

OUTCOME

AD HOC MEETING OF THE ADVISORY GROUP ON MARKET INFRASTRUCTURES FOR SECURITIES AND COLLATERAL (AMI-SeCo)

13 May 2019, 10.30 – 17.00

Meeting Room C2.02

European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main

0. Introductory remarks and approval of the agenda

The Chair welcomed the members and in particular the new members: Mr Martin Nadel (Danske Bank - replacing Ms Rebekka Schultz), Mr Ivan Nicora (Euroclear - replacing Mr Edwin de Pauw), Mr Olivier de Bruyn (KBC, replacing Kris de Nul) as well as Wolfgang Haunold (OeNB, new member on the NCBs' side following the recent rotation of NCBs).

The members agreed on the agenda.

1. Collateral management harmonisation

1.1. Harmonisation Standards

The Chair of the CMH-Task Force will present the harmonisation standards prepared with input from the AMI-SeCo NSGs (including industry bodies such as the CAJWG) for:

- triparty collateral management
- corporate actions
- billing processes

AMI-SeCo participants are invited to endorse the standards as proposed in each of the documents respectively.

Document:

Collateral Management Harmonisation standards

Outcome:

The Chair of the CMH-TF presented the harmonisation standards on triparty collateral management, billing process and corporate actions prepared by the CMH-TF with interaction with relevant stakeholders (including CAJWG and CASG). She thanked the participants who provided input and help to finalise the set of standards presented to AMI-SeCo, and in particular the ECB team providing the CMH-TF Secretariat.

The members endorsed in principle the collateral harmonisation standards subject to further fine-tuning of the drafting to ensure consistency and clarity and with the following caveats:

- Triparty collateral management: the proposed standards were endorsed as such.

- Billing processes: the draft should make clearer the intentions (i) in consistency with the approach for corporate actions standards and (ii) on the phased approach to become compliant with the standards, with in a first phase CSDs /TPAs and NCBs, while CCPs and custodians would have to comply in a second phase.

It would also be clarified that the ISO20022 message format is maintained by SWIFT and that there are ongoing revisions of the standards based on input from the CMH-TF/HSG.

- Corporate actions (CA): 12 out of 15 harmonisation standards are endorsed in principle (applicable to CA events related to debt instruments), with work on 3 standards to be finalised. The AMI-SeCo mandated the CMH-TF/HSG to define the 3 remaining standards (Negative Cash Flows – standard 5, Blocking of Securities – Standard 10, Processing of non-euro CA events – Standard 14) in close cooperation with the existing corporate actions groups.

The participants were of the view that the text of the standards should be clarified in some instances to avoid ambiguity including vis-à-vis other CA market standards and that the first section in particular could be boosted up as a recital section giving context/explanations/allow people to understand why standards are there.

With regard to rounding rules (standard 4), the AMI-SeCo supported adopting the rounding-down approach as it is less risky and CSDs reported that rounding-up is only feasible for CSDs with a banking licence.

AMI-SeCo supported ensuring that there is one single rulebook for CA standards in Europe and that the standards are inclusive enough, in particular as regards the needs of the issuers' community notably for standard 6 and 8.

AMI-SeCo further supported that implementation of ISO20022 for CA would follow a staggered approach with a first wave by November 2022 covering CSDs (providing account services and/or collateral management services to Eurosystem NCBs) and Eurosystem counterparties as collateral givers to the Eurosystem (direct ECMS stakeholders).

Follow-up:

- On the basis of the in principle endorsement of the 3 sets of harmonisation standards (the 3 rulebooks), the ECB will update them in light of the discussion. In particular, the ECB will propose an amended drafting for Section 1 of the CA standards document in order to further improve the clarity on the approach and the general scope of the standards.

CA Harmonisation Standards 5, 10 and 14, will be updated.

The ECB will circulate the 3 rulebooks for a fatal flaw check by AMI-SeCo members of the changes made.

- AMI-SeCo members and NSGs will ensure the involvement of issuers into the process.

- The CMH-TF will continue working on the remaining items of its workplan (including CA on other instruments).

1.2. Monitoring Framework - Methodology

The Chair of the CMH-TF will present the work on the collateral management harmonisation monitoring framework methodology conducted by the TF with input from the AMI-SeCo NSGs.

Document:

Presentation - CMH monitoring framework – methodology

Outcome:

The CMH-TF Chair presented the status of work on the collateral management harmonisation monitoring framework methodology. The members took note of the update.

Following the question of a member on the optimisation of the monitoring framework to allow a single rulebook for CA standards, the HSG Chair referred to the already ongoing discussions regarding the CASG and CAJWG standards. The CMH monitoring framework will be finalised by the HSG and presented to the AMI-SeCo. The framework may then be reviewed pending the outcome of the optimisation/synergies discussion.

Follow-up:

The HSG will prepare a proposal for the monitoring framework for consideration by AMI-SeCo in its July meeting.

In parallel the HSG will also discuss on how to exploit synergies and maximise efficiencies in monitoring the three sets of corporate actions standards (T2S CASG, CAJWG and CMH).

NSGs are invited to submit their implementation plans by September 2019 on the endorsed collateral management standards.

1.3. Next steps

AMI-SeCo participants will be invited to consider the next steps as regards the collateral management harmonisation agenda:

- As regards the CMH-TF work on the basis of a presentation from the Chair of the CMH-TF.
- As regards communication of the collateral management harmonisation work on the basis of a presentation from the ECB.

Document:

Presentation - CMH-TF next steps

Outcome:

The Chair of the CMH-TF presented the next steps, including communication on the collateral management harmonisation work to ensure full awareness of the AMI-SeCo harmonisation agenda amongst financial market stakeholders. This communication would be articulated around three main dimensions: communication on the ECB website, updated information package and workshops with market practitioners as well as NSGs workshops.

The members supported the approach suggested. It was remarked that the implementation plan would be a key element of interest to publish.

2. Status update on the ECMS project

The ECB will provide a status update on the ECMS project.

Document:

Presentation – ECMS project status update

Outcome:

The ECB provided a status update on the ECMS project, which is on track.

The members took note of the update.

3. Securities issuance in Europe

AMI-SeCo will be invited to consider a position paper received from the AFTI Bonds Markets and Collateral (Marchés Obligataires & Collateral) Working Group with regard to harmonisation of securities issuance in Europe. AMI-SeCo participants are invited to discuss the issues presented in this paper.

Document:

Position paper from AFTI Bonds Markets and Collateral (Marchés Obligataires & Collateral) Working Group

Outcome:

The Chair of the AFTI presented their position paper on the harmonisation of securities issuance in Europe.

AMI-SeCo received this paper with interest and noted that this analysis stresses an area where there is scope for further work. The ECB welcomed this paper in the context of ongoing reflections on these issues, noting that the same kind of feedback is coming from different stakeholders. Beyond harmonisation issues, there may also be structural and operational issues to investigate.

4. Workshop on settlement efficiency and RTS/NTS

AMI-SeCo will be debriefed on the outcome of the second CSG workshop on settlement efficiency and RTS/NTS. AMI-SeCo participants are invited to take note.

Document:

Outcome of the CSG workshop on settlement efficiency

Outcome:

The Chair of the CSG workshop on settlement efficiency and RTS/NTS presented the outcome of the last workshop organised in November 2018 as well as the agenda of the next such workshop to be held in June 2019.

Participants praised the analysis as setting the foundation for future dialogue with market participants to pick the drivers for settlement inefficiencies and stressing its use in view of the transition to CSDR.

5. Any other business