



EUROPEAN CENTRAL BANK

EUROSYSTEM

Collateral Management Harmonisation

Guidance and updated
timeline

AMI-SeCo

2 December 2020

Single Collateral Management Rulebook for Europe
common rules for managing collateral



Gesa Benda

Chair of the Collateral Management Harmonisation TF

Topics

1. Introduction

2. Guidance on SCoRE Corporate Actions Standards
(Standard 6 Business Day Rule & Standard 8 Payment Time)

3. Updated SCoRE planning

4. Next steps

From 28...



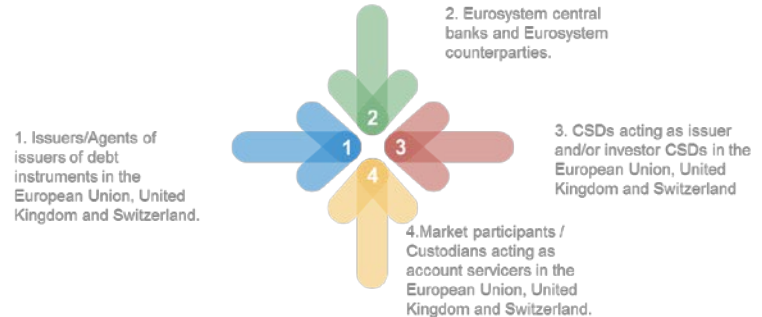
... to one single market



1. Introduction

The implementation of harmonised business processes and workflows for collateral management requires:

- Guidance to assist the implementation of the AMI-SeCo Standards.
- Communication and explanation of the common set of rules for processing corporate actions.
- Single set of rules for debt and equities (Rulebook update will follow soon)



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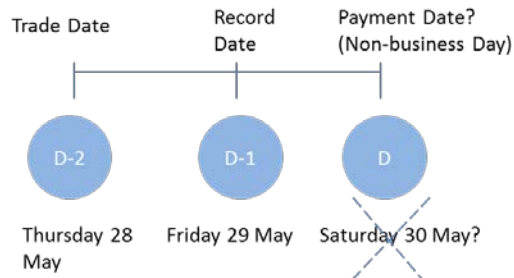
2. SCoRE Corporate Actions Standard 6

Standard 6: Business day rule

If the payment date of a corporate action falls on a non-business day (in the country of the currency in which the payment is due), the payment shall be made on the next business day.

Intention of the guidance: To clarify/address the drawbacks of the “unadjusted” calculation periods in business day conventions:

- These calculation periods bring post-trade complexities with the anticipation of payments, as both the Payment Date and Record Date would have to be brought forward.



Post-trade issues/complexities with:

- Modified Following Business Day Convention / Unadjusted (MFBDC Unadjusted).
- Previous Business Day Convention / Unadjusted (PBDC Unadjusted)
- Modified Previous Business Day Convention / Unadjusted (MPBDC Unadjusted).

2. SCoRE Corporate Actions Standard 6

The guidance is underlined below:

Description

Payment amounts are always calculated on the end-of-day positions on the Record Date. If the payment date falls on a non-business day in the country of the currency in which the payment is due , the payment must be made on the next business day. In particular, the following unadjusted business day conventions resulting in anticipation of payments must not be applied anymore i.e. (i) the Modified Following (ii) Modified Previous (iii) Previous Business Day Conventions - each in combination with the calculation period Unadjusted.

CSDs must not accept securities with these three conventions (in combination with an unadjusted calculation period) in order to be eligible for CSD processing or the payment must be moved to the next business day (i.e. if scheduled Payment Date is Saturday, it is moved to Monday).

2. SCoRE Corporate Actions Standard 6

The table below provides an overview of the application of the guidance:

Business Day Convention		Post-trade processes		
Following	Adjusted	✓	Yes	Pay the next business day
	Unadjusted	✓	Yes	Pay the next business day
Modified Following	Adjusted	✓	Yes	Pay the previous business day
	Unadjusted	✗	No	Not admitted; or Pay the next business day
Previous	Adjusted	✓	Yes	Payment the next business day
	Unadjusted	✗	No	Not admitted, or Pay the next business day
Modified Previous	Adjusted	✓	Yes	Payment the next business day
	Unadjusted	✗	No	Not admitted, or Pay the next business day

2. SCoRE Corporate Actions Standard 8

Standard 8: Payment Time

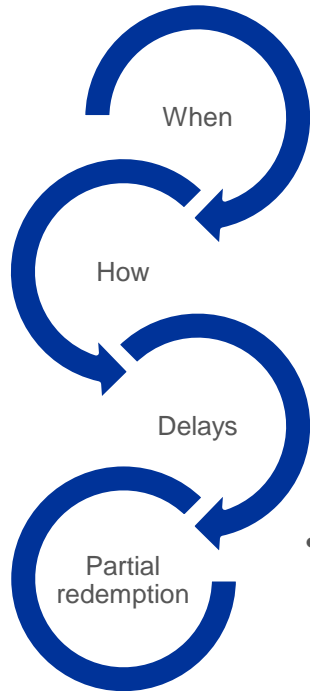
*The **cash proceeds of a corporate action should be distributed as early as possible.***

*For any CA event involving a partial or full redemption, the **cash proceeds should be made available by the issuer CSD at the same time as the partial or full redemption is processed** on the payment date, thus ensuring that relevant parties are compensated / paid in a timely fashion for the partial or full redemption.*

- Intention of the guidance:
 - Reduce exposure: the booking out of the securities could result in the transaction being undercollateralised while the collateral giver has not yet been compensated for the security subject to (partial) redemption.
 - Increase efficiencies: as additional collateral needs to be sourced to cover the time gap.
 - Remove operational fragmentation: move from different processes for redemptions and cash compensations to a single process.

2. SCoRE Corporate Actions Standard 8

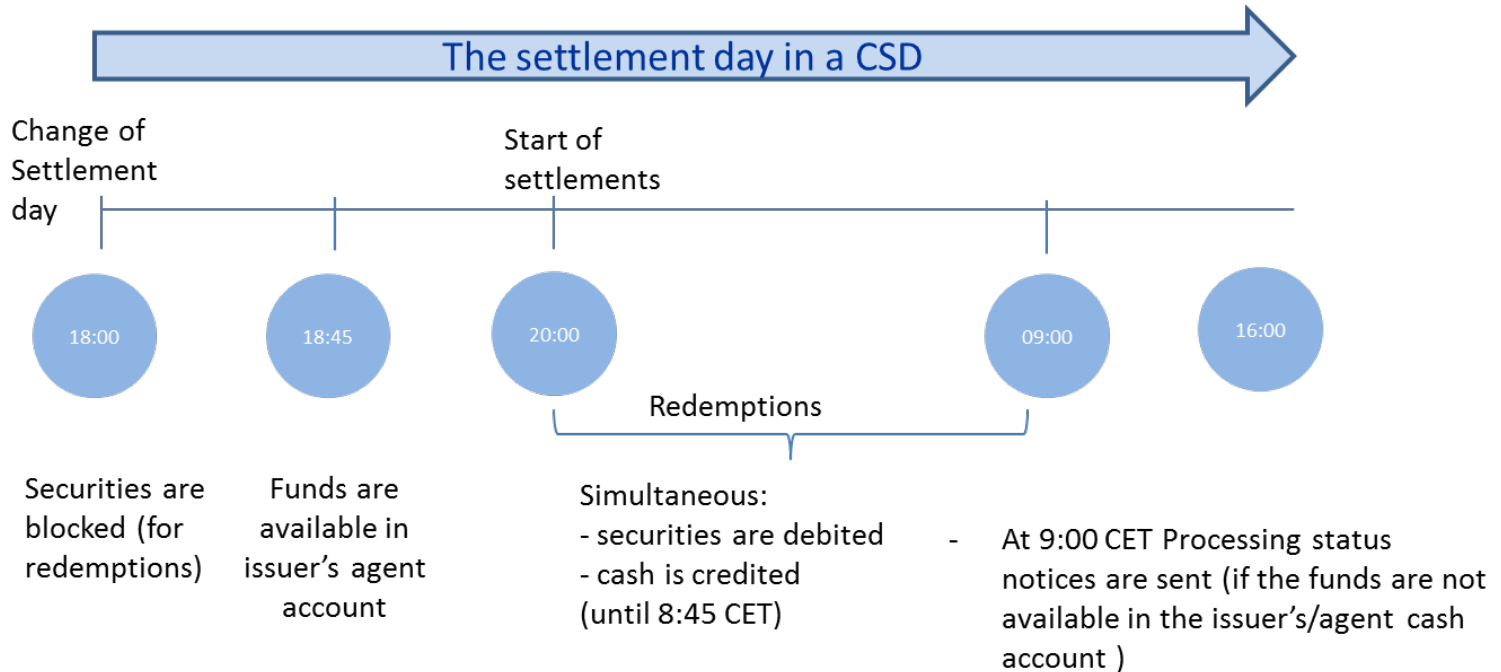
Clarity is provided on:



- CA payments must be made to CSD participants until the opening of the payment system – **Window between 20:00 CET and 8:45 CET.**
- Cash proceeds should be made available *at the same time* as the redemption.
- As of 9:00 CET, the CSD must send a notification of processing status to its participants informing them that the cash and/or security payment is pending
- In case of *partial redemption with reduction of nominal amount* (PCAL events), the securities booking must take place in the NTS of the PD which starts at 20:00 CET (the start of “sequence 1” in T2S). Following the securities booking, the new position/denomination is created (particularly relevant to avoid operational issues).

2. SCoRE Corporate Actions Standard 8

Overview



2. SCoRE Corporate Actions Standard 8

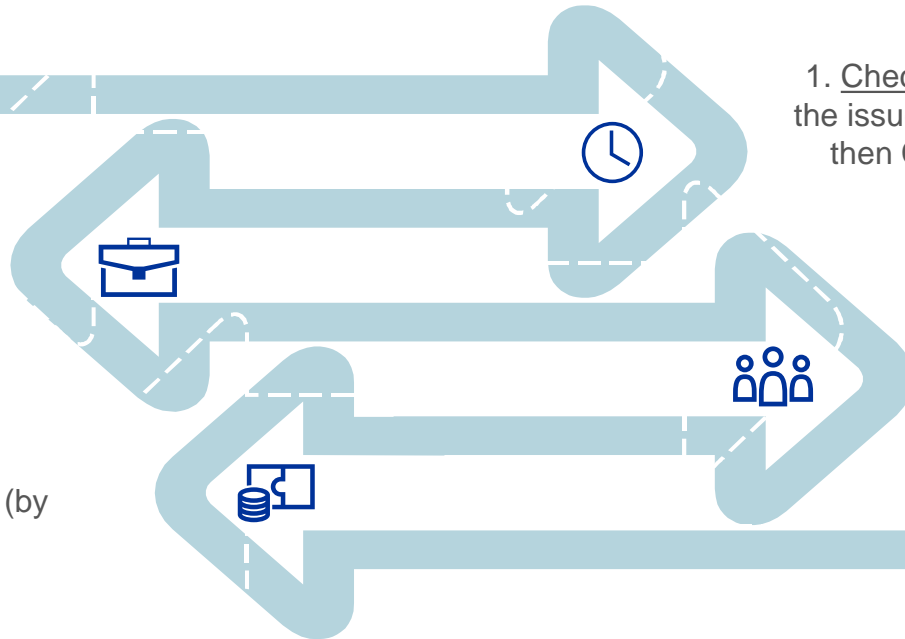
Full redemption example: No need for pre-funding

2. If no cash is available on the cash account of the issuer/agent (end of business), there are two options: (i) prefund or (ii) at the latest pay by 8:45 CET.

Option (ii) Pay on redemption day (by 8:45 CET).

1. Check if funds are available in the issuer/agent's account. If yes, then CA redemption can settle.

Option (i) Prefund: The issuer/agent may initiate a liquidity transfer to the relevant cash account until 20.00 CET. The Corporate Action is then processed at around 20.10 CET.



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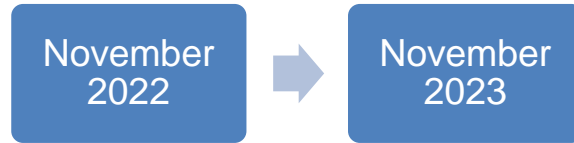
2. Guidance on SCoRE Corporate Actions Standards
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3. Updated SCoRE planning

AMI-SeCo decided to reschedule the implementation of the Single Collateral Management Rulebook for Europe (SCoRE) Standards from November 2022 to November 2023, covering the first wave adoption of the Standards on Triparty Collateral Management, Corporate Actions and Billing Processes



Updated SCoRE planning :

- i. SCoRE Compliance Indicators/milestones;
- ii. Timeline for the preparation of Adaptation Plans;
- iii. SCoRE Monitoring schedule;
- iv. Timeline for Wave 2.

3. Updated SCoRE planning

(i) SCoRE Compliance Indicators/milestones

SCoRE plan	2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Analysis (Impact Assessment and Documentation) Communication	Analysis and Communication											
Internal Adaptation (Development and Internal Testing)	Internal adaptation		Internal Adaptation									
Testing and Implementation								Testing and Implementation				

▼ As background previous plan/deadlines

For each of the three phases, additional time has been scheduled in the updated planning. A set of Compliance Indicators/milestones have been defined for each of the three phases.

3. Updated SCoRE planning

(ii) Updated Adaptation Plans

	Adaptation Required	Description of adaptation	Barriers identified	Indicators	Implementation 2023
Standard 1	✓	✓	✗	Update	Update
Standard 2	✓	✓	✗	Update	Update
Standard 3	✗			Update	Update
Standard 4	✗			Update	Update
.....					

Updates mainly required for indicators and implementation deadline of November 2023.

Draft updated Adaptation Plan (CSDs and TPAs) by 5th February 2021.

NSG adoption of Adaptation Plans by 19th February 2021.

All Adaptation Plans are published by 1st March 2021.

3. Updated SCoRE planning

(iii) SCoRE Monitoring schedule

- ✓ The monitoring exercise will take place two times per year.
- ✓ Actors will receive the survey and will have two weeks to provide responses.
- ✓ The monitoring exercise consists of an online survey to facilitate the update of responses in each round.
- ✓ **Start of monitoring** around 1st March 2021.

3. Updated SCoRE planning

(iv) SCoRE Timeline for Wave 2.



As of **November 2023**

- Eurosystem
- CSDs, TPAs
- Eurosystem counterparties

must use ISO20022 messaging.

As of **November 2025 or 2026:**

- Account servicers must offer ISO20022 messaging to clients that have the capability to use the ISO20022 protocol)

Wave 2 defines the date by when account servicers will have to offer messages in ISO20022 formats to their clients.

3. Updated SCoRE planning

(iv) SCoRE Timeline for Wave 2.

Considerations	keep November 2025	November 2026
1 Need to build upon the momentum for adoption of ISO20022,	+	+
2 Best practice for optimal co-existence period,	+	+
3 Need to take into account the work undertaken by the SWIFT community and lessons learnt from previous SWIFT migrations	++	+
4 Need for sound planning assumptions.	+	+

Recommendation:

- Keep November 2025 for SCoRE Timeline for Wave 2

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- NSGs and industry associations are invited to explain the guidance on SCoRE CA Standards 6 & 8 to issuers and other key stakeholders
- The CA Rulebook will be updated to reflect the additional guidance on S6 and S8.
- The agreed updates necessary for extending the applicability of the CA standards to equities will be incorporated in the Rulebook.
- Relevant aspects of the FAQs will also be incorporated into the updated Rulebooks.