

## Outcome and follow-up

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

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| <b>DATE &amp; TIME</b> | 20 September 2017 - 10:00 to 17:00   |
| <b>VENUE</b>           | European Central Bank, Main Building, Sonnemannstrasse 20,<br>Frankfurt am Main, Germany |

#### 1. Introduction

CMH TF members approved the agenda of this meeting and the outcome of the first CMH-TF meeting.

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#### 2. Substreams reporting and discussion

The five substreams of the CMH-TF have started to analyse possible barriers to efficient collateral management. Each substream lead reported on the status/progress of the work and possible dependencies with other streams.

##### **Substream 1: Triparty Collateral Management** (lead: Clearstream)

The Substream 1 is analysing triparty processes and messaging for triparty collateral management, with a view to agreeing on harmonised business processes, workflows and messages based on the ISO 20022 standard. In a further step, the Substream 1 will analyse the sourcing of collateral to/from triparty agents (TPA) and triparty framework/interoperability. At this stage, a common terminology is being defined and a series of differences are being identified. Members supported the work on achieving further clarity on whether the differences in models can be explained by TPA processes and/or central bank/market practices (to clarify who/how harmonisation could be achieved). Further clarity is also needed on the possible harmonisation of current use of messages in triparty for transaction reporting. Involvement of ISO expertise should be considered in due course. Substream 1 agreed that it was too early to agree on prioritisation of items or prioritisation methodology as not all assigned CMHA had

been discussed yet.

Follow-up:

- The analysis of current triparty processes/messaging should be extended to other triparty agents (e.g. Iberclear, BNY Mellon, JP Morgan).
- Substream 1 is invited to present in the next CMH TF meeting a list of business processes and workflows which could be harmonised for triparty collateral management and which could be translated into ISO 20022 compliant messages.
- Substream 1 is invited to present a prioritisation suggestion in the next CMH TF meeting.

**Substream 2: Corporate Actions, Taxation Forms, Non-Euro Collateral Management**

(lead: Citi);

The Substream 2 is analysing the handling of corporate actions in the context of collateral management. An analysis on handling of taxation forms (as part of the wider CA scope) will follow at a later stage (which will take into account the ongoing work of the European Commission<sup>1</sup> and might require additional expertise). Members supported the analysis on corporate actions messaging and suggested to cover all asset classes in the broad scope of the work, noting that the same messaging standard would have to be implemented for all CA events, and not just those deemed relevant to Eurosystem eligible collateral (even those are more urgent). Members also agreed that a clear terminology should be established.

Follow-up:

- CMH TF members are invited to reply to the questionnaire on corporate actions (by 2 October 2017).
- CMH TF members are invited to nominate, for participation in substream 2, additional experts on handling of taxation forms in the context for collateral management (by 2 October 2017).
- Substream 2 is invited to present in the next CMH TF meeting a list of areas which could be harmonised for corporate actions in line with the ISO standard 20022 (including messaging / workflows).

**Substream 3: Bilateral Collateral Management, Margin Calls** (lead: BNPP);

The Substream 3 is reviewing existing market initiatives and started analysing possible frictions by the participants in bilateral collateral management and margin calls. A common terminology will be defined (where needed in coordination with Substream 1). Members suggested to further clarify to what extent the activities are different from central bank credit operations (to determine the scope of the work). Members suggested that the scope of the analysis should be determined (i.e. whether to focus on bilateral collateral processing for OTC Derivatives and/or securities lending/financing, the use of cash collateral, the role of CCPs, central banks and buy-side participants, etc).

Follow-up:

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<sup>1</sup> See European Post Trade Forum Report 15th May 2017 (i.e. Barrier 12: Inefficient withholding tax collection procedures)

- CMH TF members are invited to share existing work/initiatives of industry associations on bilateral collateral processing (by 29 September 2017).
- The ECB will provide input to Substream 3 on how bilateral collateral management operates in the Eurosystem context (by 29 September 2017).
- Substream 3 is invited to present in the next CMH TF meeting the scope of bilateral collateral processing and a list of messaging/ workflows which could be harmonised for bilateral collateral management.

#### **Substream 4: Fee and Billing Processes, Reporting, Cut-Off Times (lead: LSEG);**

The Substream 4 analysis so far revealed that billing processes are diverse (in relation to format/means/calculation methods and may depend on asset classes). Members also suggested to analyse the causes for such differences and their impact on collateral management. Regarding cut-off times, members suggested that a new fact finding could be undertaken involving AMI-SeCo and industry associations to update an earlier fact finding (“Improvements to commercial bank money (CoBM) settlement arrangements for collateral operations”, July 2014). Regarding regulatory reporting (in particular in relation to SFTR or MiFID), members agreed that there is *no* need for Substream 4 to cover the topic at this stage. It was explained that industry associations are already working on the (upcoming) regulatory reporting requirements and there is no need for additional analysis (unless it turns out that gaps remain and AMI-SeCo involvement could prove to be useful). The operational reporting (related to triparty/bilateral transactions and corporate actions) will be covered in Substreams 1, 2 and 3.

##### Follow-up:

- Substream 4 is invited to present in the next CMH TF meeting a list of messaging/ workflows which could be harmonised for fee/billing processes.

#### **Substream 5: Collateral Dynamic and Static Data (lead: Deutsche Bank).**

The Substream 5 is analysing the list of data elements used for collateral management (identifying relevant data elements and common definitions) and the potential for harmonisation of practices regarding these elements.

##### Follow-up:

- CMH TF members are invited to nominate, for participation in this substream, additional experts on static/dynamic data in the context for collateral management (by 29 September 2017).
- Substream 5 is invited to present in the next CMH TF meeting a list of data elements and practices which could be harmonised.

### **3. Prioritisation of activities**

CMH-TF members exchanged views on the proposed prioritisation methodology, including the classification into two priority groups and prioritisation process. Members suggested dedicating sufficient time to examine both priority 1 (which are more confined) and priority 2 items (which

could potentially cover a wider range of issues). Members suggested that priorities should take into account the relevance of the issue, dependencies upon other issues and the achievability of potential benefits, but should not be restricted to a currency (also in view of the potential synergies with the CMU initiative). The suggested timelines for an ECMS would be taken into account. An iterative process should allow the modification of the priority list when needed.

Follow-up:

- CMH TF members are invited provide feedback in written until 27 September 2017.

**4. Overall planning of CMH-TF work**

CMH-TF members considered the progress according to the work plan. In the next CMH TF meeting, a preliminary overview should be provided with a list of priority items, which have been assessed so far.

Follow-up:

- Substreams are invited provide preliminary lists with priority items by 20 October 2017.

**5. AOB**

No additional points were raised.

Next meetings:

|             |                  |                                   |
|-------------|------------------|-----------------------------------|
| 3rd meeting | 25 October 2017  | ECB Main Building 10.00 am - 5pm; |
| 4rd meeting | 20 November 2017 | ECB Main Building 10.00 am - 5pm; |

**List of participants:**

|                       |                         |             |
|-----------------------|-------------------------|-------------|
| BNY Mellon            | Ms Gesa Benda           | Chairperson |
| European Central Bank | Mr Benjamin Hanssens    | Secretary   |
| Banque de France      | Ms Françoise Chevril    |             |
| BME CLEARING          | Ms Teresa Castilla      |             |
| BNP Paribas           | Ms Helene Virello       |             |
| BNY Mellon            | Ms Claire Allum         |             |
| Clearstream           | Mr Fabrice Tomenko      |             |
| Citi                  | Mr Michael Payne        |             |
| Citi (Lead WS2)       | Mr Marcello Topa        |             |
| Danske Bank           | Ms Rebekka Schultz      |             |
| Deutsche Bundesbank   | Ms Antje Heikamp        |             |
| DZ BANK AG            | Mr Oliver Deutscher     |             |
| Euroclear             | Mr Jan Grauls           |             |
| European Central Bank | Mr Gary McNamara        |             |
| Goldman Sachs         | Ms Kathleen Bendernagel |             |
| Monte Titoli          | Mr Umberto Granata      |             |

|                               |                    |
|-------------------------------|--------------------|
| Morgan Stanley                | Mr Adam G. Bate    |
| Société Générale              | Mr Pierre Lebel    |
| Additional Experts (ad hoc)   |                    |
| Clearstream Banking Frankfurt | Mr Dirk Rothenbach |
| European Central Bank (ECMS)  | Ms Audren Plancon  |

**Members who did not attend the meeting:**

|                |                             |
|----------------|-----------------------------|
| Deutsche Bank  | Mr Marko Niederheide        |
| Northern Trust | Ms Anna Matson              |
| EFAMA          | Mr Vincent Dessard          |
| JP Morgan      | Mr Michele Filippini        |
| Eurex Clearing | Mr Oliver Bartel            |
| LCH Clearnet   | Ms Caroline Colette – Jones |
| UBS            | Ms Sally Shackleton         |