



EUROPEAN CENTRAL BANK

EUROSYSTEM

Collateral Management Harmonisation

CMHA2: Corporate Actions

Status update – follow-up work

Collateral Management Harmonisation Task Force

Frankfurt, 25 September 2018

Background

- **AMI-SeCo approved the harmonisation proposals prepared by the CMH-TF for corporate actions.**
- **The corporate actions report presented harmonised business processes and workflow for CA events relevant to Eurosystem eligible collateral.**
- **A series of follow-up items were identified in the CMH-TF Report on Corporate Actions for which a status update is provided in this presentation.**



Status update – follow-up work

– CA Events Relevant to Debt Instruments

Topic	Description
Issue	A list of 36 CA events were identified which all markets agreed were relevant to Eurosystem eligible collateral. A further 7 events were identified which were identified as being potentially relevant to Eurosystem eligible collateral but for which no consensus was reached.
Status	The ECB is deepening the analysis on the remaining 7 events in close co-operation conjunction with the CSDs and relevant market stakeholders.
Next Steps	Finalise proposal and circulate to CMH-TF for approval. Proposal to be incorporated into updated version of the Report on Corporate Actions to be submitted for approval in the November meeting of AMI-SeCo

Status update – follow-up work

– Usage of Decimals and Handling of Rounding Differences

Topic	Description
Issue	Assets adapt to the place-of-safekeeping/agent rules, and therefore the market where securities are held determine the application of payment amounts / security movements. The impact of the usage of different decimal places and the subsequent need to handle rounding differences causes friction in the CA handling process.
Status	There is support by several (I)CSDs for a general rule across Europe concerning rounding differences.
Next Steps	Detailed proposals to be prepared covering rules for: <ul style="list-style-type: none"> • Harmonisation on handling of Rounding Differences • Harmonisation on handling of Rounding Differences involving intermediaries • Harmonisation on handling of Rounding Differences involving partial redemptions



Status update – follow-up work

– CA Events Requiring Blocking of Securities

Topic	Description
Issue	There is a need to identify those CA events where participation in the CA event requires the blocking of securities.
Status	A general rule is under consideration whereby for elective CA events without a record date in T2S markets the securities are moved to a dedicated account. Accordingly a sese.025 message will be generated in T2S to confirm the movement (blocking) of the security.
Next Steps	Collect further input from (I)CSDs before finalising proposal and subsequently circulating to CMH-TF for approval. Proposal to be incorporated into updated version of the <i>Report on Corporate Actions</i> to be submitted for approval in the November meeting of AMI-SeCo



Status update – follow-up work

– Identification of Parties in a Collateralised Transaction

Topic	Description
Issue	The CMH-TF considered that there is a need to identify all parties to a collateral transaction in order to ensure that the collateral giver and/or collateral taker can be notified accordingly. The identification of the collateral giver/taker is not a problem for triparty transactions (as triparty agent has identified the parties) and it is also not an issue for transactions involving a dedicated collateral account (as in Eurosystem credit operations, the Eurosystem is always collateral taker).
Status	CSDs are analysing how the collateral taker / collateral giver can be identified in bilateral market transactions. The impact of reporting obligations under CSDR (as of 2020) to identify if a security is being used as collateral are also being assessed.
Next Steps	Finalise proposal and circulate to CMH-TF for approval. Proposal to be incorporated into updated version of the Report on Corporate Actions to be submitted for approval in the November meeting of AMI-SeCo.



Status update – follow-up work

– Negative Cash Flows

Topic	Description
Issue	The current process for handling negative cash flows is heterogeneous and may involve a number of complex processes (e.g. collateral taker / giver). As negative cash flows are not currently handled by all CSDs no standardised procedure exists.
Status	Further detail on current practices across all European markets is being collected. In some markets (I)CSDs do not accept to issue assets with a negative cash flow and / or announce the negative cash flow at zero. Initial feedback suggests that legal impediments in some jurisdictions preclude the possibility to have a harmonised workflow based on the debit of the account of the securities holder.
Next Steps	Finalise analysis and clarify potential legal constraints.



Status update – follow-up work

– Non Euro CA Payments

Topic	Description
Issue	The process is heterogeneous across CSDs. Some (I)CSDs convert the cash proceeds of a CA event related to non-euro denominated collateral into the euro equivalent before crediting the collateral taker, whilst other CSDs always remit the FX proceeds.
Status	It is currently being checked with all (I)CSDs if they are (i) able to process foreign currency payments and (ii) whether the (I)CSDs offer a conversion service.
Next Steps	Assess (I)CSD feedback.



Status update – follow-up work

– Reversal of CA Movements – Identification of Rules

Topic	Description
Issue	There is a need to elaborate detailed rules for the reversal of CA movements for e.g. it should be agreed that the reversal is announced X days in advance of the movement occurring in order to ensure the securities holder has sufficient time to fund the reversal.
Status	Ongoing work in progress with assistance of relevant market practice experts.
Next Steps	Incorporate rules in updated <i>Report on Corporate Actions</i> .

Status update – follow-up work

– **Restricted Processes where CA Narrative Message should be used**

Topic	Description
Issue	Elaboration of rules for restricted CA processes where a CA Narrative (CANA) message should be used.
Status	Ongoing work in progress with assistance of relevant market practice experts.
Next Steps	Incorporate rules in updated <i>Report in Corporate Actions</i> .

Status update – follow-up work

– Procedures to support taxation related CA events

Topic	Description
Issue	Procedures and messages to support taxation related CA events namely CERT, TREC and WTRC should be documented.
Status	To be covered as part of CMHA3: Taxation Processes due to the dependency on taxation workflows. Detailed questionnaire being prepared for completion by all markets.
Next Steps	Circulate questionnaire to market participants and collate feedback for discussion in November meeting of the CMH-TF.

Status update – follow-up work

– Handling of Fees for Meeting Related CA Events

Topic	Description
Issue	The 8 ISO 20022 messages for the handling of meeting related CA events do not provide the possibility to confirm the processing of consent / solicitation fees associated with meeting related events.
Status	It has been confirmed that CACO message should be used in addition to the meeting related messages to support the processing of fees. The message should contain the meeting code <i>MTNG</i> .
Next Steps	Elaborate full process and update workflows for meeting events in the <i>Report on Corporate Actions</i> accordingly.



Status update – follow-up work

– Identification of Key Data Elements

Topic	Description
Issue	For each CA event, the key data elements which should be populated in a harmonised manner across all markets should be documented.
Status	Ongoing work in progress with assistance of relevant market practice experts.
Next Steps	Incorporate key data elements in updated <i>Report on Corporate Actions</i> .

Status update – follow-up work

– Identification of Key Dates

Topic	Description
Issue	For each CA event, document the key dates by which the relevant stages of the CA event should be executed.
Status	Ongoing work in progress with assistance of relevant market practice experts.
Next Steps	Incorporate key dates in updated <i>Report on Corporate Actions</i> .