



EUROPEAN CENTRAL BANK

EUROSYSTEM

Collateral Management Harmonisation

**Overview of planning and
upcoming activities**

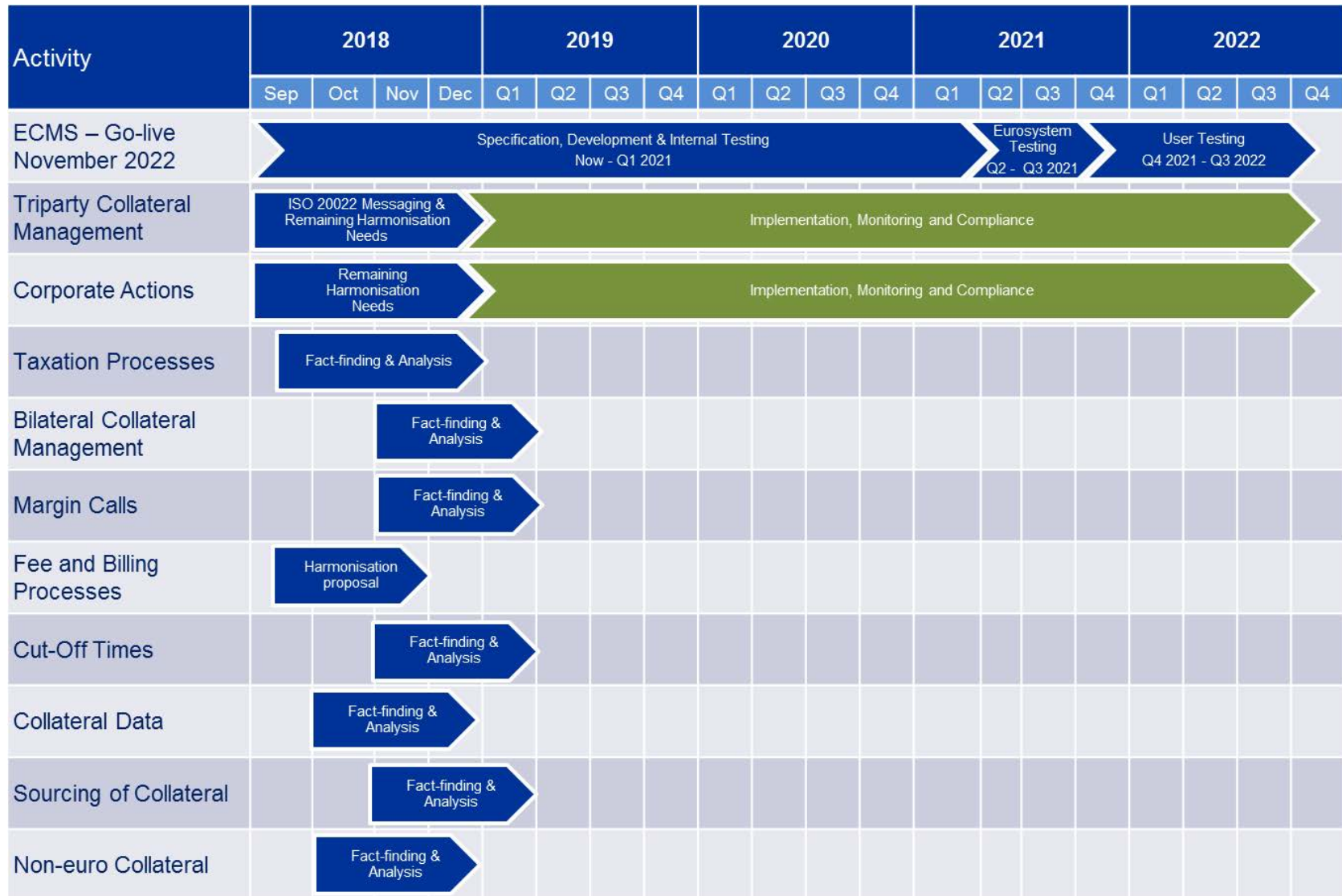
Collateral Management Harmonisation Task Force
Frankfurt, 25 September 2018

CMH-TF – Key Activities in Q4 2018

- Provide all necessary input for the development of ISO 20022 messaging for triparty collateral management.
- Complete analysis on remaining harmonisation needs in the field of triparty and corporate actions and make harmonisation proposals where relevant.
- Define the *Implementation, Monitoring and Compliance Framework* and submit for approval in the November meeting of AMI-SeCo.
- Transpose agreed harmonisation proposals for triparty and corporate actions into AMI-SeCo standards (against which compliance will be monitored).



Planning – high-level overview



Planning – by activity

– CMHA1: Triparty Collateral Management

Item	Description	Status
Development of ISO20022 messaging standards	ISO 15022 reverse engineering high level process	Ongoing
	Business justification process	Ongoing
	Messages development	Ongoing
	Message final approval (Validation)	Planned
	Triparty message specification	Planned
Remaining harmonisation needs	Priority 2 needs 5, 6 & 7	Planned
Development of monitoring and compliance framework		Ongoing – to be presented to AMI-SeCo in November.
Monitoring of compliance		Planned to commence in Q1 2019

Planning – by activity

– CMHA2: Corporate Actions

Item	Description	Status
CA Events relevant to debt instruments	Please refer to presentation on CAs for full details	Please refer to presentation on CAs for full details
Usage of decimals and handling of rounding differences		
CA events requiring blocking of securities		
Identification of Parties in a Collateralised Transaction		
Modified Following Business Day Convention		
Negative Cash Flows		
Non-Euro CA Payments		
Reversal of CA Movements – Identification of Rules		
Restricted Processes where CA Narrative Message should be used		
Procedures to support taxation related CA events		
Handling of Fees for Meeting Related CA Events		
Development of monitoring and compliance framework	Ongoing – to be presented to AMI-SeCo in November.	
Monitoring of compliance	Planned to commence in Q1 2019	

Planning – by activity

– CMHA3: Taxation Processes

Activity	Description	Status
(i) Identification of Existing Differences per Market Relevant to Collateral Management	Map with different national withholding tax requirements	Fact-finding questionnaire encompassing each of the issues presented here being finalised. Results to be presented in November meeting of the CMH-TF.
(ii) Identification of Collateral Transaction (and Relevant Parties) for Taxation Purposes	Analyse whether to apply the collateral giver tax status to the proceeds and whether this could become a harmonised rule	
(iii) Identification of Tax Treatment of Securities Depending on Collateral Transaction Type	Analyse whether transaction type may be relevant for standardised processing.	
(iv) Provision of Tax Service by (I)CSDs	Analyse how the tax service offered by the various CSDs impacts the tax handling of securities used in collateral management operations	
(v) Identification of Securities Subject to Withholding Tax	Identification of the securities used in a collateral transaction which are subject to withholding tax.	
(vi) Transmission of Information on Counterparty Taxation Status to Local (I)CSD	need to define a standardised workflow to transmit relevant information on a counterparty's tax status to the local (I)CSD	
(vii) Tax Reclaim Process for Securities Used as Collateral	need to define a harmonised workflow to manage the tax reclaim process	
(viii) Handling of Tax Reduction	need to further analyse the differences which exist in the handling of reductions in withholding tax	

Planning – by activity

– CMHA4: Bilateral Collateral Management

Item	Description	Status
Exchanges for Substitutions	Promote wider use of electronic platforms for substitutions and to promote the interoperability between the various initiatives	Fact-finding and analysis to commence in November.
Market Standards Framework for Cleared Derivatives Across Clearers and CCPs	Framework across Clearers and CCPs to harmonize the information available to end-users and its format	Fact-finding and analysis to commence in November.

– CMHA5: Margin Calls

Item	Description	Status
Exchanges for Margin Calls	Promote wider use of electronic platforms for margin calls and to promote the interoperability between the various initiatives	Fact-finding and analysis to commence in November.

Planning – by activity

– CMHA6: Fee & Billing Processes

Activity	Description	Status
Provision of Minimum Set of Data in billing (fees Invoice)	Minimum set of information in the fee invoices.	Harmonisation proposal being finalised for approval by (I)CSDs and CMH-TF.
Messaging Format for the Transmission of billing Information	Standardised ISO 20022 message format through which fees information should be transmitted	
Billing Period and Billing Frequency	Standardised billing period (monthly period covering the 1st of each month to the end of each month).	

– CMHA7: Cut-Off Times

Activity	Description	Status
TBD.		Not started.

Planning – by activity

– CMHA8: Collateral Data

Activity	Description	Status
Availability of Prices for Collateral	Need ensure that timely information is available at CMS when it is needed for the collateral management processes	(I)CSDs analysing how data exchange could be improved to facilitate timely provision of all relevant information required for the management of securities. Update to be presented in November meeting of the CMH-TF.
Outstanding Amount	Need to obtain information on outstanding amount	
Pool Factor	Need that the pool factor becomes available to all parties in a timely manner	
Minimum Denomination Amount	Need for data exchange on the minimum denomination amount of some ABSs to take place in a harmonised and timely manner	
Unit Size	Accurate information on unit size in a harmonised and timely manner	
All Other Data Elements	Harmonised, efficient and timely exchange of other data elements	

Planning – by activity

– CMHA9: Sourcing of Collateral

Activity	Description	Status
Real Time or Quasi Real Time Settlement	All EU CSDs can support real time or quasi real time settlement	Not started.
Automated Processing at CSD Level	Fully automated processes are in place at CSD level	
Same Day Settlement	Need to ensure that same day settlement is possible for all collateral instructions	
Pre-Matching of Collateral Instructions	Need to ensure that the pre-matching process is either fully automated or instead considered as not required for collateral transfers	
Maximum Time Limit for Settlement of Collateral	Ensure that a transfer of collateral should take less than 20 minutes from the initiation of the instruction to the settlement.	
Elimination of National Specificities / Processes Impacting Collateral Mobility	Need to further harmonise and eliminate specific requirements which remain in certain markets	
Effect of Omnibus Account Structure on Settlement Efficiency	Need to further analyse whether the usage of an omnibus account structure at CSD level can help to increase collateral mobility	
Eligibility of EuroDenominated EU Securities for Use in T2S or via the Bridge	Need to ensure that, as a minimum, all securities in EU markets should be Bridge or T2S eligible.	
Settlement Efficiency via the Bridge	Need for further Improvements to the Bridge to further improve settlement efficiency.	
T2S Participation	Market participants have identified a need to encourage non-T2S participating CSDs to join T2S to improve collateral fluidity	

Planning – by activity

– CMHA10: Non-euro Collateral Management

Activity	Description	Status
Handling of Non-Euro Corporate Action Payments	Need to implement a harmonised workflow for the payment of non-euro denominated corporate actions.	Being analysed as part of work on corporate actions.
Eligibility of Non-Euro Denominated EU Securities for Use in T2S or via the Bridge	Need to ensure that all EU non eurosecurities eligible in Euroclear or Clearstream should be Bridge Eligible	Not started.