



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Status update on ongoing work

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Bilateral Collateral  
Management Expert  
Group (BCM EG)

CMH-TF, Frankfurt  
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Single Collateral Management Rulebook for Europe  
common rules for managing collateral



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# Overview

## Bilateral Collateral Management Expert Group (BCM EG)

**Background**

**Transaction identifiers used in settlement messaging**

**Next steps**

# Background

- **Objective:** To improve mobility of collateral across (I)CSDs in particular for SFTs and T2S.
  - Focus on mobility of collateral (across CSDs settlement involving T2S), with the aim to develop harmonised market Standards and promotion of best practices for SFTs (where needed).
- **Several topics were identified:**
  1. Promote identifiers (transaction codes for SFT, such as COLI/COLO etc)
  2. Efficient management of collateral involving T2S
  3. Support harmonised messaging (to reduce diverse email exchanges)
  4. Cut-Off Times
  5. Sourcing of Collateral
- Work has started on providing guidance on usage of identifiers (item 1 above)

# Transaction identifiers in settlement messaging

## 1) What could be achieved/improved if accurate transaction codes become reality/the standard?

*Improvements could be achieved in:*

- Operational efficiency
- Reporting

*Examples:*

- Improved transparency of data from CSDs according to transaction types.
- Improved Corporate Action processing through identification of relevant parties.
- Transaction types are not relevant for penalties/buy-in procedure (CSDR settlement discipline- the underlying asset is the only relevant information). The trading parties are the ones impacted by the management of buy-in regime (and not custodians or CSDs).

# Transaction identifiers in settlement messaging

## 2) Are firms already correctly using transaction type codes in the settlement messaging?

- It is not clear how wide the use is (and which codes are used) and original information is often lost in the settlement chain.
- CSDs could be asked to provide further information

# Transaction identifiers in settlement messaging

## 3) What should be better explained?

- Not all market participants may be familiar with existing usage guidelines and use of codes (for SFT and bilateral collateral management), i.e. SMPG documents.
- Further clarification may however be needed on how to use transaction identifiers and when

### *Example:*

- Existing usage guidelines have been updated and aligned (but should be verified if updates cover the migration to T2S etc).
- Regarding the format (e.g. of best practice for SFTs), examples in other areas could be taken into account.

# Next steps

## Promoting identifiers (i.e. correction usage of transaction codes)

- Action for EG: To define a market practice to use right code in both sides of the transaction.
- Information on current usage to be collected from CSDs
- Need to involve wide range of stakeholders.