



EUROPEAN CENTRAL BANK

EUROSYSTEM

Collateral Management Harmonisation Activities

Presentation to AMI-SeCo



harmonisation

13 May 2019, Frankfurt am Main

Three agenda items

1.1. Harmonisation Standards

1.2. Monitoring Framework (status update)

1.3. Next Steps (Ongoing work & communication)

1.1. Harmonisation Standards

Overview

- AMI-SeCo's CMH-TF has transposed agreed harmonisation proposals into Harmonisation Standards.
- 3 'Rulebooks' have been prepared each containing a series of 'Harmonisation Standards'



Triparty Collateral Management
Harmonisation Standards
CMH-TF



Corporate Actions
Harmonisation Standards
CMH-TF

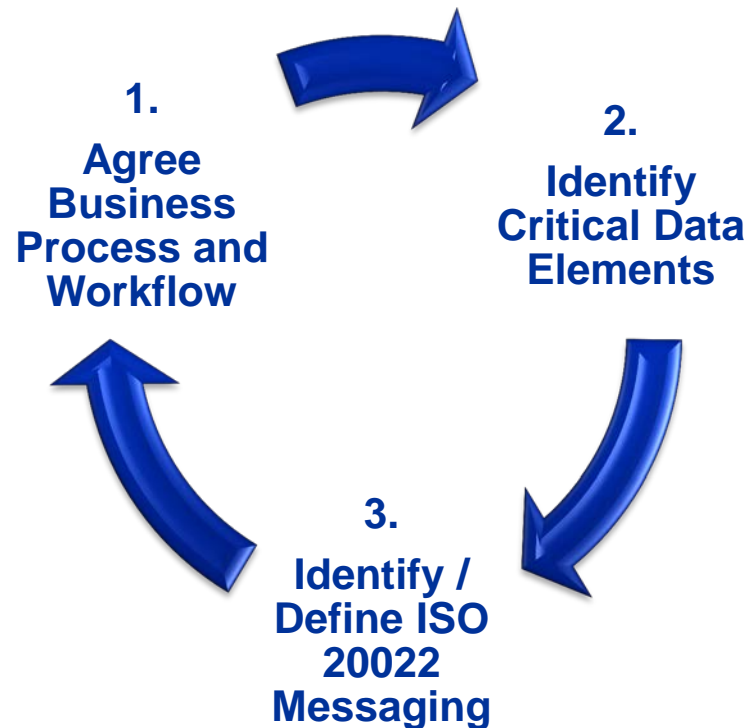


Billing Processes
Harmonisation Standards
CMH-TF



Approach to Harmonisation

For each activity (e.g. Triparty Collateral Management) a 3-step approach is followed to achieve harmonisation.

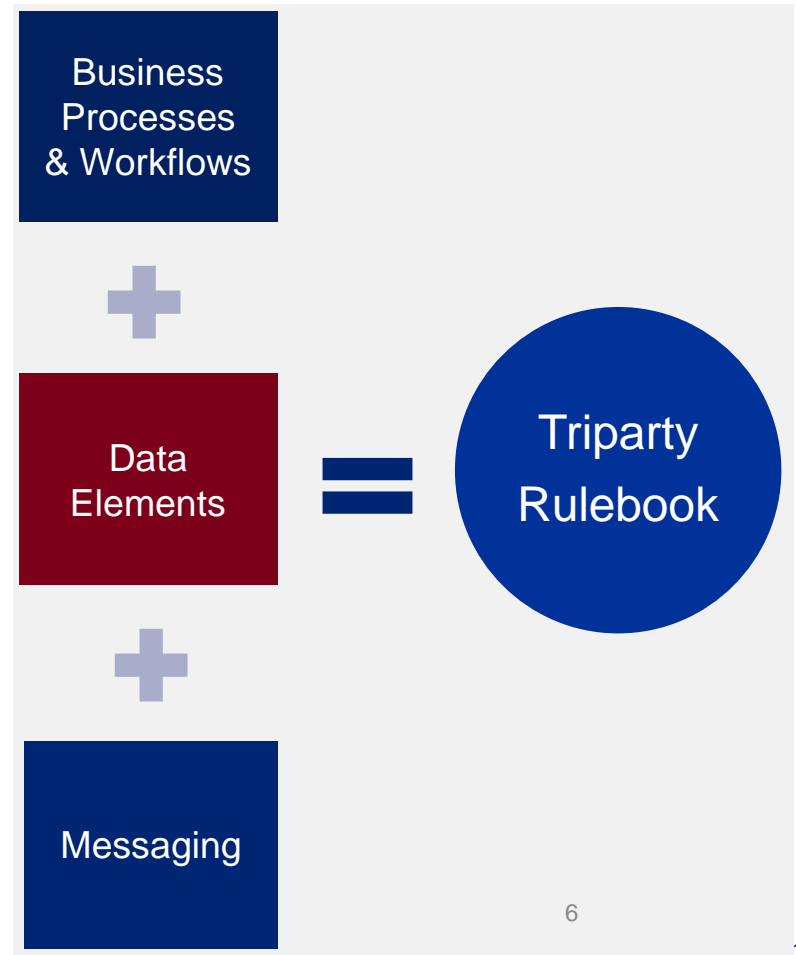
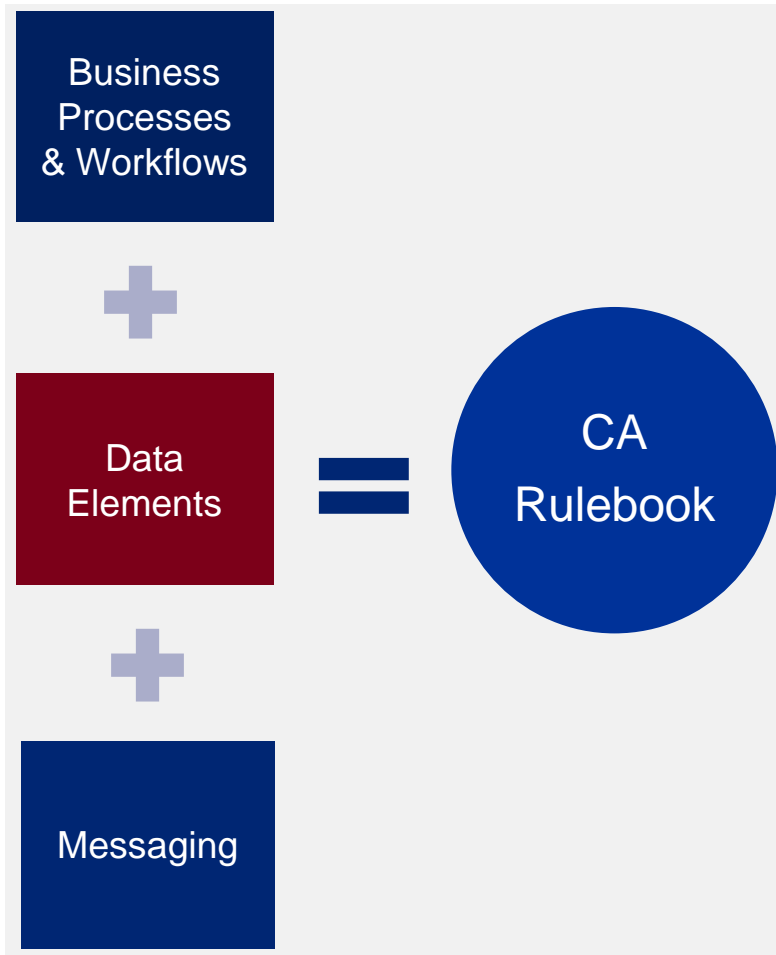


The harmonisation work is structured as follows:

1. Define and agree the harmonised business process and workflow
2. For each business process identify the critical data elements necessary for the functioning of this process
3. Identify / define an ISO20022 market standard message by which these data elements should be transmitted

Building blocks

The 3-step approach serves as the basis for the creation of a Single Rulebook for each activity. The rulebook contains standards covering harmonised business processes, data elements, workflows and messaging



How the Harmonisation Standards are created

- Explaining the journey from harmonisation needs to harmonisation standards

1. Analysis and Proposals



For each harmonisation activity, the harmonisation needs are analysed in-depth (hereby taking into account existing industry standards and market practices) and harmonisation proposals are prepared.

2. Standards and Rulebook



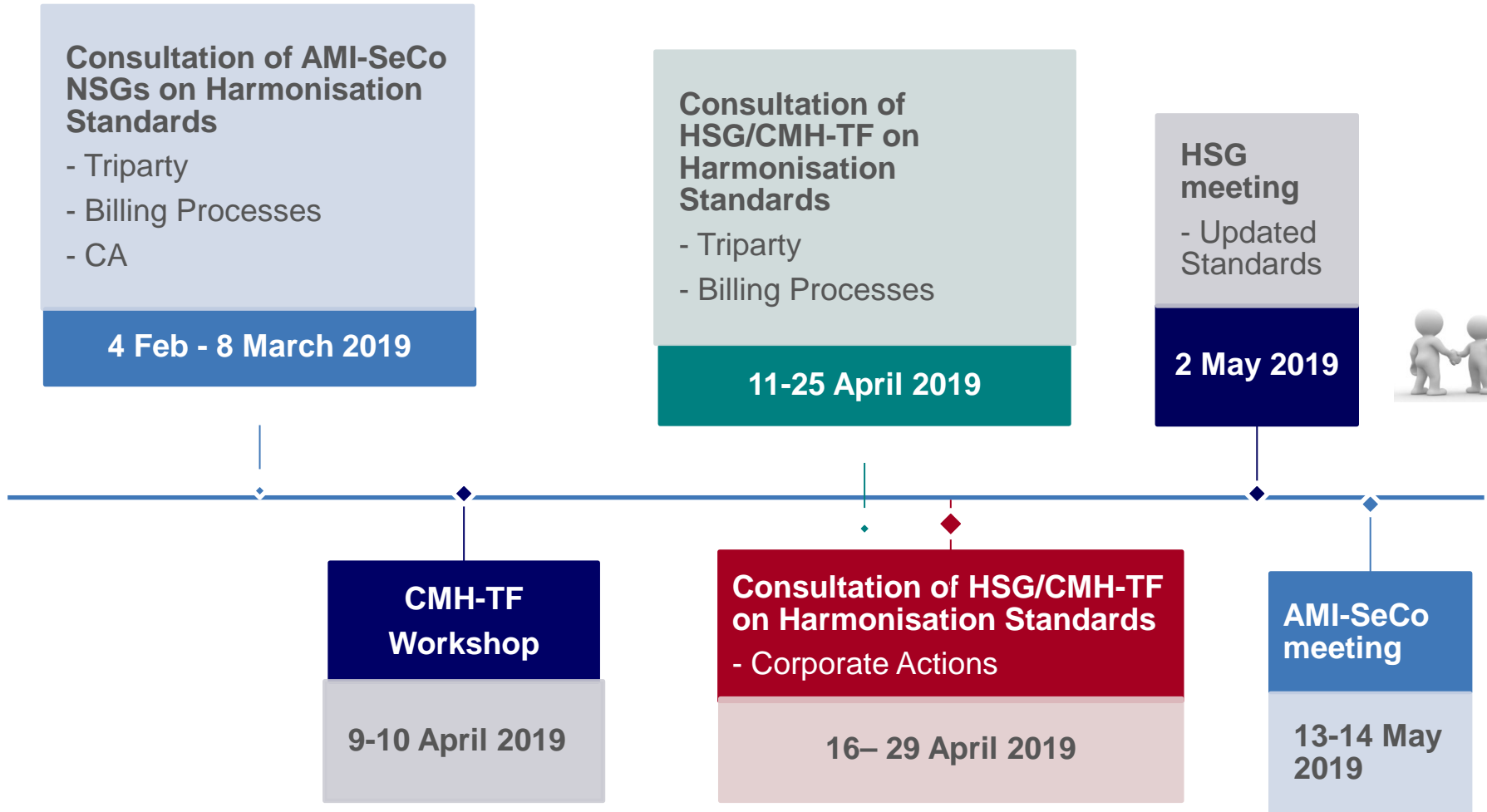
For each harmonisation proposal a Harmonisation Standard will be defined. Each Harmonisation Standard is accompanied by a detailed rulebook.

3. AMI-SeCo Agreement



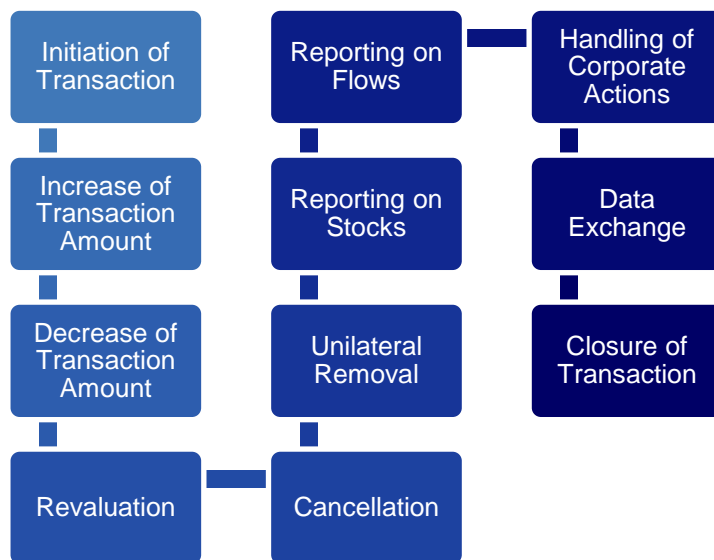
The Standards and the accompanying Rulebook are submitted to AMI-SeCo for approval.

Timeline



Triparty Collateral Management

- The Triparty Rulebook presents the single, harmonised triparty model for Europe based on the ISO 20022 standard.



- ✓ Harmonised business processes and workflows.
- ✓ Identification of key data elements to be mapped to ISO 20022 messages.

The Rulebook includes 17 Standards which have been agreed by the HSG

Billing Processes

- Harmonisation proposals presented in the November meeting of AMI-SeCo have been transposed into Harmonisation Standards.

The Standards cover:

- Harmonisation of **messaging format** for the transmission of billing information.
- Harmonised **billing frequency**.
- Harmonisation of **cut-off dates and payment dates**.

The Rulebook includes 4 Standards which have been agreed by the HSG

Corporate Actions

- **The June 2018 Report on Corporate Actions and the outcome of market feedback on the *Issues Notes* was taken as a basis for the Harmonisation Standards.**

Summary:

> HSG Agreement on 12 Standards

- E.g. **Harmonised business process and workflow** per CA event.
- **Consistency of information** provided by Issuer and Investor CSDs
- **Reversal of CA movements** – pre-advice prior to reversal.
- Market practice for the **handling of rounding**.

> Agreement in principle on 3 Standards, where finalised work should be presented to the July AMI-SeCo

- Harmonised processes for **negative cash flows**.
- Inclusion of indicator in CA messages for **identification of securities subject to blocking**.
- Harmonised processes for **non-euro CA payments**.

Agreement on staggered implementation approach for Standard 15, related to ISO 20022 messaging > CSDs to support ISO 20022 by Nov. 2022

I. AMI-SeCo participants are invited to endorse the Standards, i.e.

(i) Harmonisation Standards for triparty collateral management; (ii) Harmonisation Standards for billing processes and (iii) 12 out of fifteen Harmonisation Standards for corporate actions (applicable to CA events relevant to debt instruments), with work on three Standards to be finalised (see II).

II. Further work on three Harmonisation Standards for Corporate Actions (i.e. Standard 5, 10 and 14): HSG/CMH-TF to further define by July 2019 the detailed processes, while agreement in principle was reached on the overall way forward. The Standards are related to Negative Cash Flows (Standard 5), Blocking of Securities (Standard 10) and Processing of non-euro CA payments (Standard 14).

III. Implementation of ISO20022 for CA follows a staggered approach, i.e. Wave 1 by November 2022: CSDs (providing account services and/or collateral management services to Eurosystem NCBs), CCPs and Eurosystem counterparties as collateral givers; Wave 2 (TBC): All other financial market stakeholders shall implement the Standards (with timing of Wave 2 to be decided). HSG/CMH-TF to define the deadline for Wave 2

1.2. Monitoring Framework for the AMI-SeCo Harmonisation Standards (Status update)

Promoting an integrated financial market in Europe which is truly domestic

Need for harmonisation of market practices to capitalise on new operational and legislative environment: **AMI-SeCo Harmonisation Standards**

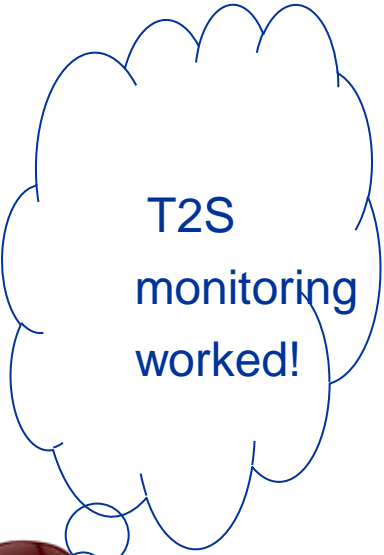


Need to monitor implementation (compliance) of AMI-SeCo Harmonisation Standards:

Monitoring Framework



- using the experience of T2S harmonisation: Monitor market stakeholders and the Eurosystem implementation of harmonisation



T2S
monitoring
worked!

- Harmonisation Standards on efficient and effective management of securities and collateral
 - Business processes & workflows (procedures/operating model)
 - Critical data elements & Messaging
- Exchange information involving the National Stakeholder Groups (NSGs)
- Using existing methodology (the AMI-SeCo's T2S harmonisation methodology, e.g. assign colour code)



harmonisation



Monitoring Framework

The Monitoring Framework should facilitate structured and consistent monitoring of national markets' progress in implementing the agreed Harmonisation Standards



Harmonisation Phases

The monitoring framework consists of three phases, each of which is comprised of a series of milestones against which progress shall be monitored with a view to fostering compliance of all relevant actors with the Harmonisation Standards by the timelines agreed by AMI-SeCo

1. Definition

- **Defining the Harmonisation Standards**
 - What are the standards.
 - Who is responsible for implementing them.
 - By when.



2. Planning

- **Planning and setting up arrangement to monitor progress**
 - What is the adaptation plan.



3. Implementation

- **Evaluate progress of implementation and readiness to comply in accordance with the timelines agreed by AMI-SeCo**
 - What is the implementation status.



Monitoring Interim Milestones



	No.	Name	Description of interim milestones for monitoring progress within each phase
DEFINE	1	Define Standards	Following agreement by AMI-SeCo on the harmonisation proposals, the AMI-SeCo community shall define harmonisation standards against which compliance shall be monitored.
	2	Provide / Update Rulebook	Detailed rulebook providing sufficient detail on each standard, so that the targeted stakeholders will know what to do to prepare themselves to be compliant.
PLAN	3	Establish Project	Participants shall establish an internal project and nominate a person who acts as a point of contact for the NSG on the implementation of the harmonisation standards.
	4	Conduct Impact Assessment	Each participant shall conduct an assessment of the impact of the harmonisation standard on existing processes. Any barriers e.g. legal preventing the adoption of the harmonisation standard should be highlighted.
	5	Submit Plan	Each participant shall submit a detailed plan on how it intends to comply with the harmonisation standard.
IMPLEMENT	6	Internal Adaptation	Phase during which each participant completes all necessary internal adaptations and internal tests e.g. adaptation of IT systems, procedures, legal changes.
	7	User Communication	Public communication from providers to users informing them of changes to existing processes in order to ensure that users have time to make necessary adaptations.
	8	Internal Testing	Participants shall complete internal testing.
	9	User Testing	Participants shall complete testing with its users prior to the adoption of the harmonisation standards.
	10	Harmonisation Achieved!	The harmonisation standard has been implemented.

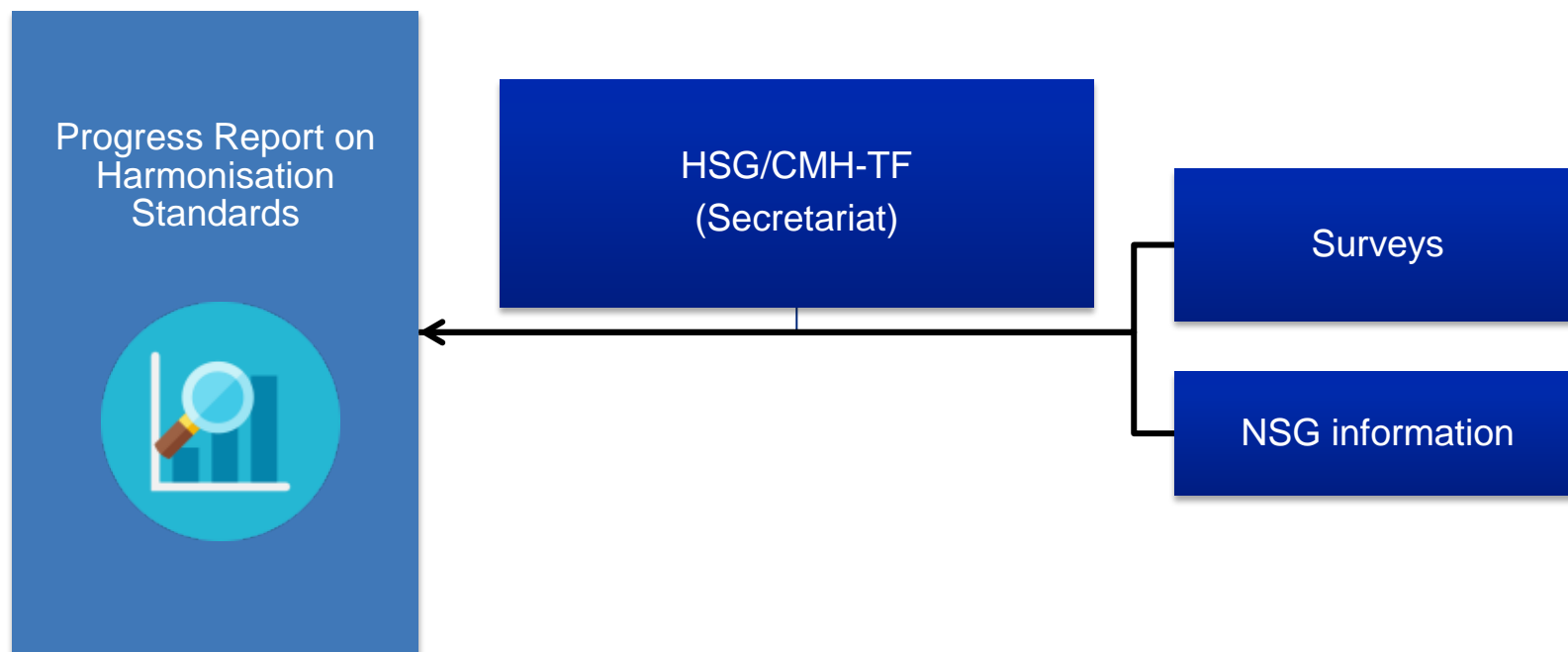
- Triparty collateral management: the NSG should collect and review answers to the survey provided by the TPA (with involvement of its users).

- CA: the NSG should collect and review answers to the survey provided by the (I)CSD, TPAs and custodians (with involvement of their users).



Reporting on Progress

The reporting of progress should be based on the input of relevant actors against agreed timelines



Timeline for Monitoring



Harmonisation Standards

Covers Triparty Collateral Management processes, Corporate Actions processes applicable to Eurosystem eligible debt instruments and Billing Processes

- (i) Definition: by May 2019
- (ii) Planning: by September 2019
- (iii) Implementation: by November 2022

Remaining work items:

- HSG will work on Bilateral collateral management, CA processes applicable to other instruments (e.g. equities) and remaining collateral management processes: Monitoring will come afterwards.
- HSG will analyse existing/future governance arrangements to streamline monitoring by end 2019 (for the moment the existing governance arrangements will remain in place for CASG, CMH-TF and other market initiatives).
- HSG members will until September 2019 check/re-assure how to re-use existing info.

1.3. Next Steps

Ongoing work and communication

Following the adoption of the Harmonisation Standards further work on remaining activities is foreseen. Communication should ensure full awareness of the AMI-SeCo harmonisation agenda amongst all financial market stakeholders

ECB
Website



A series of **articles and interviews** on the adopted Harmonisation Standards on triparty collateral management, billing processes and corporate actions is planned.

Information
Pack



The **information** pack provided to **NSGs** in February will be updated to reflect latest developments

Workshops



A **workshop** with market practitioners on the agreed Harmonisation Standards (in particular Corporate Actions) is planned involving participants from AMI-SeCo, CAJWG, ECSDA and other key stakeholders. Also workshops by NSGs could be organised.