

AGENDA

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

DATE & TIME	25 September 2018 – 9:00 to 17:30 CET
VENUE	C2.05 / ECB Sonnemannstr. 20, D-60314 Frankfurt am Main (Please register) Lunch: Foyer 3rd floor with a light buffet at around 12:30

1. Introduction and ECMS project update

CMH-TF members are invited to approve the agenda. CMH-TF members will be updated on the ECMS project.

2. Harmonisation of triparty collateral management (TCM) provided by TPAs

2.1 Harmonisation of triparty business processes and workflows – Follow-up work by TPAs and the Eurosystem

In its meeting on June 22nd 2018, the AMI-SeCo approved the CMH-TF [Harmonisation report on Triparty collateral management](#) (with an accompanying [cover note](#)) and the follow-up work, noting the importance to keep the pace for the next steps of the work. The follow-up work on triparty collateral management (TCM) consists of:

Overview follow-up work TCM	
Immediate follow-up	Focus on analysis of other harmonisation needs of relevance to ECMS (triparty real-time reporting messaging cycles/ operational day). Eurosystem central banks to consider the implementation of a harmonised business process for the handling of cash proceeds
Follow-up (medium term)	Consistent definition and implementation of ISO20022 messaging standards for TCM.
	Development of monitoring and compliance framework.
	Remaining harmonisation needs

Triparty agents for collateral management (TPAs) will present the progress on the immediate follow-up on harmonised TCM business processes and workflows, in particular on the provision of real-time information/intraday reporting on securities allocated to a triparty transaction via an ISO 20022 message.

The ECB will update the CMH members on its envisaged handling of cash proceeds related to CA events.

The CMH TF members are invited to:

- *Take note of the ECB's update on the handling of cash proceeds related to CA events.*
- *Take note of the progress on the immediate follow-up for TCM.*

Documents:

- Presentation Triparty Collateral Management - immediate follow-up [TBC]

2.2 Harmonisation of triparty collateral management (TCM) messaging – Ongoing work on ISO 20022 messaging

SWIFT will present the progress on TCM messaging - reverse engineering of the existing ISO 15022 messages into ISO 20022 message. Several TCM workshops were organised by SWIFT (6 June, 18 July and 4 September 2018). Further workshops are foreseen (1-2 October; 29-30 October; 29-30 November and 17 -18 December).

In this context, it is recalled that AMI-SeCo and AMI-Pay responded to SWIFT's consultation on ISO 20022 Migration study, in which they generally supported the vision of a broader adoption of the ISO20022 standard for financial services.

The CMH TF members are invited to:

- *Take note of the progress on the ISO 20022 messaging for TCM.*

Documents:

- *Presentation by SWIFT on triparty ISO 20022 messaging.*
- *Outcome of 1st workshop meeting for the Triparty Collateral reverse engineering*
- *[Outcome of 2nd workshop meeting for the Triparty Collateral reverse engineering]*
- *[Outcome of 3rd workshop meeting for the Triparty Collateral reverse engineering]*
- *AMI-SeCo/AMI-Pay letter to SWIFT on the ISO20022 Migration study*

3. Harmonisation of corporate actions (CA) business processes and workflows for collateral management – Follow-up work

In its meeting on June 22nd 2018, the AMI-SeCo approved the [Harmonisation report on Corporate Actions](#) and the follow-up work. As immediate follow-up, a verification exercise was

launched with ECSDA on the corporate actions (CA) events which cover remaining harmonisation needs of relevance to ECMS:

Overview follow-up work CA	
Immediate follow-up	Remaining harmonisation needs of relevance to ECMS: <ol style="list-style-type: none"> 1. CA Events Applicable to Eurosystem Eligible Debt Instruments 2. Usage of Decimals and Handling of Rounding Differences 3. CA Events where Participation Requires the Blocking of Securities 4. Identification of Parties in a Collateralised Transaction 5. Modified Following Business Day Convention 6. Handling of Negative Cash Flows 7. Handling of Non-Euro Corporate Action Payments
Follow-up (medium term)	Consistent implementation of ISO20022 messaging standards for CA, reporting/messaging cycles.
	Development of monitoring and compliance framework.
	Remaining CA harmonisation needs (transversal activities and events relevant to equities).
Continue contributing to other harmonisation needs (medium term)	

On the basis of ECSDA's feedback, proposals for harmonised processes should be developed.

The CMH TF members are invited to:

- *Take note of the feedback provided by ECSDA and make proposals for CA harmonised processes.*

Documents:

- *Feedback issues notes on Corporate Actions in the context of collateral management:*
 1. *CA Events Applicable to Eurosystem Eligible Debt Instruments;*
 2. *Usage of Decimals and Handling of Rounding Differences;*
 3. *CA Events where Participation Requires the Blocking of Securities;*
 4. *Identification of Parties in a Collateralised Transaction;*
 5. *Modified Following Business Day Convention;*
 6. *Handling of Negative Cash Flows;*
 7. *Handling of Non-Euro Corporate Action Payments.*

4. Harmonisation of taxation processes for collateral management

A questionnaire was sent to (I)CSDs on operational differences in taxation processes, which could hinder the mobilisation of collateral. In particular, the following eight topics were identified:

Overview follow-up work Taxation processes

Immediate follow-up	Remaining harmonisation needs of relevance to ECMS: <ol style="list-style-type: none"> 1) Identification of Existing Differences per Market Relevant to Collateral Management 2) Identification of Collateral Transaction (and Relevant Parties) for Taxation Purposes 3) Identification of Tax Treatment of Securities Depending on Collateral Transaction Type 4) Provision of Tax Service by (I)CSDs 5) Identification of Securities Subject to Withholding Tax 6) Transmission of Information on Counterparty Taxation Status to Local (I)CSD 7) Tax Reclaim Process for Securities Used as Collateral 8) Handling of Tax Reduction.
Follow-up (medium term)	Consistent implementation of ISO20022 messaging standards . Development of monitoring and compliance framework. Remaining CA harmonisation needs (transversal issues).

On the basis of the feedback on the questionnaire of taxation processes, proposals for harmonisation have been developed.

The CMH TF members are invited to:

- Take note of the feedback on the questionnaire of taxation processes.

Documents:

- Feedback on questionnaire of taxation processes

5. Framework for monitoring compliance with agreed collateral management harmonisation proposals

In the AMI-SeCo [Report on Collateral Management Harmonisation](#), as well as in the Harmonisation report on TCM and the Harmonisation report on CA, it was stated that further work on the definition of standards for harmonised business process/workflows and a monitoring framework is needed. In particular, further work is needed on identifying who will have to implement the harmonisation proposals and what should be monitored at which level (e.g. at the level of collateral management service providers (CMSPs), at the level of the users of CMSPs, at national level) and how. HSG is currently being consulted on the AMI-SeCo's future post-trade harmonisation monitoring framework. Future progress reports are expected to cover all existing and potential future post trade harmonisation activities of the AMI-SeCo (including collateral management harmonisation).

The CMH TF members are invited to:

- Agree on the way forward.

Documents:

- Development of a monitoring framework for collateral management harmonisation.

6. Overall progress in view of 2018 planning of CMH-TF

As a regular item, overall progress should be considered in view of the 2018 work plan (also related to bilateral collateral management, billing processes and data for collateral management).

The CMH TF members are invited to:

- Take note of the overall progress and planning and consider the next steps.

Documents:

- Work plan for the next steps of CMH-TF
- Overview CMH-TF meeting dates for 2018

7. AOB

CMH TF members are invited to raise any additional points which could be of interest to all members.