

SCoREBOARD

Corporate Actions – H2 2022

Latvian NSG

Background

Since publication of the [Collateral Management Harmonisation Report](#) in December 2017, the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) has made a number of significant breakthroughs in its ambition to create a **Single Collateral Management Rulebook for Europe (SCoRE)**.

What is SCoRE?

SCoRE defines common rules for managing collateral in Europe. These rules will replace the fragmented legacy standards, structural constraints and complex and diverse market practices that exist across Europe today. Implementation of SCoRE should remove operational impediments to the availability, usage and mobility of collateral. Market participants in AMI-SeCo have committed to implementing the SCoRE Rulebook, with the first set of rules due to be implemented by November 2023. Their implementation efforts are regularly monitored by AMI-SeCo which facilitates an active dialogue with market participants on issues related to the clearing and settlement of securities and to collateral management.

National stakeholder groups (NSGs) are coordination forums to support the implementation of the Single Collateral Management Rulebook for Europe. They have been established in the markets covered by the AMI-SeCo in order to support the implementation of the Single Collateral Management Rulebook for Europe (SCoRE).

The Single Collateral Management Rulebook for Europe (SCoRE) contains 15 Standards related to the processing of corporate actions (published as the [SCoRE Standards for Corporate Actions](#)). Implementation progress is monitored twice per year.

Introduction

This summary report presents the results of the H2 2022 monitoring exercise conducted by the Latvian NSG with the involvement among the following stakeholders:

- 1 CSD – Nasdaq CSD
- 9 Custodians

- 2 Issuers

The report focuses on the milestones to be met by the time the survey closed. In this monitoring exercise, participants were expected to have achieved all the milestones up to Milestone 8 inclusive “Internal testing Started for SCoRE” (with a deadline of 1 July 2022) as described in section 3 below.

Section 1 presents the key takeaways per entity type i.e. CSD, TPA, Custodian etc. Section 2 depicts for each entity type their compliance status with the standards. Section 3 focuses on the progress against the individual milestones and Section 4 provides concluding remarks.




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Key takeaways

The Latvian market is currently focusing on the analysis of the Standards

Nasdaq CSD SE and some of custodians and issuers responded to the survey. Responses reflected that implementation has started at limited number of standards; more accent putting on analysis of the standards to be implemented. Given the relatively simple and small Baltic financial market, Nasdaq CSD SE together with participants will still consider in detail the usefulness of implementation of standards in national markets.

Figure 1
Summary of the monitoring exercise

 SCORE SMALL CUSTODIAL MANAGEMENT RESEARCH FOR EUROPE	 Response Rate	 Implementation Status of the standards	Are all milestones 1 to 8 inclusive achieved?	Will the last milestone 13 be implemented on time (i.e. by 20 November 2023) ?
Custodians	0%	Implemented 0.94% Implementation started 0.83% Analysis started 20.7% Analysis not started 5.61% Non applicable standards 0% Replies not submitted 71.8%	Average % of milestones achieved 8%	% of custodians on time 13%
Issuers	0%	Aware of obligations 81.8% Not aware of obligations 18.1% Replies not submitted 0%	NA (milestones irrelevant for issuers)	NA
CSD - NASDAQ	Survey submitted	Implemented 77.0% Implementation started 16.5% Analysis started 0.42% Analysis not started 0.85% Non applicable standards 5.10% Replies not submitted 0%	No	Yes

CSD – Nasdaq CSD

Nasdaq CSD is currently compliant with approximately half of the Standards

About half of the standards has been introduced. The usefulness of implementing other standards will be analysed and considered together with the depositary participants.

Custodians

Only a quarter of respondents provided answers to the survey

Only a small proportion of the respondents provided answers to the survey, that proves the fact that the Latvian securities market is relatively small and maximally simplified compared to the large European countries. For Latvian securities market participants some standards are irrelevant, or their implementation is not financially justified. Market participants will continue to work on the analysis of standards and will implement them as far as possible.

Issuers

Issuer involvement has been initiated

Issuers were involved in this project only at the time of the survey, as their role in the implementation of standards is minor. Until now, issuers are not involved in the Latvian NSG, but if necessary, issuers will also be informed about the implementation of standards and asked to contribute to the implementation of standards.

NCB

Bank of Latvia will implement the Standards as of November 2023

For the Bank of Latvia implementation of the Standards is underway in the context of the ECMS project. The Bank of Latvia is on track to implement the SCoRE Standards for Corporate Actions for its collateral management activities by November 2023.

2 Compliance level with the standards

This section provides an overview of the current status of compliance with the corporate actions standards. CSDs and TPAs are monitored on an individual basis and are assigned a colour-code status in accordance with the methodology outlined in figure 2 below. Custodians and Issuers are too many to represent individually. Thus the replies of custodians and issuers from the AMI-SeCo community participating in the monitoring are presented on an aggregated basis per market and assigned a percentage representing their compliance status.

Figure 2
Standards implementation status as defined in the AMI-SeCo framework document



- The Standard has been implemented
- Implementation of the Standard is on schedule (based on the agreed milestones)
- Implementation is behind schedule (based on the agreed milestones)
- Implementation has not started

Table 1

Compliance level with the standards by each entity type

STANDARD	Custodians	Issuers	CSD - NASDAQ
1A: Notification	14%	100%	G
1B: Instruction	0%		B
1C: Advise	0%		G
1D: Confirmation	0%		G
1E: Reversal	13%		B
1F: Meeting Notification	13%	80%	B
1G: Meeting Instruction	0%		B
1H: Meeting Results	0%		R
2: Calculation of Proceeds	0%	100%	G
3: Consistency of Information	0%	0%	G
4: Rounding Rule 1	13%	100%	B
4: Rounding Rule 2	13%	100%	B
4: Rounding Rule 3	13%	100%	B
4: Rounding Rule 4	13%	100%	G
4: Rounding Rule 5	13%	100%	B
5: Negative Cash Flows	0%	0%	B
6: Business Day Rule		100%	B
7: Securities Amount Data Rule 1		100%	B
7: Securities Amount Data Rule 2		100%	N/A
7: Securities Amount Data Rule 3		100%	B
7: Securities Amount Data Rule 4		100%	B
8: Payment Time Rule 1		100%	B
8: Payment Time Rule 2		0%	B
8: Payment Time Rule 3		100%	G
8: Payment Time General Principle 3		0%	B
9: Processing Status	0%	100%	G
10: Rule 1	0%		B
10: Rule 2	0%		B
10: Rule 3	0%		B
11: Default Option	13%	100%	B
12: Handling of Fees	0%		Y
13: Reversal	0%	100%	B
14: Foreign Currency			B
15: ISO 20022 Messaging	0%		G

Notes:

- For CSDs and TPAs the colour-code reflects the current implementation status of each Standard in accordance with the methodology outlined in figure 1 above.
- TPAs are using custody services provided by CSDs or Custodians in order to disseminate CA information to Collateral Givers and Collateral Takers. Monitoring of TPAs thus focuses on the implementation of triparty specific workflows described in Standard 1.
- For custodians, the percentage of custodians which have implemented standards / standards being under development and implementation.
- Issuers were asked to confirm awareness of their obligation to provide all relevant information to the Issuer CSD (on a Yes/No basis). The % reflects the number of issuers who responded yes to the survey.
- Percentages are calculated on the basis of expected respondents, i.e. number of entities monitored in the market.

3 Progress towards the milestones

This section tracks market stakeholders progress in implementing the Standards against the 13 set milestones identified by AMI-SeCo.

The milestones facilitate consistent implementation across markets (given the long-term efforts that are needed) and avoids issues remaining undetected until the deadline of 20 November 2023 to achieve compliance and implementation of the standards.

Milestone	Description	Date
M1	Analysis Started: Have you commenced an in-depth analysis of all applicable SCoRE Standards in order to identify and document all the changes required to internal processes and procedures in order to comply with the SCoRE Standards?	30/06/2020
M2	Initial Communication: Has initial high-level communication with external stakeholders on the changes introduced by SCoRE commenced?	01/03/2021
M3	Analysis Completed: Have you completed an in-depth analysis of all applicable SCoRE Standards?	31/07/2021
M4	Documentation Completed: Have you documented all the internal processes and procedures which need to be adapted in order to comply with the SCoRE Standards?	31/12/2021
M5	Detailed External Communication: Has detailed communication started regarding (i) upcoming changes in business processes, (ii) messaging formats and usage guidelines (in the case of new messages based on non-registered latest drafts by SWIFT) and (iii) planned testing activities been provided to users?	31/12/2021
M6	SCoRE Adaptation Started: Have you started to adapt/develop the processes and procedures in order to comply with the SCoRE Standards?	01/01/2022
M7	SCoRE Adaptation Complete: Have you completed the necessary adaptations/developments for the processes and procedures in order to comply with the SCoRE Standards?	30/06/2022
M8	Internal Testing Started for SCoRE: Have you started to test the changes to your internal processes and procedures which have been introduced in order to comply with the SCoRE Standards?	01/07/2022
M9	Internal Testing Complete for SCoRE: Have you completed the necessary internal testing?	02/12/2022
M10	External Testing Started for SCoRE: Are you in a position to test the changes introduced in order to comply with the SCoRE Standards with your user community (i.e. CSD participants / Collateral Givers and Collateral Takers in the context of the Standards applicable to TPAs)?	20/03/2023
M11	Final External Communication on SCoRE: has final communication to users been provided (i.e. updated user guide to reflect the changes implemented, final message usage guidelines for A2A communication) related to the SCoRE Standards?	01/04/2023
M12	External Testing Completed for SCoRE: Is the testing of the changes introduced in order to comply with the SCoRE Standards with your user community completed (i.e. CSD participants / Collateral Givers and Collateral Takers in the context of the Standards applicable to TPAs)?	13/10/2023
M13	SCoRE Standards Implemented: have the SCoRE Standards been implemented?	20/11/2023

The current H2 2022 monitoring exercise focuses on milestones 1 to 8 given that Milestone 8 inclusive “Internal testing Started for SCoRE” (with a deadline of 1 July 2022) was meant to have been achieved by the time the survey closed.

In each survey round, all the entities are asked to confirm (on a yes/no basis) whether the milestones will be met by the set milestones dates. If it is not the case, they are also asked the expected date for when the milestone will be reached.

For the milestones which had to be achieved by the time the survey closed:the blue colour code is assigned to those milestones that have been successfully achieved. Milestones that will only be achieved later than their set deadline are assigned a yellow status with indication of the likely date of achievement.

For the milestones that are only due to be achieved after the current reporting cycle: the green colour code indicates that the entity anticipates achieving that future milestone on time. A yellow status indicates that the milestone is foreseen to be met later than the set milestone date. In this case, the date of achievement anticipated is also indicated in the table.

Table 3
Entities' expectation of achieving the milestones at the set dates

	Custodians	CSD - NASDAQ
Milestone 1 June 2020	0%	Yes
Milestone 2 March 2021	0%	Yes
Milestone 3 July 2021	0%	Yes
Milestone 4 December 2021	13%	Yes
Milestone 5 December 2021	13%	Yes
Milestone 6 January 2022	13%	Yes
Milestone 7 June 2022	13%	12/22
Milestone 8 July 2022	13%	Yes
Milestone 9 December 2022	13%	03/23
Milestone 10 March 2023	13%	Yes
Milestone 11 April 2023	13%	Yes
Milestone 12 October 2023	13%	Yes
Milestone 13 November 2023	13%	Yes

4 Concluding remarks

Overall, the survey showed that the analysis had started.

Nasdaq CSD SE provided the following additional information on milestone planning:

Milestone 1: Due to ongoing two large projects at Nasdaq CSD there is no possibility to dedicate resources for this activity.

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For specific terminology please refer to the [ECB glossary](#) (available in English only).