



EUROPEAN CENTRAL BANK

EUROSYSTEM

Status update on ongoing work

Asset Servicing Expert
Group

CMH-TF
17/06/2020

Single Collateral Management Rulebook for Europe
common rules for managing collateral



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Introduction

I. Applicability of the AMI-SeCo CA standards to other asset classes (beyond debt instruments).

II. Questions and answers on implementation of AMI-SeCo Standards

III. Consultation of market stakeholders (past and upcoming)

IV. Billing Processes

V. Upcoming work

I. Applicability of Standards to other asset classes

- The EG has progressed in its analysis on the applicability of the CA Standards to other asset classes.

EG Conclusion

Standards 3, 4, 5, 6, 7, 9, 11, 12, 13, 14 and 15 are already applicable to all asset classes and do not require any updates.

- The table under standard 3 will be revised to cover events that only apply to equities.
- Standard 4, bullet 4, needs to be revised slightly – it refers to nominal, and only that.
- Standard 5 may need to be put into better context when the applicability of the standards are extended. Negative cash flows is perhaps not sufficiently clear, when adding more types of securities and events.

The description and background for Standards 1, 2 and 10 should be complemented to include the data elements necessary for the processing of CA events deemed relevant to non-debt instruments.

- Agreed with an attention point : CERT, TREC and WTRC have not been completely analysed from a message flow point of view

II. Q&A

- The EG has established a process to provide common guidance to market stakeholders on the implementation of the Standards.

SCORE		Implementation Questions		
ASSET SERVICING EXPERT GROUP				
ACTIVITY	TOPIC	QUESTION	EG FEEDBACK	SCoRE UPDATE NEEDED?
Corporate Actions	Standard 10	2. Standard 10 "Blocking of securities": • Could you please confirm the blocking can also be applied to the events without RD? • On which account the blocking should take place? On the account of Collateral Taker or Collateral Giver? Normally the blocking is done on the account of the Instructed Party being the Entitled Party.	Standard 10 "Blocking of securities" with and without RD. Blocking can also be applied to the events without RD. Blocking can only occur on positions in the CT account, irrespective of the instructing party.	
Corporate Actions	Standard 1	3. Standard 1B: Report "Corporate Action Instructions Statement Report" (CAST seev.042): As this report is optional, our understanding is that the (I)CSD is not forced to implement this report. Please confirm.	Standard 1B: Report "Corporate Action Instructions Statement Report" (CAST seev.042): As this report is optional, the (I)CSD is not obliged to implement this report.	
Corporate Actions	Standard 1	4. Standard 1C/D/E: Our understanding of Standards 1C (Advice), 1D (Confirmation) and 1E (Reversals) is that the intention is for movement level messages, but with option level information within the message, not option level messages. Otherwise, the standard will be in conflict with CSDR requirements. Please confirm.	Options in messages: Messages shall be sent for each option elected. Standards 1C (Advice), 1D (Confirmation) and 1E (Reversals) with option level information within the message, result in option level messages (tbc)	

II. Q&A (topics)

Example of Q&A topic:

Analysis of impact of CSDR requirements on CA confirmations:

ESMA-2-RTS - Art. 86.3

- “In the event of a corporate action that reduces the balances of securities accounts held by an investor CSD with another CSD, settlement instructions in the relevant securities issues shall not be processed by the investor CSD until the corporate action has been fully processed by the other CSD.
- EG Analysis: Does RTS Art 86.3 require confirmations to be sent at movement level?

III. Consultations

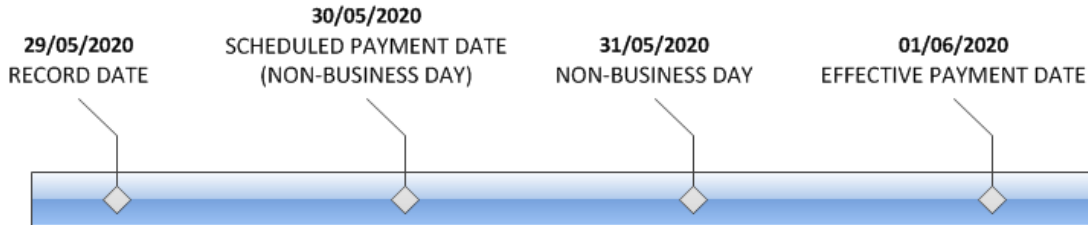
Standard 6 – Business Day Rule

The Expert Group has developed common guidance for the implementation of Standard 6 (Business Day Rule)

For securities issued before November 2022, when the conditions dictated by the MFBDC were agreed to apply at the time of issuance, if a payment date of a corporate action falls on a non-business day (e.g Saturday 30th of May), the record date shall be taken at the closing of the immediately preceding business day of the anticipated payment date (29/05/2020).



According to Standard 6, for securities issued after November 2022, if the payment date of a corporate action falls on a non-business day (e.g Saturday 30th of May), the payment shall be made on the next business day (01/06/2020).



III. Consultations

Standard 6 – Business Day Rule

- A consultation of market stakeholders was launched and feedback now being assessed by the Expert Group. Broad support from market stakeholders.
- Some additional questions have been identified by market stakeholders for which the Expert Group will provide additional guidance in the form of a Q&A document.
 - Should the guidance also cover the handling of a Preceding Business Day Convention?
 - Should the notion of ‘back valuation’, a ‘local/industry practice’ that will no longer be used as ‘best practice’ for MFBDC, be replaced by ‘Harmonized handling of the payments subject to MFBDC’?
 - Assuming that this guidance will cover securities settling in European CSDs, what is being proposed for bifurcated issues (e.g. a 144A tranche settling in DTC and the REG S in Euroclear/Clearstream)?
- This Q&A document will serve as the basis for the common implementation of the Business Day Rule across AMI-SeCo markets.

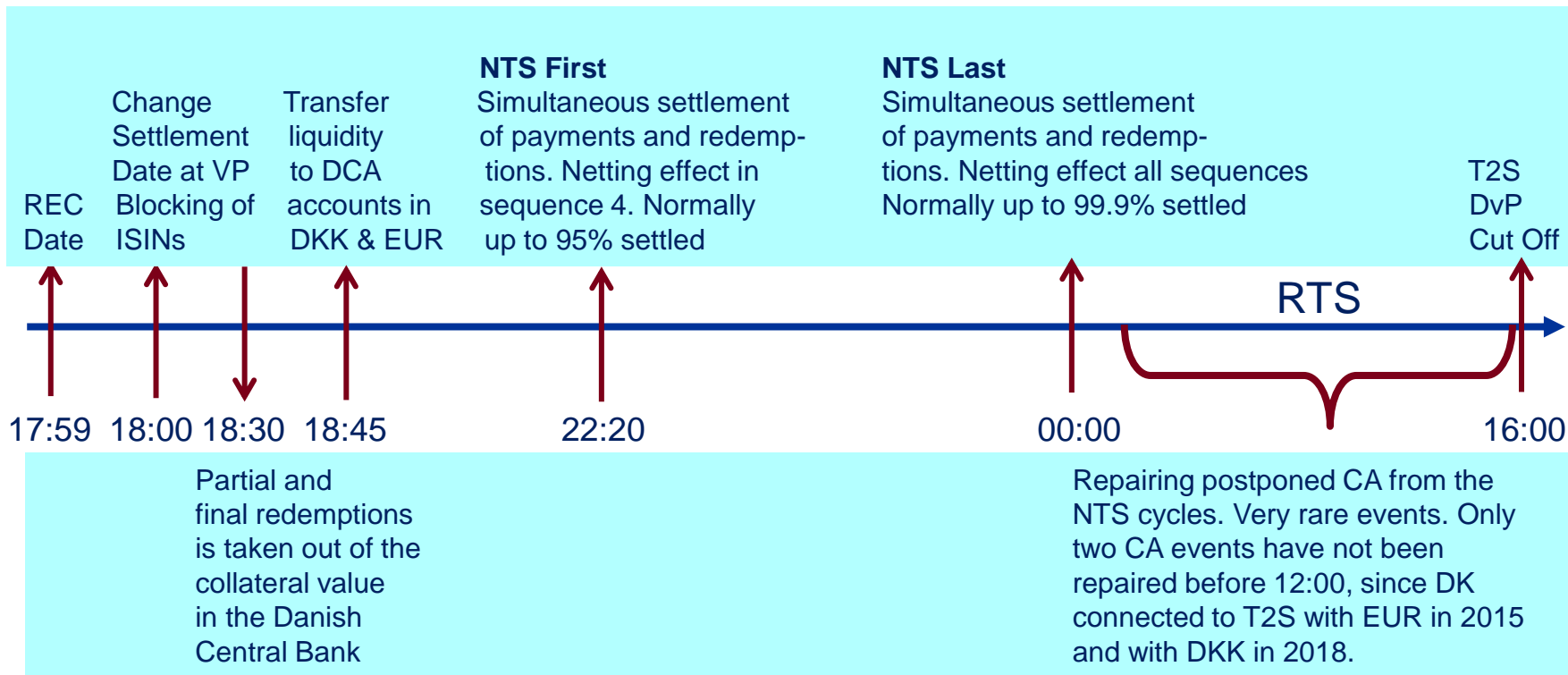
III. Consultations (upcoming)

Standard 8 – Payment Time

- Standard 8 (Payment Time) was designed in response to collateral management issues related to the differences in payment time of cash proceeds and the actual partial/full redemption. Objective is to closely align timing of payment with timing of change in collateral eligibility status.
- For any CA involving a redemption, the distribution of cash proceeds and the securities booking should take place simultaneously, anticipating security debit and cash credit in NTS.
- This process should apply to all cash distribution processes, without distinctions between redemptions and other cash distributions (even if they don't entail a debit of securities).

Standard 8 – Payment Time

DK experience



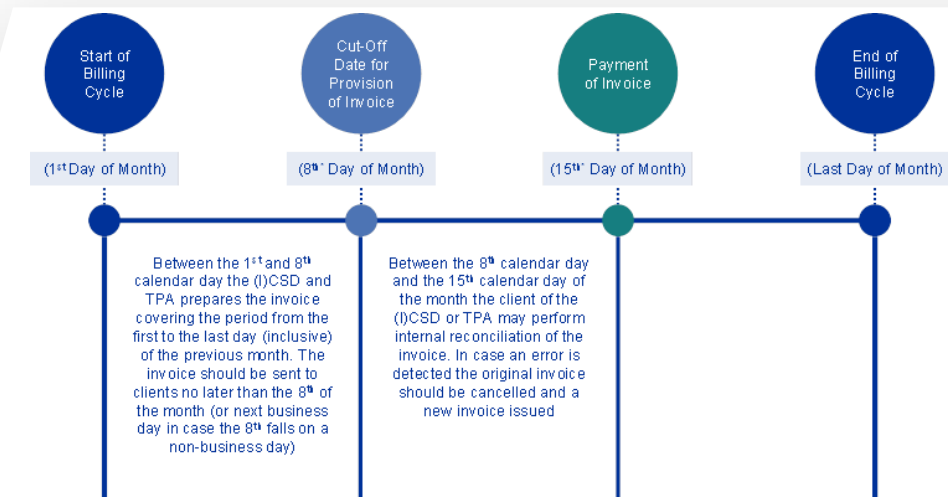
Standard 8

Next steps

- Expert Group will prepare a note on its analysis and solicit the views of market stakeholders.
- The note will focus on the advantages and challenges associated with the proposal while leveraging the experience of other markets who have successfully employed the solution (DK experience).

IV. Billing Processes

4 Standards have been defined covering harmonisation of billing cycles, alignment of payment dates and usage of standardised messaging.



** In case the 8th calendar day or the 15th calendar day falls on a non-business day, then the process shall be executed on the next business day.*

IV. Billing Processes

- As part of its mandate, the Asset Servicing Expert Group provides support and guidance for the implementation of the AMI-SeCo Billing Processes Standards and other billing related topics.
- Dedicated Asset Servicing Expert Group meetings on billing topics will be organised as and when needed. Feedback on Service Categories and message usage has been collected and is now being analysed in conjunction with SWIFT.
- A dedicated FAQ spreadsheet will be maintained to provide common guidance for implementation in response to questions from AMI-SeCo stakeholders.

V. Upcoming work

- Further regular meetings planned with a focus on the following topics:
 - Production of FAQ to support common implementation of Standard 6 (Business Day Rule) & send for feedback.
 - Consultation of NSGs and industry groups on Expert Group considerations on Standard 8 (Payment Time).
 - Support market wide implementation of the Standards by providing common guidance on all questions raised.
 - Commence work on reflecting additional aspects relevant beyond debt-instruments in the Rulebook.