

Outcome and follow-up

Fifteenth meeting of the AMI-SeCo HSG's

Collateral Management Harmonisation Task Force (CMH-TF)

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| DATE & TIME | 12 November 2019 – 10:30 to 17:30 CET |
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1. Introduction

CMH-TF members approved the agenda and the outcome of the previous meeting. Members took note of the new ECB [website](#) on collateral management harmonisation (which will also contain the Standards endorsed by AMI-SeCo).

Documents: Outcome of the fourteenth meeting of the AMI-SeCo HSG CMH TF.

2. **Adaptation Plans for the AMI-SeCo Standards (as part of the Monitoring Framework)**

Outcome:

CMH-TF members took note that most draft Adaptation Plans have been prepared by (I)CSDs and Triparty Agents (TPAs) for: (i) AMI-SeCo Standards for Triparty Collateral Management, (ii) AMI-SeCo Standards for Corporate Actions and (iii) AMI-SeCo Standards for Billing Processes. The draft Plans are currently being reviewed by NSGs and the final Plans must be submitted by 15 December 2019 to the ECB Secretariat, which will then be published on the ECB website (early 2020). The list of implementing actors will also be published.

CMH-TF members agreed to provide guidance on the questions raised during the preparation of the Adaptation Plans, which should be taken into account when updating the Plans. CMH-TF members clarified that the Adaptation Plan should specify all the adaptations required by the (I)CSD or TPA (and other related actors) in the market in order to comply with the Standard. TPAs should in particular explain all the adaptations related to AMI-SeCo Standard 1 for Corporate Actions which foresees dedicated workflows for the dissemination of CA information from the TPA to the CG/CT. Also with regard to the Corporate Actions Standards, it was clarified that (I)CSDs should specify all adaptations required by the CSD in its role as Issuer CSD. It was clarified that issuer should take into account the Standards in their issuance process.

As part of the monitoring exercise, CMH-TF members agreed to have validations of the implementation efforts, with clear criteria/processes to review the implementation status. The validation process should involve a wide set of actors (NCBs, NSG participants, CMH-TF, HSG, AMI-SeCo, etc). The role of market sponsors/experts will be developed and will be part of the validation process.

Documents: Monitoring Framework (July 2019)

3. **Timeline for Wave 2 of agreed AMI-SeCo Standards**

In July 2019, AMI-SeCo agreed that there will be two migration waves for the implementation of ISO 20022 messaging related to AMI-SeCo Standards on Corporate Actions and the AMI-SeCo Standards on Billing Processes (i.e. first wave by November 2022 and second wave tbc).

Outcome:

CMH TF members agreed on submitting the proposal for Wave 2 to AMI-SeCo.

- Wave 1: By November 2022, actors in Wave 1 should start offering ISO20022.
- Wave 2: By November 2025 actors in Wave 2 should start offering ISO20022. AMI-SeCo Standard 15 of Corporate Actions and Standard 1 of Billing Processes become applicable for actors in Wave 2, i.e. account servicers should offer (support) ISO20022 messaging (to clients that have the capability to use the ISO20022 protocol) for CA and billing processes.
- An AMI-SeCo paper as recommendation/input will be sent to SWIFT to suggest an end of the co-existence period (for using both ISO15022 and 20022): By November 2028 AMI-SeCo Standards for CMH on ISO20022 are used in Europe by (I)CSDs, TPA and account servicers.

Documents: Timeline for Wave 2 of agreed AMI-SeCo Standards

4. **CMH-TF Expert Groups on Collateral Management Harmonisation**

4.1. Bilateral Collateral Management Expert Group

Outcome

CMH TF members agreed with the Expert Group's direction, organisation and planning of the work. The Expert Group will focus on mobility of collateral across CSDs in T2 and efficient processing of SFT. It will develop harmonised Standards and promote best practices to improve the mobility of collateral (with proposal expected by end 2020). CMH TF members agreed with the scope: Efficient management of collateral involving T2S, promotion of identifiers (transaction type codes), support harmonised messaging (to reduce diverse email exchanges), Cut-Off Times and Sourcing of Collateral.

The Chair of the ERCC Operations Committee provided an update on Settlement cut-off times & intraday liquidity work (which will feed in to the work of the Expert Group on Cut-Off Times). The focus of the ERCC Ops is on underlying frictions (involving market infrastructures) and behavioural issues (market practices) that may impact participants' settlement efficiency and limit their ability to manage and optimise intraday liquidity management. The current settlement fails, need for substitutions and manual processes need to be addressed.

Documents: Presentation of the Bilateral Collateral Management Expert Group

4.2. Triparty Collateral Management Expert Group

Outcome

CMH TF members agreed with the Expert Group's direction of work i.e. Significant progress has been made on the ISO20022 triparty messaging (format/structure mostly agreed); Considerations if/how TPAs could contribute to handling of taxation processes (overall guidance/practices will be developed to enhance handling of collateral allocated over record date and increase operational efficiencies between collateral giver and taker); Further analysis will be performed on TPAs contribution to Corporate Actions harmonisation and handling.

Documents: Presentation of the Triparty Collateral Management Expert Group

4.3. Asset Servicing Expert Group

Outcome

CMH TF members agreed with the Expert Group's workplan (covering harmonisation of workflows and processes for Corporate Actions on non-debt instruments). It was suggested to closely align the scope of the work with existing standards (e.g. CASG and JWGCA). The EG is assessing the applicability of the 15 AMI-SeCo Standards (for debt instruments) to other instruments. The EG is also supporting industry stakeholders on the implementation of the already agreed Standards (e.g. through sharing of experiences on current market practices). Experiences of other markets are being collected for Corporate Action Standard 5 (Negative Cash Flows) and Standard 6 (Business Day Rule). Different views were collected from market stakeholders on implementation options of Standard 6. The EG agreed to further develop two options and to prepare a paper with the two options. There will be a discussion in the EG and CMH-TF. The AMI-SeCo will be informed.

Documents: Presentation of the Asset Servicing Expert Group

4.4. Taxation Processes

Outcome

CMH-TF members agreed with the aim of creating a single rulebook for collateral management processes with harmonised tax collection and reclaim processes. The CMH-TF agreed to focus on harmonisation of processes and practices, i.e: i) determining with entity is entitled (Collateral Giver or Taker), ii) the set of data elements (transmitted by the beneficial owners), iii) the data transmission process (reporting, workflow of information) and iv) the safeguard and transparency of the data transmission process.

Documents: Presentation of the Taxation Processes Expert Group

5. Contribution to AMI-SeCo 2019 Harmonisation Progress Report

Outcome

CMH-TF members agreed with the status update on collateral management harmonisation and the implementation of the AMI-SeCo Standards, which will be published in the next AMI-SeCo Harmonisation Progress Report.

6. Overall schedule on Collateral Management Harmonisation Activities

The ECB will prepare an overview of the CMH TF work in 2020.

7. Updates on Eurosystem developments, ISO 20022 messaging and industry work

CMH-TF members took note of the progress of ISO 20022 messaging work. The ECMS project is on track. CMH-TF members proposed that an information session should be organised (early 2020).

8. AOB

CMH-TF members agreed to organise a CMH-TF conference call on the impact of AIFMD/UCITS Regulation on TPAs. The call should invite AMI-SeCo Members with a specific request to include representatives from the Depository Business of the relevant member firms. The call should have an exchange of views/discussion on AIFMD/UCITS Regulation and how the role of the Depository Bank needs to be considered in the harmonised model for garTri-Party Collateral Management.