



EUROPEAN CENTRAL BANK

EUROSYSTEM

Collateral Management Harmonisation

Monitoring Framework

Collateral Management Harmonisation Task Force
Frankfurt, 25 September 2018

Scope of CMH-TF – Monitoring Framework

- Market stakeholders and the Eurosystem have identified a list of 10 collateral management harmonisation activities (CMHA) and harmonisation needs.
- The CMH monitoring framework should promote the timely adoption of the agreed harmonisation proposals.
- The CMH monitoring framework should describe all the aspects to achieve progress towards CMH standards (from definition to implementation).
- The CMH monitoring framework is relevant for stakeholders involved in the management of collateral in Europe.

Q: Is the scope clear?



Approach of the CMH-TF – Monitoring Framework

3 Harmonisation phases (Extract from Annex 2 of 7th T2S Harmonisation Progress Report):

Harmonisation phases

There are three harmonisation processes/phases for each activity in the T2S harmonisation list: *definition, monitoring and implementation*. Each phase corresponds to a different aim/question.

Definition: This refers to the T2S (or, where relevant, wider European) standards/rules definition process. What are the standards and who is responsible for defining and endorsing them?

Monitoring: What is the monitoring framework and who are the actors responsible for monitoring T2S markets' compliance with the harmonisation standards/rules?

Implementation: This phase/process refers to the T2S markets' compliance with the relevant harmonisation standards. What is the process, and who ultimately needs to

1. Definition for collateral management monitoring

Definition of CMH standards with responsible actors and implementation dates (Extract from Annex 2 of 7th T2S Harmonisation Progress Report):

Responsible actors

For each process/phase, clear responsible actors and concrete deadlines are proposed.

- Definition actors: entities responsible for defining the standard (e.g. the AG supported by HSG/CASG in the case of the T2S corporate actions standards, EU or national authorities in the case of withholding tax procedures, CAJWG in the case of market corporate actions standards).

Dates

A deadline for completion is set for each phase. In most cases, the deadline for compliance coincides with the migration of each market to T2S (depending on the respective migration wave). However, for most technical standards, T2S markets/CSDs are required to be able to participate in the interoperability testing phase, as per migration wave, abiding by the agreed rules and standards in the test environment.

T2S Markets should comply fully with all defined and monitored standards prior to their migration to T2S.

1. Definition for collateral management monitoring

Q: Is a 3-phase approach needed for collateral management...

- Could a 2 phase approach focusing on *Definition* and *Implementation* be sufficient?

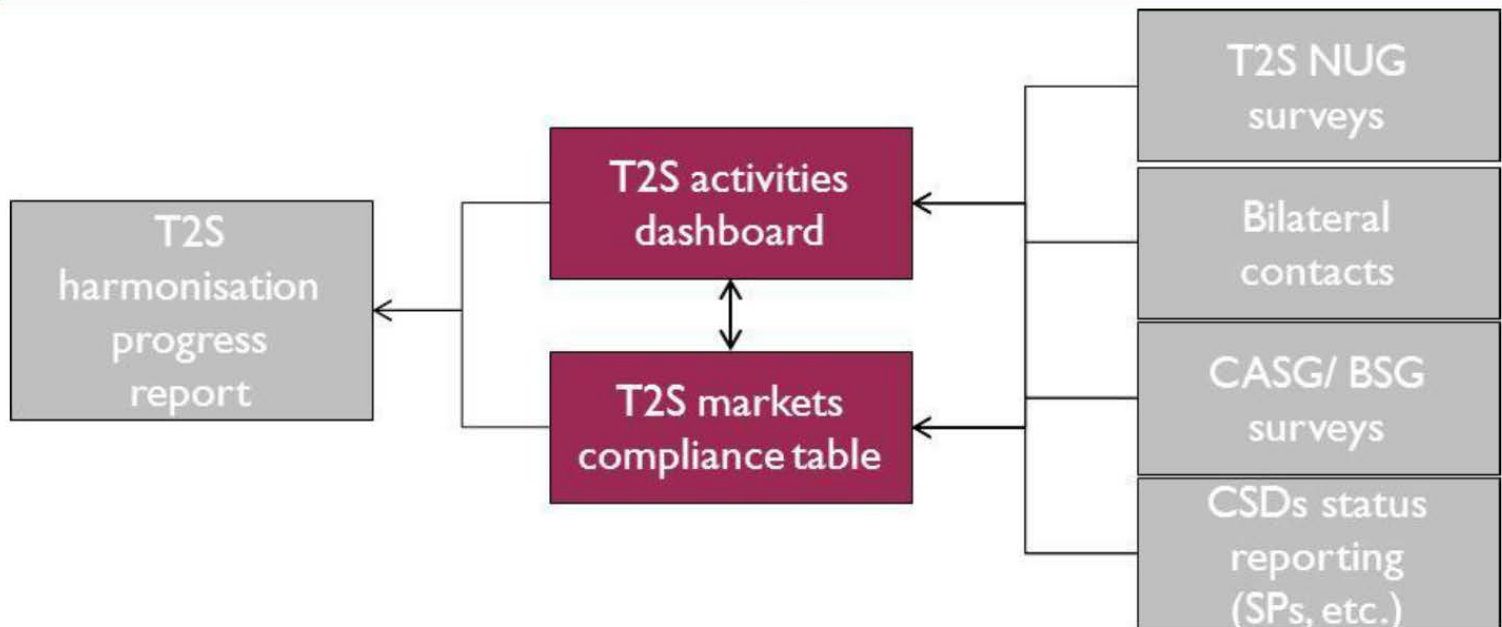
DEFINITION	A legal or regulatory barrier has been identified which precludes the possibility to define a harmonisation standard	The activity is being analysed and the definition of standard has not yet commenced	Harmonisation proposals have been agreed	The standard has been defined and relevant actors and timelines for implementation have been identified
IMPLEMENTATION	The market has not submitted a plan to comply with the relevant harmonisation standard OR The standard has not been implemented by the agreed date	Implementation is behind schedule OR Issues have been identified which may result in lack of compliance	Implementation of the standard is on schedule	The standard has been implemented

2. Monitoring and information channels for collateral management

Several channels (Extract from Annex 2 of 7th T2S Harmonisation Progress Report):

Diagram 1

Information channels for monitoring T2S harmonisation



2. Monitoring and information channels for collateral management

- **Q: *What Markets* are in scope for the CMH-TF monitoring framework?**

AT	BE	CY	DE	EE	ES	FI	FR	GR	IE	IT	LT	LU	LV	MT	NL	PT	SI	SK
----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----

- **Q: *Information on CMH Standards* for Priority 1 and 2? One set of CMH standards?**

3. Assessment of compliance collateral management

- Extract T2S PR:

Table 2 [from Executive Summary]
Compliance status per T2S market (as at 20/12/2016)

T2S markets	Priority 1																	Priority 2	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	Message s ISO 20022	Matchi ng fields	Interacti on with T2S (registratio n)	Interacti on with T2S (as procedur e)	Schedul e for the settleme nt day	T2S CA standa rd	T2S settleme nt finality II	T2S settleme nt finality III	Outbound ing IT (settleme nt servicos)	Settleme nt cycle	Availabili ty of omnibus accounts	Restricti on on omnibus accounts	Securities account number	Cash number	CA market standa rds (CAJWG)	Securities amount data			
AT	G	G	B	B	G	R-?	B	B	B	B	B	B	B	G	B	B	G	B	B
BE Euroclear	B	B	B	B	B	R-Feb 2018	B	B	B	B	B	B	B	B	B	B	G	B	B
BE – NBB-SSS	B	B	B	B	B	B	B	B	B	B	B	B	R-?	B	B	B	G	B	B
							B	B	B	B	B	B	B	B	NA	G	B	B	
							R-?	G	G	B	B	B	B	G	B	G	B	B	
							R-?	B	B	B	B	B	B	B	B	B	G	B	
							G	B	G	B	B	B	B	G	G	Y	B	B	
							G	B	B	B	B	B	B	G	B	G	B	B	
							Y	B	B	B	B	B	Y	B	G	Y	B	B	
							R-Dec 2017	B	B	B	B	B	R-?	B	B	B	G	B	
							B	B	B	B	B	B	B	B	B	B	B	B	
							R-Dec 2017	G	G	B	B	B	B	G	NA	R	B	B	
							R-Jan 2017	B	B	B	B	B	B	B	B	B	B	B	
							G	G	G	B	B	B	B	G	G	R	G	B	
							R-?	G	B	B	B	B	B	G	B	G	B	B	
LU – VP LUX	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	G	B	B
LV	G	G	B	B	G	G	G	G	B	B	B	B	B	G	G	G	G	B	B
MT	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	G	B	B
NL	B	B	B	B	B	B	R-Feb 2018	B	B	B	B	B	B	B	B	B	G	B	B
PT	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B	B
RO	NA	B	B	B	B	B	R-Feb 2017	B	B	B	B	B	B	B	B	B	Y	B	B
SI	G	G	B	B	G	G	G	G	B	B	B	B	B	G	G	R	G	B	B
SK	G	R-?	G	B	G	G	G	G	B	B	B	B	Y	G	G	R	G	B	B

Status assessment

A specific colour, based on a four-colour scheme, is displayed in the status update dashboard to reflect the progress in each process (definition, monitoring and compliance). These colours/statuses are agreed at the AG level, based on the proposals of the HSG (and the input of the T2S NUGs, CSDs and other reporting actors).

3. Assessment of compliance collateral management

- **Extract T2S PR:**

Annex 3

Non-compliance impact analysis

Table 12 covers the Austrian, Belgian, German, French, Italian, Hungarian, Dutch, Romanian and Slovakian markets where i) there is at least one red compliance status for priority 1 standards (status: 20/12/2016) and ii) the impact of their non-compliance has been analysed and assessed by the AG⁶⁰. Thus, despite having red compliance status with T2S CA standards, the Danish and the Luxembourgish

Table 12

Summary of the AG's impact analysis (status: 20/12/2016)

T2S standard	T2S market	Compliance gap	NUG-specified milestone and completion date	Status as of 20 December 2016	Remark
T2S corporate actions standards	Austria	Market claims standards 6 and 7: the Austrian market will disregard the 'opt-out', 'ex' and 'cum' flags when generating market claims in T2S; market claims standards 19 and 23: the Austrian CSD will not provide its participants with a "user friendly facility" in order for them to control the interdependence of the settlement of the market claim with that of the underlying transaction. ⁶¹	None	Implementation date still not available.	