



EUROPEAN CENTRAL BANK

EUROSYSTEM

Collateral Management Harmonisation

Status update and FAQ

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Single Collateral Management Rulebook for Europe
common rules for managing collateral



4th Debt Issuance Market Contact Group meeting
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Part 1: Aim & overview

1 Collateral management harmonisation

2 Harmonisation activities covered

3 Timeline & Adaptation Plan

Collateral management harmonisation

SINGLE COLLATERAL MANAGEMENT RULEBOOK FOR EUROPE (SCORE)

From 28...



... to one single market



A single rulebook...

- for managing collateral in Europe (the EU, UK and Switzerland)
- comprised of a series of common Standards.
- containing harmonised business processes, workflows and messaging
- For providers and users of collateral management services e.g. (I)CSDs, TPAs, custodians, central banks, issuers and CCPs.

Collateral management harmonisation



Harmonisation activities covered

- In December 2017 Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) identified 10 areas where further harmonisation is needed to facilitate efficient collateral management.



1. Triparty Collateral Management

Harmonisation of triparty collateral management workflows and messaging in order to facilitate interoperable processes allowing collateral mobility across triparty agents.



2. Corporate Actions

Harmonisation of Corporate Actions processes, workflows and messaging by reinforcing existing harmonisation standards or adding new harmonisation standards (taking into account specific considerations from a collateral management perspective).



3. Taxation Processes

Harmonisation of tax processing in the context of collateral management (taking into account identification of parties in collateralised transactions).



4. Bilateral Collateral Management

Harmonisation of workflows for bilateral collateral management (covering non-cleared OTC derivatives and securities financing). Interoperability and leverage of existing infrastructures and market platforms.



5. Margin Calls

Interoperability and leverage of existing infrastructures and market platforms for margin processes.



6. Billing Processes

Harmonisation of billing procedures, workflows and messaging.



7. Cut-Off Times

Minimum requirements for end-of-day cut off times to avoid possible different value dates in cross-infrastructure transactions in different markets, which may create frictions for market participants active in different markets.



8. Collateral Dynamic and Static Data

Harmonisation of data exchanges to ensure that information / data is available where necessary. Market practices needed for use of data.



9. Sourcing of Collateral

Minimum requirements for sourcing/movement of collateral across Europe



10. Non-Euro Collateral

Market practices for the handling of non-euro denominated collateral (including related corporate action processes).

Timeline for SCoRE implementation

SCoRE plan	2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Analysis (Impact Assessment and Documentation) Communication	Analysis and Communication											
Internal Adaptation (Development and Internal Testing)	Internal adaptation	Internal Adaptation										
Testing and Implementation								Testing and Implementation				

Adaptation Plan

(I)CSDs and TPAs have prepared Adaptation Plans describing the changes needed to implement the agreed Standards.

Monitoring



National Stakeholder Groups (NSGs) will monitor progress against the adaptation plans on an ongoing basis and provide regular reporting to AMI-SeCo.

Compliance



A 'traffic light approach' (similar to that used in the context of the T2S Harmonisation agenda) will be used to report compliance with the Standards.

Actors



The monitoring will track the progress of key actors in the European Union and Switzerland e.g. (I)CSDs, TPAs, central banks, custodians.

Deadline to submit updated Adaptation Plan: 5/02/2021

Part 2: Concrete cases & improvements

Corporate Actions Standards

15 Corporate Actions Standards have been defined.

CA STANDARD 1:
Harmonised business
processes and
workflows for CA

CA STANDARD 2:
Provision of data
necessary for
calculation of proceeds

CA STANDARD 3:
Consistency of
information provided by
Issuer (I)CSDs, Investor
(I)CSDs and Custodians

CA STANDARD 4:
Rounding rules

CA STANDARD 5:
Negative cash flows

CA STANDARD 6:
Business day rule

CA STANDARD 7:
Securities amount data

CA STANDARD 8:
Payment time

CA STANDARD 9:
Notification of
processing status

CA STANDARD 10:
Blocking of securities

CA STANDARD 11:
Availability of default
options

CA STANDARD 12:
Handling of fees for
meeting related CA
events

CA STANDARD 13:
Reversal of CA

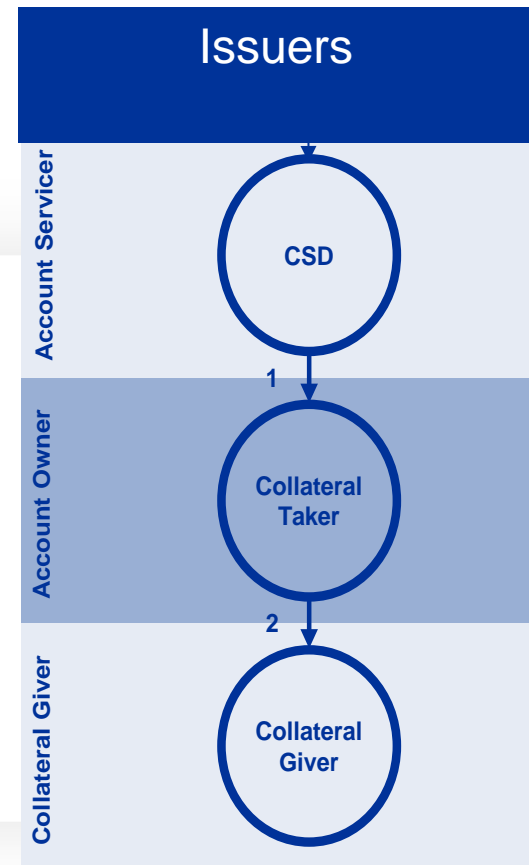
CA STANDARD 14:
Processing of foreign
currency payments

CA STANDARD 15: ISO
20022 messages for
corporate actions

Corporate Actions Standards

Harmonised business processes and workflows for CA

- Collateral taker can get involved into the corporate actions processing (from notification to voting rights).
- Corporate Actions are typically of interest for the collateral taker to ensure that they have oversight of any **income events** (e.g. ensuring that any payments of dividends or interest are not paid out to Collateral Giver unless the receiver is fully collateralised) and **voting events** (e.g. being able to take a more active role in any voting process).



Corporate Actions Standards

Example 1: Rounding Rules

Harmonised rounding rules should be applied for calculating cash payments and securities movements (CA Standard 4)

- For cash payments, the cash amount to be paid should be rounded down to the number of decimal places permissible in the payment currency (i.e. to two decimal places in the case of EUR payments).
- For securities movements, the securities amount should be rounded down to the nearest full unit.
- When calculating cash payment amounts or securities movement amounts relating to a specific securities account, the ratio applicable to the entire issue should be applied to the total holding in the parent ISIN on the securities account.
- There should be no intermediate step in which a ratio per 1,000 nominal is calculated and then applied.
- The ratio specified by the issuer CSD in the event notification should be passed on in its entirety in the event notification sent by all account servicers and custodians in the custody chain. There should be no rounding up, or rounding down, or truncation, of the ratio.

Corporate Actions Standards

Example 2: Business day rule

If the payment date of a corporate action falls on a non-business day (in the country of the currency in which the payment is due), the payment should be made on the next business day. (CA Standard 6)

- If the payment date of a corporate action falls on a non-business day (e.g. Saturday) the payment shall be made on the next business day (e.g. Monday).
- If the terms and conditions of securities specify that under some circumstances the payment date is brought forward (e.g. Friday):
 - The record date is also brought forward (so that the new record date precedes the new payment date by one business day (Thursday)), and
 - The interest payment period is adjusted so that it matches the new payment date.
 - As transitional guidance for unadjusted: a reallocation of the interest is processed

Corporate Actions Standards

Example 2: Business day rule

Business Day Convention		transitional process	Post-trade processes
Following	Adjusted		
	Unadjusted		
Modified Following	Adjusted		
	Unadjusted	x	Reallocation procedure
Previous	Adjusted		
	Unadjusted	x	Reallocation procedure
Modified Previous	Adjusted		
	Unadjusted	x	Reallocation procedure

Corporate Actions Standards

Example 3: Payment time

The cash proceeds of a corporate action should be distributed as early as possible [...] For any CA event involving a partial or full redemption, the cash proceeds should be made available by the issuer CSD at the same time as the partial or full redemption is processed on the payment date [...]. (CA Standard 8)

- Payments should be made as early as possible (in T2S ideally be made in the NTS).
- If the outstanding amount of securities is to be reduced (i.e. partial redemptions with a reduction in the nominal amount (PCAL events) and final redemptions): The amount payable on redemption is paid at the start of the settlement day.

Want to find out more?

Further information is available to support market stakeholders.

ECB
Website



Check out the ECB webpage on collateral management harmonisation which contains full information on the SCoRE initiative and provides the answers to your most frequently asked questions:
ecb.europa.eu/paym/integration/collateral

Contact us:



Got further questions? Contact us via email: score@ecb.europa.eu