).

6. Overall progress in view of 2018 planning of CMH-TF

CMH-TF members took note of the overall 2018 work plan and considered the next steps.

Follow-up

- *A more detailed planning will be presented in the next CMH-TF meeting.*
- *CMH-TF members are invited to inform on ongoing work by 4 October 2018.*

Documents:

- Presentation [Overview of planning and upcoming activities](#)

7. AOB

CMH TF members did not raise any additional points which could be of interest to all members.