

AGENDA

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

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| DATE & TIME | 19 February 2019 – 10:00 to 17:30 CET |
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1. Introduction, recent developments and ECMS project update

CMH-TF members approved the agenda and the outcome of the last CMH-TF meeting. CMH-TF members took note of the update on the ECMS project.

Documents:

- *Outcome of the Tenth meeting of the AMI-SeCo HSG CMH TF.*
- *Presentation ECMS project status update*

2. Harmonisation of triparty collateral management (TCM)

2.1 Draft Harmonisation Standards for triparty collateral management

CMH-TF members provided feedback on the draft Harmonisation Standards for triparty collateral management¹, which were sent for written consultation to CMH-TF and NSGs (by 8 March 2019).

CMH-TF members generally welcomed the draft Harmonisation Standards and suggested to explain that the Standards cover in general both the Central Bank and commercial bank processes. Further background could be added to explain in which situations the Standards apply (aspects more relevant for central bank and commercial bank arrangements, type of product, etc). Background information could also be added to explain why and how the Standards were developed. When monitoring the implementation of the Standards, it should be explained that 'providers' of post-trade services should offer services to their users according to the Standards endorsed by AMI-SeCo (and providers may offer more services). Further

¹ The Harmonisation Standards for TCM are based on the June 2018 AMI-SeCo agreed harmonisation proposals for triparty collateral management (Harmonisation report on Triparty collateral management). In November 2018, AMI-SeCo also agreed the remaining proposal related to handling of cash proceeds for corporate actions events. The Harmonisation Standards also include additional information on the ISO 20022 messaging for TCM including details on the ISO 20022 data elements.

explanations on the role of custodian should be added, i.e. their role as provider of account holding services for the collateral givers/takers and as provider of collateral management services to collateral givers/takers. The monitoring should only verify custodians offering these services.

Follow-up

- *CMH-TF members to provide feedback on Standards (by 8 March 2019)*

Documents:

- *Draft Harmonisation Standards for TCM*

2.2 Harmonisation of triparty collateral management ISO 20022 messaging

CMH-TF members took note of SWIFT's current work and next steps towards the development of ISO 20022 messaging.

3. Harmonisation of corporate actions

3.1 Draft Harmonisation Standards for corporate actions

CMH-TF members provided feedback on the draft AMI-SeCo Harmonisation Standards for Corporate Actions², which were sent for written consultation to CMH-TF/NSGs (8 March 2019).

CMH-TF members explained that full clarity is needed on the scope of the Standards (i.e. who is covered, what markets and by when), in particular with regards to the involvement of the issuers/agents and custodians as service provider. (Custodians could act as (i) clients of (I)CSDs as well as (ii) providers of services.)

During the written consultation, stakeholders should verify the applicability of the Standards in local markets in particular with respect to local legal constraints that may hamper their implementation. Consistency with existing market practices and standards on corporate actions was one of the starting points of the development process of the Standards and could be confirmed (with examples). It should also be confirmed in local markets if the harmonised process for negative cash flows, which is a new process built on an existing/confirmed market practices, would not have legal implications. The harmonised operating hours (and payment times), harmonised data elements and rounding rules may also have an operational impact, but so far no legal impediments were identified. CMH-TF members suggested clarifying the implications of non-compliance with the Standards. Some CMH-TF members underlined that there is a unique opportunity to work on establishing a single rulebook for corporate actions.

Follow-up

- *CMH-TF members to verify possible legal constraints locally on the draft Harmonisation*

² The Harmonisation Standards for CA are based on the June 2018 AMI-SeCo agreed harmonisation proposals for corporate actions ([Harmonisation report on Corporate Actions](#)). In November 2018, AMI-SeCo also agreed to consult NSGs on the remaining harmonisation proposals for CA. The feedback received has been taken into account for drafting the Harmonisation Standards for corporate actions.

- *Standards for corporate actions (by 8 March 2019).*
- *NSG discussions with issuers are needed on the draft Standards.*

Documents:

- *Draft Harmonisation Standards for corporate actions.*
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3.2 Application of Harmonisation Standards for corporate actions

CMH-TF members suggested clarifying that updates of the Standards should be possible in the future, in view of forthcoming EU regulatory requirements (e.g. SRD2, CSDR, etc). In addition, it should be clarified that the standards may contribute in meeting regulatory requirements.

Given that the Harmonisation Standards for corporate actions are also applicable for securities held in custody, CMH-TF members suggested that Standards covering equities should also be developed. It should be considered if their implementation could occur in parallel as the Standards for bonds.

Follow-up

- *CMH-TF members to start work on the Harmonisation Standards for corporate actions covering equities (by end March 2019/early April).*

4. Harmonisation of billing processes

CMH-TF members provided feedback on the draft Harmonisation Standards³ of billing processes, which were sent for written consultation to CMH-TF/NSGs (8 March 2019).

CMH-TF members generally welcomed the draft Standards and suggested to explain in more detail the role of a custodian (i.e. as service provider for account holding/collateral management) and process for amendments, claims or updates of billing information.

Follow-up

- *CMH-TF members to provide comments on the Standards (by 8 March 2019)*

Documents:

- *Draft Harmonisation Standards for billing processes (sent on 4 February 2019)*
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5. Monitoring compliance with agreed CMH Harmonisation Standards

In the past CMH-TF meetings, CMH-TF members provided feedback on the suggested CMH monitoring framework (methodology), which covers the main elements for monitoring progress towards implementation of Standards.

Regarding the actors/stakeholders that have to implement the CMH harmonisation standards, some CMH-TF members suggested that the monitoring results of some actors would not have

³ In November 2018, AMI-SeCo also agreed the harmonisation proposals for billing processes. The agreed proposals have translated into draft Harmonisation Standards for billing processes, which should form the basis for monitoring progress towards implementation.

to be disclosed individually (e.g. NSG Secretariat could aggregate results of custodians before submitting progress to AMI-SeCo). Regarding reporting, NSGs will be used to collect information as existing AMI-SeCo channels (involving the Eurosystem, providers and users). It should be avoided that there is any duplication with other channels of industry bodies. NSGs were invited to review their composition to include relevant expertise. The AMI-SeCo reporting would be more frequent (two times a year) compared to other industry initiatives.

NSGs measure progress and flag delays by collecting information from key stakeholders in their community. The progress will be presented with a “traffic light” approach.

Follow-up

- *A revised version of the Monitoring framework – Methodology will be circulated for written feedback to CMH-TF and NSGs.*

Documents:

- *CMH monitoring framework - Methodology*

6. Collateral management and CCPs

CMH-TF members discussed possible issues to efficient management of collateral and in fostering collateral mobility. Procedures to transfer collateral from/to ICSDs to any CSD in T2S are relevant for CCPs. The efficient use of source accounts in bilateral collateral management is also relevant for CCPs, where market participants have choices for managing collateral bilaterally with any market infrastructure. CMH-TF members agreed to gather specific examples.

Follow-up

- *CMH-TF members are invited to provide further feedback next CMH TF meeting.*

Documents:

- *Presentation by CCP*

7. Remaining Collateral Management Harmonisation Activities

CMH-TF members took note of the planned further analysis on remaining Collateral Management Harmonisation Activities (related to bilateral collateral management, processing related to tax, margin calls, cut-off times, sourcing of collateral and data for collateral management). In particular the importance of ensuring all relevant actors contribute to the upcoming questionnaire on taxation processes (to be circulated on 11 March) was highlighted as being an importance step in collecting detailed information on the post-trade barriers which exist in local markets today.

Documents:

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- Presentation on organisation of remaining CMH activities
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8. Overall planning on Collateral Management Harmonisation Activities

CMH-TF members took note of the overall schedule planner has been prepared to provide an overview of the CMH TF work in 2019).

Documents:

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- CMH-TF schedule planner 2019.
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9. AOB

CMH TF members raise no additional points which could be of interest to all members.