

Outcome and follow-up

1st meeting of the AMI-SeCo HSG's Collateral Management Harmonisation Task Force

DATE & TIME	24 August 2017 - 10:00 to 17:00
VENUE	European Central Bank, Main Building, Sonnemannstrasse 20, Frankfurt am Main, Germany

1. Introduction

The Chair welcomed the members of the CMH-TF and explained the rationale for the creation of the task force on collateral management harmonisation. Members introduced themselves. Mr Wacket (ECB) explained the role of Eurosystem in market integration, the Eurosystem governance arrangements and expectations on the organisation.

Follow up

- For those members that could not attend the first meeting, the Chair will explain the main outcome and next steps in a conference call. Suggested dates for the conference call are: **31 August 2017** (13.00-14.00 CET or 16.30-17.30 CET) or **04 September 2017** (time between 12.00 and 15.30 CET).
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2. Terms of Reference of the CMH TF

The Chair presented the Terms of reference for the CMH TF (TOR). CMH-TF members discussed the TOR's objectives, timeline, topics and membership for the work.

Follow up

- Every CMH-TF member is invited to indicate their areas of expertise and their involvement in industry associations, industry standardisation work or other areas of work that could be relevant to the work of the CMH-TF (by **2 September 2017**).
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3. **Eurosystem Collateral Management System (ECMS)**

The ECB presented the main aspects of the ECMS.

Follow-up

- The presentation on ECMS will be circulated to the TF members. Relevant ECMS related documentation will be shared with the TF once approved by ECB decision making bodies.
 - When defining the harmonisation activities that are in scope for the industry, the CMH-TF will take into account ECMS, i.e., that the ECMS project will benefit from ongoing and future market harmonisation in particular related to the usage of ISO 20022 compliant messages for all communication between ECMS and all market participants; tri-party collateral management services used when mobilising marketable assets in Eurosystem credit operations; and corporate actions management (when securities as collateral are subject to a corporate action during the time of the deposit/use as collateral (e.g. payment of a dividend – also referred to as collateral allocation over record date).
 - The CMH-TF should also take into account other market initiatives (e.g., standardisation initiatives for static data, corporate actions (CASG and CAJWG), ISO messaging and triparty interoperability).
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4. **Establishing a detailed list of collateral management harmonisation activities (CMHA)**

The ECB presented the CMHAs and the organisation of the work.

Follow-up

- Regarding triparty collateral management, further analysis is needed on efficiency gains of moving to new common messaging standards.
 - Regarding bilateral collateral management, further analysis is needed on regulatory requirements (for messaging), role of industry/trading venues, and market practices.
 - Regarding corporate actions and management of the taxation forms, further analysis is needed on the initiatives of the European Commission, Common Reporting Standard (CRS) and market best practices. For corporate actions, the scope of the work should cover the overall process to enable the use of securities over corporate action events without the requirement for substitution. For tax procedures, the resolution of tax process-related interpretations is needed. For “manufactured dividends”, it needs to be resolved who will be entitled to the corporate actions cash flow for mobilised assets.
 - Regarding margin calls, fee/billing processes, reporting, further analysis is needed on market practices (ISDA and (I)CSDs) and regulatory requirements.
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- Regarding collateral dynamic and static data, further analysis is needed on what data is needed, the source of the data (CSD/vendor) and how data is sent (message). Industry initiatives (AFME) should be taken into account. As the data is an attribute of the security used as collateral, this item may also be of relevance to other activities. There may also be different local interpretations on data requirements and thus a common definition of each data element is needed.
 - Regarding cut-off times (a topic which seems relevant for several functional areas under discussion), further analysis is needed on possible frictions for collateral use (and the analysis should take into account earlier work by the ECB and industry on cut-off-times).
 - Regarding collateral messaging for new participants in collateral markets, further analysis is needed on the actual barrier/operational burden to collateral management and whether it could be dismantled.
 - Regarding messaging on fee/billing information, further analysis is required on the user needs (beyond the identified need by central banks/in ECMS context).
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5. Planning of the work

The Chair introduced the work plan for the CMH TF.

Follow-up

- CMH-TF members are invited to provide nominations for contributors to the five substreams agreed (by **29 August 2017**). Each workstream will be coordinated by a substream lead:
 - Substream 1: Triparty Collateral Management (lead: Clearstream, secretariat ECB);
 - Substream 2: Corporate Actions, Taxation Forms, Non-Euro Collateral Management (lead: Citi, secretariat ECB);
 - Substream 3: Bilateral Collateral Management, Margin Calls (lead: BNPP, Secretariat tbd);
 - Substream 4: Fee and Billing Processes, Reporting, Cut-Off Times (lead: LSEG, secretariat tbd);
 - Substream 5: Collateral Dynamic and Static Data (lead: Deutsche Bank, Secretariat ECB).
 - The substreams will organise regular conference calls to analyse the respective topics. The sub stream leads will report the findings in the CMH-TF meetings and CMH-TF members will be able to provide comments and guidance.
 - The ECB will provide relevant background documentation which could serve as the starting point for the analysis to be carried out by substream 1, 2, 4 and 5.
 - The CMH-TF work plan was agreed and an updated note be circulated. An updated schedule of next meetings will be circulated.
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6. AOB

1st meeting 24 August 2017
2nd meeting 20 September 2017
3rd meeting 25 October 2017
4th meeting 20 November 2017

List of participants CMH TF meeting of 24 August 2017:

BNY Mellon	Ms Gesa Benda	Chairperson
European Central Bank	Mr Benjamin Hanssens	Rapporteur
Banque de France	Ms Françoise Chevril	
BNP Paribas	Ms Helene Virello	
Citi	Mr Michael Payne	
Clearstream	Mr Fabrice Tomenko	
Deutsche Bank	Mr Marko Niederheide	
Deutsche Bundesbank	Ms Antje Heikamp	
DZ BANK	Mr Oliver Deutscher	
Eurex Clearing	Mr Oliver Bartel	
Euroclear	Mr Jan Grauls	
European Central Bank	Mr Gary McNamara	
J.P. Morgan	Mr Michele Filippini	
LSEG	Mr Umberto Granata	
Société Générale	Mr Pierre Lebel	

Participants (on ad hoc basis)

Citi	Mr Marcello Topa
ERCC Operations Group (J.P. Morgan)	Mr Nicholas Hamilton
Euroclear France	Ms Caroline Derocle
European Central Bank	Mr Helmut Wacket
	Mr Markus Mayers
	Ms Audren Plancon

Members who did not attend the meeting:

BME Clearing	Ms Teresa Castilla
BNY Mellon	Ms Claire Allum
Danske Bank	Ms Rebekka Schultz
EFAMA	Mr Vincent Dessard
Goldman Sachs	Ms Kathleen Bendernagel
LCH	Ms Caroline Colette Jones
Morgan Stanley	Mr Adam Bate
Northern Trust	Ms Anna Matson
UBS	Ms Sally Shackleton