EUROPEAN CENTRAL BANK

EUROSYSTEM

Triparty Collateral Management

Advisory Group on Market Infrastructures for Securities and Collateral

Single Collateral Management Rulebook for Europe

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Executive summary

The Eurosystem's Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) agreed to introduce a single, harmonised triparty model for Europe that would be based on the global ISO 20022 messaging standard. In the light of the harmonisation needs identified by the AMI-SeCo in December 2017, a harmonised triparty model (the Single Triparty Model for Europe) was developed in June 2018 covering all relevant business processes and workflows. Key data elements were then mapped to ISO 20022-compliant messages.

The AMI-SeCo Triparty Collateral Management Standards contained in this document are intended to facilitate a consistent and timely implementation of the harmonised triparty model across AMI-SeCo markets. The Standards cover the communication of the triparty agents (TPAs) with relevant stakeholders based solely on the latest ISO 20022-compliant messaging. The Triparty Collateral Management Standards described in this document cover all existing triparty business processes and workflows and introduce enhanced features that will facilitate improved reporting capabilities to support the needs of treasurers and to meet regulatory requirements.

The Triparty Collateral Management Standards cover triparty processes offered to commercial and central banks. There is a single set of processes applicable for central banks and commercial banks. A few processes are more relevant in the context of the collateralisation of central bank operations (e.g. unilateral increase), while a number of other processes are more relevant for commercial banks (e.g. future-dated processing or customised baskets). Additional processes beyond this document could still be offered by TPAs, e.g. owing to the different nature of the products supported. The document does not aim to cover all processes related to commercial bank products.

Implementation of the Triparty Collateral Management Standards will be mandatory for all TPAs (regardless of whether they are regulated as an (international) central securities depository ((I)CSD) or as a bank). (I)CSDs and custodian banks acting as TPAs are key stakeholders and are obliged to comply. It will also be mandatory for Eurosystem central banks and central counterparties (CCPs) as key users to implement the Triparty Collateral Management Standards. For collateral givers and collateral takers (unless they are Eurosystem central banks or CCPs), the use of existing messaging standards other than those based on ISO 20022 remains possible. However, in this case the collateral givers and collateral takers in question will have to enter into bilateral negotiations with their TPA of choice over how long the TPA will support these existing messaging standards.

The Triparty Collateral Management Standards should be implemented by November 2022 by all TPAs, CCPs and Eurosystem central banks (for triparty activities between key stakeholders in AMI-SeCo markets covered by the Standards). Timely implementation of the Triparty Collateral Management Standards by other actors (e.g. custodians not acting as TPAs but as collateral takers/givers) is

also greatly encouraged in order to foster broader harmonisation across the industry. There is broad endorsement of the Standards by all TPAs, central banks and other market participants. Further work on the harmonisation agenda will be undertaken with the aim of achieving full market adoption of the Standards. In this context, data on the adoption of ISO 20022 messaging by the users of TPAs will also be collected in order to support activities in the SWIFT/International Standards Organisation (ISO) sphere.

This document is structured as follows. Section 1 provides a high-level overview of triparty collateral management services (TCMSs). It also explains the methodology and approach followed by the Collateral Management Harmonisation Task Force (CMH-TF) in the harmonisation of triparty collateral management. Section 2 sets out the Triparty Collateral Management Standards. Section 3 then introduces the harmonised workflows for the handling of the various triparty business processes and identifies the key data elements for each process to be transmitted via the ISO 20022-compliant messages (which are being defined/reverse-engineered). Section 4 outlines the key principles and timeline for the development of ISO 20022 messages for triparty collateral management. Annex 1 provides further background information on each of the AMI-SeCo Triparty Collateral Management Standards. Annex 2 gives an overview of the harmonisation needs identified by AMI-SeCo, while Annex 3 provides examples of the ISO 20022 messaging for triparty collateral management transactions.

Terminology

Term	Explanation
AMI-SeCo markets	Financial markets and relevant financial market stakeholders active in the European Union, the United Kingdom and Switzerland.
AMI-SeCo Standards	Part of a single rulebook based on common business processes, workflows and ISO 20022 messaging for asset servicing and collateral management with central banks and/or with commercial banks.
Business processes	A collection of related, structured activities carried out in a specific sequence for the purpose of producing or using a service. Different actors and activities could be involved, e.g. in triparty and bilateral collateral management, corporate actions, billing processes and other processes relevant to the handling of assets.
Central bank processes	Business processes relevant to the collateralisation of central bank credit operations.
Commercial bank processes	Business processes relevant to commercial bank operations.
Eurosystem central banks	The national central banks of the countries that have adopted the euro as their single currency, acting in their role as collateral takers for Eurosystem credit operations.
Eurosystem practices	Arrangements determined by Eurosystem central banks (which are not used in a commercial bank environment) related to collateral eligibility/use of collateral in Eurosystem credit operations.
Exposure amount	The total exposure amount to be covered by collateral.
Financial instruments	Financial instruments that may be used as collateral in the AMI-SeCo markets (i.e. debt, equities), denominated in euro or another currency. (International) central securities depository ((I)CSD) links allow participants to hold securities issued worldwide.[1]
Initiation	Creation of a triparty transaction.
Lifecycle of a triparty instruction	When a transaction is initiated, agreed on by both parties, and accepted and declared valid by the triparty agent (TPA), the lifecycle of the transaction starts. The transaction will normally last as long as the underlying deal. At the end of its lifecycle a transaction is closed. The lifecycle of a triparty instruction starts when the user of the triparty service sends an instruction message. On receipt of the instruction message, the TPA will process the instruction and assign a status (either “valid” or “rejected”). At each step in the lifecycle of an instruction, a different status will be assigned. For example, an instruction can be valid for processing or rejected because it is incorrect. If an instruction needs to be matched (for example, if two initiation instructions, one from party A and one from party B, need to match), it can have the status “matched” or “unmatched”. Other statuses describe the sufficiency or eligibility of the collateral.
Principal/exposure adjustment	Change of principal/exposure adjustment.
Providers	Providers of collateral management and asset servicing (including TPAs, (I)CSDs and custodians).
Transaction amount	The intended amount of the triparty transaction.
Triparty agents (TPAs)	Agents regulated as (I)CSDs and/or custodians/commercial banks that act as providers of triparty services.
Termination	Closing of the triparty transaction.
Triparty collateral management services (TCMSs)	Services provided by TPAs that allow counterparties to optimise the use of their securities portfolios when collateralising credit and other exposures across different products and instruments (e.g. repos, securities lending, central bank credit, secured loans and exposures arising from over-the-counter transactions). As part of their daily operations, TPAs provide services such as collateral (auto)selection, valuation and substitution, optimisation of the composition of the triparty pool (“allocation cycles”) and corporate action processing.
Triparty instruction	In a collateral management transaction, the trading parties will ask the TPA to carry out certain instructions. An instruction can be to initiate a transaction, modify the terms of a transaction or close a transaction (non-exhaustive list of instructions). The TPA will send feedback on the requested instruction.
Triparty transaction	A transaction created by the TPA upon receipt of the deal information from the two trading parties. A transaction is created, can be changed and is terminated.
Users	In a triparty collateral management context this includes collateral givers and collateral takers (including central banks, commercial banks and central clearing counterparties) that use the services of collateral management and asset servicing providers .
Value of collateral held	The total value (after haircuts) of posted collateral for the transaction.

[1] For example the Eurosystem accepts, on a temporary basis, marketable debt instruments denominated in US dollars, pounds sterling or Japanese yen as foreign currency-denominated collateral. If needed, harmonisation standards may specify relevant denominations.

1 Introduction

1.1 Triparty collateral management

Triparty collateral management services (TCMSs) provided by triparty agents (TPAs) allow counterparties to optimise the use of their portfolios of securities when collateralising credit and other exposures across different products and instruments (e.g. repos, securities lending, central bank credit, secured loans and exposures arising from over-the-counter transactions). As part of their daily operations, TPAs provide services such as automatic selection and allocation of the collateral, valuation and substitution, optimisation of the composition of the triparty pool ("allocation cycles") and corporate actions processing.

A collateral giver and collateral taker enter into a triparty transaction managed by a TPA.[2] The value of this transaction is referred to as the "transaction amount" (i.e. the intended amount of the triparty transaction). The transaction may be for a specific period (i.e. have a defined start date and end date) or it may be open-ended (i.e. no end date is specified).

Use of references

The ISO 20022 messages being developed for triparty transactions make it possible to include additional references and common identifiers. Where relevant, and after further validation by market stakeholders, the use of universal transaction identifiers in ISO 20022 format is recommended in order to ensure consistency with other products in the context of the European Market Infrastructure Regulation (EMIR[3]) and the Securities Financing Transactions Regulation (SFTR[4]). During the coexistence period (i.e. the period when both ISO15022 and ISO 20022 messaging standards are used at the same time), the number of characters to be used in the reference will be limited to 16 in line with the maximum number of characters possible in ISO 15022 messaging. For triparty transactions involving Eurosystem central banks as collateral takers, the national central bank (NCB) must assign a reference to the transaction prior to initiation. This reference will be used by the collateral giver and TPA for all instructions and reporting relating to the transaction.

Prior to the initiation of the triparty transaction, a common reference ("common transaction identification") should be agreed between the collateral giver and collateral taker to identify the individual transaction. Although the use of such a reference is currently optional, it will become a recommended market practice with the introduction

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2 Multiple transactions are possible.

3 Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (Text with EEA relevance) (OJ L 201 27.7.2012, p. 1).

4 Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (Text with EEA relevance) (OJ L 337, 23.12.2015, p. 1).

of the ISO 20022 messages. This reference should be included in the initiation instruction so that it can be reported in all subsequent ISO 20022 triparty collateral management messages relating to the transaction. This will help to ensure efficient management of the lifecycle of the triparty transaction by all parties. The use of the common reference does not preclude the possibility of including additional references in the messages, e.g. the *client collateral transaction reference*, to enable individual institutions to meet additional reporting requirements.

During the lifecycle of the triparty transaction, the following business processes are relevant.

(i) Initiation/increase of the triparty transaction

Once the triparty transaction is agreed, the TPA seeks to allocate securities to collateralise the agreed transaction amount to the extent that collateral is available. The TPA subsequently informs the collateral taker and collateral giver of the *exposure amount*. Accordingly, the request to increase the transaction amount may be (i) fully allocated (ii), partially allocated or (iii) not allocated. In the case of partial allocation, the request may remain open, in which case the TPA will seek to increase the exposure amount so that it equals the transaction amount. It will do this as and when additional eligible securities become available. The same business process is applicable for increases to the transaction amount.

The Standards provide for the unilateral initiation and increase of a collateral transaction in the case of the central bank model (i.e. for the collateralisation of Eurosystem credit operations), as the cash leg is conducted independently of the securities allocation in the triparty transaction. However, for transactions not involving Eurosystem central banks the market practice between parties will prevail, so that the amount of the exposure will need to be defined in a bilateral agreement between the commercial banks.

(ii) Decrease/closure of the triparty transaction

The collateral giver may seek to decrease the value of the triparty transaction by sending a decrease request to the TPA. The TPA sends the request to the collateral taker to check whether the collateral giver may reduce the transaction amount. If the collateral sufficiency check shows (i) that there is sufficient collateral available, the collateral taker sends a message to the TPA approving the request; if the check shows (ii) that there is insufficient collateral, the collateral taker does not respond and periodically rechecks the collateralisation status throughout the day. The same business process is applied for requests to terminate the transaction amount, in which case the transaction is permanently closed, and future amendments are not possible.

(iii) Revaluation

Throughout the lifecycle of the transaction, the exposure amount may change following a revaluation of the collateral allocated to the triparty transaction. The revaluation may be triggered by (i) price/eligibility changes or (ii) custody events.

(iv) Cancellation

Cancellation of triparty instructions is possible if the instruction is either (i) not matched or (ii) matched, but the settlement date is in the future. TPAs do not allow the full cancellation of an instruction which has been partially allocated. In the event that the request transaction amount cannot be fully collateralised, TPAs may allow the cancellation of the original request in order to set the transaction amount at the level reached following partial allocation (thus not returning the transaction amount to the level at which it stood prior to the client's instruction).

(v) Handling of corporate actions

During the lifecycle of the triparty transaction, there may also be a need to manage corporate actions on the securities allocated to the transaction. In this context the AMI-SeCo Standards on Corporate Actions are generally applicable.[5] However, in the case of the triparty collateral management, both the collateral giver and collateral taker are known to the TPA. Accordingly, both parties are informed about the upcoming corporate action event (CA event).[6] Corporate action reporting is provided by the respective issuer or investor central securities depository (CSD), not the TPA.

In addition, in the case of elective corporate actions, if the collateral giver wishes to participate in the CA event, then the collateral giver can directly instruct the TPA. If the TPA accepts the instruction, the notification of the CA event will then be sent to both parties in advance of the record date. Accordingly both the collateral taker and collateral giver will have full visibility of the impact of the upcoming CA event on the collateral pool. The corporate action notifications are provided by the (international) central securities depositories ((i)CSDs) for each account (i.e. collateral giver account and collateral taker account), so the number of messages sent depends on the account structure at the (I)CSD, not solely on the CA event itself.

The proceeds of the CA event must be remitted to the collateral giver by the TPA after the required collateral sufficiency checks have been performed by the collateral taker. The TPA is responsible for the generation of a cash instruction for the transfer of funds to the collateral giver. It is not responsible for the successful settlement of this payment.

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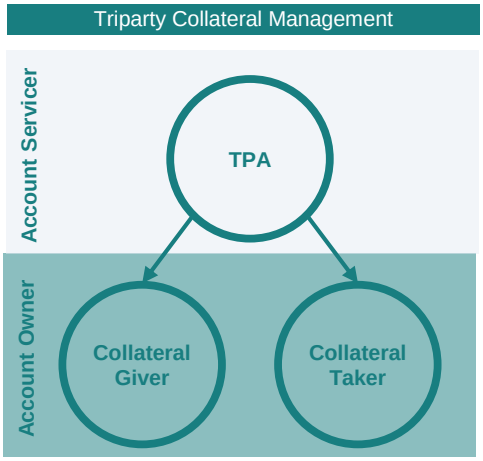
5 See AMI-SeCo Corporate Action Standards.

6 This would also facilitate the processing of CA events in instances where the collateral giver opts to substitute but where prior substitution is not possible.

Figure 1

Dissemination of corporate action information



Note: In triparty collateral management, the TPA[7] directly informs both the collateral giver and the collateral taker of upcoming CA events relating to securities allocated to the triparty transaction.

(vi) Data exchange

In order to ensure sufficient eligible collateral is allocated to a triparty transaction, the TPA needs to maintain reference data defining, for instance, the list of accepted securities together with relevant valuation information. Additional information required to support the execution of risk control checks may also be provided depending on the nature of the triparty transaction.

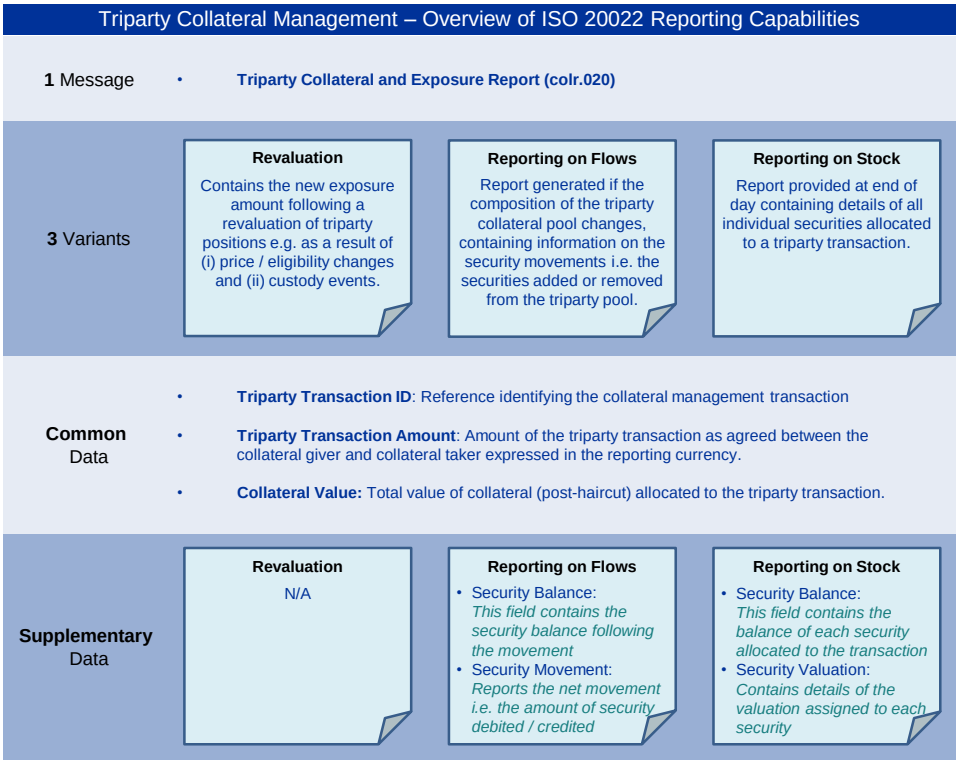
(vii) Reporting

Reporting on the status of all transactions may be provided throughout the day, giving information on exposure and the collateral allocated to the transaction, for instance. Delta reporting on securities movements allows the collateral taker and collateral giver to keep track of the collateral inventory on a real-time basis. An overview of the enhanced reporting capabilities to support the new harmonised model is provided in the table below (see also sample messaging included in Annex 2).

[7] The CA event information is distributed by the (I)CSD on behalf of the TPA.

Figure 2

Overview of ISO 20022 reporting message



Full details of these, and all other business processes and workflows, can be found in Section 3 of this document.

1.2 Harmonisation needs

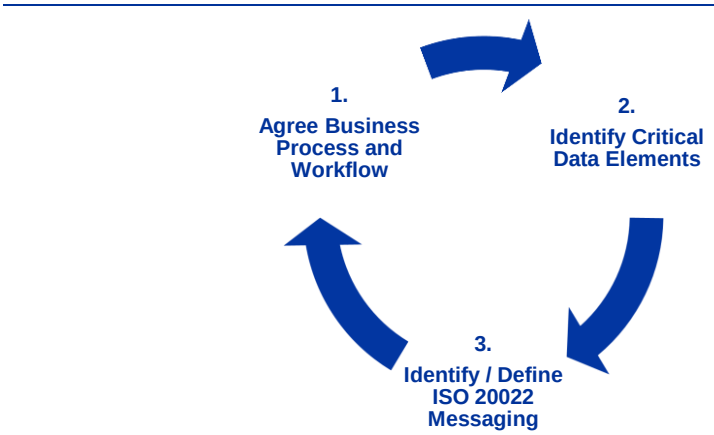
The AMI-SeCo agreed on the need to implement a single harmonised model with common processes for interaction between TPAs and central banks using ISO 20022 messaging.[8] Market participants additionally identified a need for common messaging and workflows to be adopted by all TPAs in order to reduce the costs associated with adapting to the differing messages and workflows employed by TPAs. Common messaging and workflows could also be seen as helping to achieve a certain level of triparty interoperability. A series of priority 1 triparty collateral management harmonisation needs were identified relating to the business processes, workflows and messaging. Priority 2 triparty collateral management harmonisation needs were also identified with regard to business processes including (but not limited to) the initiation and termination of a triparty collateral transaction (see Annex 1, “Harmonisation needs”).

[8] See Report on Collateral Management Harmonisation, AMI-SeCo, December 2017.

1.3 Approach to triparty collateral management harmonisation

The following three-step approach has been taken to the harmonisation of triparty collateral management:

1. define and agree the harmonised business process and workflow;
2. for each business process, identify the critical data elements necessary for the functioning of this process;
3. identify/define an ISO 20022-compliant message by which these data elements should be transmitted.



In the case of triparty collateral management, no ISO 20022-compliant messaging exists currently. Accordingly, the AMI-SeCo's Collateral Management Harmonisation Task Force (CMH-TF) has enlisted the help of SWIFT, TPAs and market participants to develop ISO 20022-compliant messages, to reverse-engineer existing ISO 15022 messages for triparty collateral management and to create new ISO 20022 messages where applicable (see also Section 4 of this document). The main data elements are identified for the respective messages (further work on finalising the ISO 20022 message is being conducted in conjunction with SWIFT).

1.4 Scope of the document

This document sets out the AMI-SeCo's Triparty Collateral Management Standards, which cover the relevant business processes. The document proposes harmonised workflows, key data elements to underpin these business processes and the ISO 20022 messages by which these data elements should be transmitted.

For each harmonised business process, the document presents, inter alia:

1. a definition and description of the business process;

2. the actors involved, i.e. TPA, collateral giver, collateral taker etc.;

3. the harmonised workflow to be adopted in the execution of each business process;

4. the critical data elements required in the ISO 20022 message(s) to support the business processes.

The AMI-SeCo Standards should be implemented by key stakeholders involved in triparty collateral management, i.e. providers of TCMSs (TPAs) and their main users (major market participants such as central banks for Eurosystem credit operations and central counterparties (CCPs) that use triparty services). The Standards do not oblige any stakeholder/provider to start offering TCMSs. In addition, the Standards do not restrict TPAs from offering specific market products which are not covered by the Standards. The Triparty Collateral Management Standards below also include the relevant implementation actors. Further information on the implementation process can be found in the Monitoring Framework.

2 AMI-SeCo Triparty Collateral Management Standards

This section presents the 17 AMI-SeCo Standards defined by the CMH-TF in the field of triparty collateral management, for which harmonisation was considered necessary in order to ensure efficient and safe provision of TCMSs across AMI-SeCo markets. The description provided for each Triparty Collateral Management Standard ("Triparty Standard") is an integral part of the body of the Standards since it provides additional information necessary to adhere to the Standard in question.

2.1 TRIPARTY STANDARD 1: ISO 20022 messages for triparty collateral management

TPAs must support the use of ISO 20022 messages for triparty collateral management activities covered by the AMI-SeCo Standards.

Description

TPAs must be able to offer ISO 20022 messages for triparty collateral management in AMI-SeCo markets for triparty activities covered by the Standards. In particular, TPAs must have the technical capability to provide the ISO 20022 messages shown below (the list of messages to be implemented can also be found in Table 1 in Section 4 of this document).

Triparty collateral management messages
• Instruction
• Status and Processing Advice
• Allegement Notification
• Collateral and Exposure Report
• Unilateral Removal Request
• Cancellation Request
• Securities Message Cancellation Advice
• Cancellation Status
• Receipt Acknowledgement
• Approval of Debit
• Eligible Securities Creation Request
• Eligible Securities Deletion Request
• Collateral Value Creation Request
• Close Link Creation Request
• Close Link Deletion Request
• Collateral Data Status Advice

2.2 TRIPARTY STANDARD 2: Initiation of a triparty transaction

TPAs must offer harmonised business processes and workflows for the initiation of a triparty collateral management transaction.

Description

TPAs must offer harmonised business processes and workflows for the initiation of a triparty transaction (as described in Section 3.3.1 of this document). This is where the collateral giver sends a message to the TPA to initiate a triparty transaction. The TPA automatically allocates eligible securities to the extent collateral is available and informs the collateral taker, who initiates the transaction in their collateral management system.

2.3 TRIPARTY STANDARD 3: Increase of a triparty transaction

TPAs must support harmonised business processes and workflows for the increase of a triparty collateral management transaction.

Description

TPAs must offer harmonised business processes and workflows for the increase of a triparty transaction (as described in Section 3.3.2 of this document). This is where the collateral giver sends a message to the TPA seeking an increase in the transaction amount held with the collateral taker. The TPA seeks to allocate securities to the extent that collateral is available. Accordingly the request to increase the transaction amount may be (i) fully allocated, (ii) partially allocated, or (iii) not allocated. If insufficient collateral is available, the request will remain open and the TPA will seek to increase the transaction amount as and when additional eligible securities become available.

2.4 TRIPARTY STANDARD 4: Decrease of a triparty transaction

TPAs must support harmonised business processes and workflows for the decrease of a triparty collateral management transaction.

Description

TPAs must offer harmonised business processes and workflows for the decrease of a triparty transaction (as described in Section 3.3.3 of this document). This is where the collateral giver asks the TPA to decrease the triparty collateral transaction amount. The TPA sends the collateral giver's request to the collateral taker to check if the collateral giver may reduce the transaction amount. After the collateral sufficiency check, the collateral taker sends a message to the TPA either approving or rejecting the request.

2.5 TRIPARTY STANDARD 5: Revaluation of a triparty transaction

TPAs must support harmonised business processes and workflows when revaluing a triparty collateral management transaction.

Description

TPAs must offer harmonised business processes and workflows for the revaluation of a triparty transaction (as described in Section 3.3.4 of this document for both commercial and central bank models). This is where the TPA informs the collateral taker (and optionally the collateral giver) of the new exposure amount following a revaluation of triparty positions. The collateral value may change as a result of (i) price/eligibility changes and (ii) custody events. The TPA seeks to automatically adjust the collateral after revaluation of the TPA transaction/collateral to ensure that the exposure is covered.

2.6 TRIPARTY STANDARD 6: Cancellation of a triparty instruction

TPAs must support harmonised business processes and workflows for the cancellation of a triparty collateral management instruction.

Description

TPAs must offer harmonised business processes and workflows for the cancellation of a triparty transaction (as described in Section 3.3.5 of this document). This is where a previously received increase or decrease instruction which remains pending is cancelled. Pending instructions can only be cancelled if they are either (i) not matched or (ii) matched, but the settlement date is in the future. A cancellation of a decrease will be automatically processed by the TPA at the end of the day.

2.7 TRIPARTY STANDARD 7: Unilateral removal process

TPAs must support harmonised business processes and workflows for the unilateral removal of a specific asset in triparty collateral management.

Description

TPAs must offer harmonised business processes and workflows for the unilateral removal process (as described in Section 3.3.6 of this document). This is where the collateral taker or collateral giver asks the TPA to remove specific asset(s) allocated to the triparty transaction which do not meet the collateral taker's risk control criteria (e.g. concentration limit breach). The unilateral removal of an asset must be legally supported by the unilateral right granted to the relevant party to amend the eligibility conditions agreed at the level of the triparty agreement (the collateral giver and collateral taker must agree on the eligibility rules on a bilateral basis). Therefore, either of the parties, giver or taker, could send such a unilateral removal request provided it has been granted the contractual right to do so.

2.8 TRIPARTY STANDARD 8: Reporting on flows

TPAs must support harmonised business processes and workflows for reporting on flows in order to provide real-time information on securities collateralising triparty collateral transactions.

Description

TPAs must offer harmonised business processes and workflows for the provision of real-time reporting on flows using ISO 20022 messaging (as described in Section 3.3.8 of this document). The report should provide the details of increases and decreases of holdings which occurred during a specified period for all or selected securities in the specified safekeeping account or sub-safekeeping account which the account servicer holds for the account owner. After each allocation cycle, or if the composition of the triparty collateral pool changes, the TPA should send information on the security movements i.e. the securities added and/or removed from the triparty pool. The message should identify the International Securities Identification Number (ISIN) and the quantity of the securities added/removed.

2.9 TRIPARTY STANDARD 9: Reporting on stocks

TPAs must support harmonised business processes and workflows for reporting on stocks in triparty collateral management.

Description

TPAs must offer harmonised business processes and workflows for reporting on stocks using ISO 20022 messaging (as described in Section 3.3.7 of this document). The report should give the global collateral status of all transactions in the reporting currency, i.e. the total of the exposure amount, posted collateral, margin amounts, accrued interest, fees or commissions and principals. In addition, it should provide collateral-specific information.

2.10 TRIPARTY STANDARD 10: Closure of a triparty transaction

TPAs must support harmonised business processes and workflows when closing a triparty collateral management transaction.

Description

TPAs must offer harmonised business processes and workflows for the closure of a triparty transaction using ISO 20022 messaging (as described in Section 3.3.11 of this document). This is where the collateral giver asks the TPA to terminate a triparty collateral transaction. The TPA sends the collateral giver's request to the collateral taker to check if the collateral giver may terminate the transaction and thus reduce the exposure amount to zero. After the collateral sufficiency check, the collateral taker sends a message to the TPA either approving or rejecting the request.

2.11 TRIPARTY STANDARD 11: Handling of corporate actions

TPAs must support harmonised business processes and workflows when handling corporate actions on securities allocated to a triparty collateral management transaction.

Description

This Standard only applies to transactions involving a Eurosystem central bank as collateral taker. Relevant TPAs must offer harmonised business processes and workflows for the handling of corporate actions on securities allocated to a triparty transaction (as described in Section 3.3.9 of this document). For central bank triparty transactions, two choices are available to the collateral giver in advance of the CA event: (i) if the collateral giver opts for substitution, the TPA is responsible for the processing of the CA event without the involvement of the collateral taker (NCB); (ii) if the collateral giver does not opt for the substitution, or if the substitution fails, the NCB will be in receipt of all relevant corporate action messaging, and the cash proceeds will be transferred to an NCB cash account (T2S dedicated cash account (DCA) in the case of euro payments) on the payment date. Cash will then be credited to the collateral giver's account after the collateral taker checks the collateralisation status and provides authorisation to the TPA to debit the account for the relevant amount.

2.12 TRIPARTY STANDARD 12: Partial allocation

TPAs must support harmonised business processes and workflows for the partial allocation of a triparty collateral management instruction.

Description

TPAs must offer harmonised business processes and workflows for partial allocation (as described in scenario 3 in Section 3.3.2 of this document). If insufficient collateral is available, the request will remain open, and the TPA will seek to increase the transaction amount as and when additional eligible securities become available.

2.13 TRIPARTY STANDARD 13: Reference data

TPAs must facilitate the communication of reference data by collateral givers and collateral takers using harmonised messaging.

Description

TPAs must offer harmonised business processes and workflows for the provision of reference data to TPAs using ISO 20022 messaging (as described in Section 3.3.10 of this document). This Standard covers the exchange of data provided by the collateral taker to the TPA which is necessary for the TPA to execute collateral management activities. The collateral taker may provide updated information to the TPA on a daily basis.

2.14 TRIPARTY STANDARD 14: Use of baskets

TPAs must support the use of customised collateral baskets by collateral givers and collateral takers.

Description

TPAs must support the use of customised collateral baskets per collateral taker or collateral giver. This process entails the exchange of data to allow the collateral giver/collateral taker to customise the assets eligible for use in triparty transactions.

2.15 TRIPARTY STANDARD 15: Future-dated processing

TPAs must support the handling of future-dated requests submitted by collateral givers and collateral takers for triparty transactions settling in commercial bank money.

Description

Future-dated requests to initiate, increase, decrease or terminate a triparty transaction are possible for transactions. Requests to initiate, increase, decrease or terminate a triparty transaction involving a central bank as collateral taker are processed on a same-day basis.

2.16 TRIPARTY STANDARD 16: Operating hours

TPAs must provide access to triparty services on the days on which TARGET2, the real-time gross settlement system owned and operated by the Eurosystem, is open. It must be possible to make allocations to triparty transactions involving central banks as collateral takers according to a harmonised operating schedule on those days.

Description

This Standard provides for harmonised operating hours in the context of collateralisation of central bank credit operations. Eurosystem-eligible TPAs must provide access to triparty services on the days on which TARGET2 is open (according to the calendar published on the ECB website). Allocations to triparty transactions involving Eurosystem central banks as collateral takers must be possible between 07:00 and 17:45 CET on the days on which TARGET2 is open. For commercial or bilateral models, other operating hours apply.

2.17 TRIPARTY STANDARD 17: Cut-off times

TPAs must offer harmonised cut-off times for triparty services involving central banks as collateral takers.

Description

Eurosystem-eligible TPAs must respect the relevant cut-off times for triparty services (for reporting/cancellations/requests) for transactions involving Eurosystem central banks as collateral takers. The harmonised cut-off times are described below.

Cut-off time for receipt of new requests to decrease the triparty exposure amount

New requests from the collateral giver to decrease the triparty exposure amount must be sent to the TPA no later than HH:MM [exact time TBC] on each business day.

Timing of automatic cancellation of pending instructions

If a decrease request cannot be fulfilled by the end of the requested settlement date, the request needs to be cancelled by the TPA at HH:MM [exact time TBC] on the business day in question.

Cut-off time for receipt of delta intraday allocation confirmation reporting

Delta intraday allocation confirmation would need to be sent between the hours of 07:00 and 17:45 CET to allow the collateral inventory to be updated in real time.

3 Harmonised triparty business processes and workflows

3.1 Overview of business process, workflow and key data elements

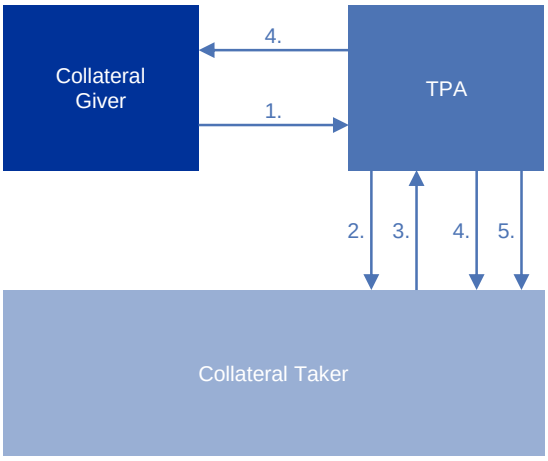
This section provides an overview of the full lifecycle of a triparty collateral transaction. The text below and the accompanying workflow diagram focus on the role of three key actors in the process

3.2 Background to AMI-SeCo Triparty Collateral Management Standards

In Phase I of the AMI-SeCo CMH-TF work on collateral management harmonisation, the following general business process was discussed. It served as the basis for the Triparty Collateral Management Standards contained in this document. The general principles are applied to all workflows; for example, communication flows are between (i) the collateral giver and the TPA and then (ii) the TPA and the collateral taker.

Figure 3

Generic workflow



1. Instruction sent to TPA
2. Alledgement sent to Collateral Taker
3. Collateral taker sends matching instructions to TPA
4. Information on the status of the collateralisation (partial or full) is sent in realtime to the Collateral Taker & Collateral Giver
5. Statement on security movements sent to Collateral Taker

A list of key data elements per business process is also provided in this document. The key data elements identified are indicative only at this point and will be further refined as part of the finalisation of the ISO 20022 messaging definition process.

3.3 Key terminology

Key terminology is explained in the table headed “Terminology” that follows the executive summary of this document. Figure 4 below provides an additional summary of the key concepts referred to in this document. **It should be noted that the terminology is currently being reviewed in the context of the definition of ISO 20022 messages** for triparty collateral management together with the related data elements. **Accordingly, the terminology and accompanying definitions are subject to change.**

Figure 4

Key terminology

1. Triparty Agent – the entity that provides triparty services, the agent performs the automated functions used within their triparty service. Triparty agents ensure that triparty transactions remain collateralised.
2. Transaction Amount / Triparty Exposure – the amount agreed between the collateral giver and the collateral taker (central bank) and reflects the post haircut value of securities to be transferred or earmarked.
3. Collateral Value – This is the actual post haircut value of securities transferred to the collateral taker – this is normally equal to or greater than the Transaction Amount.
4. Execution Date – This is the date on which the triparty agent will attempt to initiate, amend or close a triparty transaction.
5. Triparty Instruction – this is the instruction to the triparty agent to undertake an action on a triparty transaction i.e. initiate, amend, close, cancel.
6. Collateral Schedule – the schedule specifies the securities that the collateral taker is willing to accept.
7. Triparty Allocation – this is an automated process undertaken by the triparty agent throughout the day (either in scheduled batches or continuously), the process allocates securities to the collateral taker based upon the triparty schedule’s parameters and collateral operations i.e. changes to the transaction from new instructions.
8. Optimisation Run – this process ensures that the collateral provided to the collateral taker is optimised according to rules set by the collateral giver.
9. Automatic Substitution – the collateral giver may want to remove securities that have been provided to the collateral taker and provide alternative securities. This process ensures that alternative securities to at a least the value of the securities being removed are automatically selected and provided simultaneously.

This section presents harmonisation proposals for the following business processes and workflows.

Initiation of transaction

- Workflow covering the initiation of a triparty collateral transaction
- Key data elements

Increase of transaction amount

- Workflow covering the increase of a triparty collateral transaction
- Key data elements

Decrease of transaction amount

- Workflow covering the decrease of a triparty collateral transaction
- Key data elements

Revaluation

- Workflow covering the revaluation of a triparty collateral exposure
- Key data elements

Cancellation

- Workflow covering the cancellation of a previously sent triparty collateral instruction
- Key data elements

Unilateral removal

- Workflow covering the request to remove specific asset(s) from the triparty pool
- Key data elements

Reporting on stocks

- Workflow covering the reporting of details of securities in the triparty pool
- Key data elements

Reporting on flows

- Workflow covering the reporting of intraday movements of securities in the triparty pool
- Key data elements

Handling of cash proceeds

- Workflow covering the handling of cash proceeds of a corporate action
- Key data elements

Data exchange

- Workflow covering the exchange of reference data between the collateral giver/taker and the TPA
- Key data elements

Closure of transaction

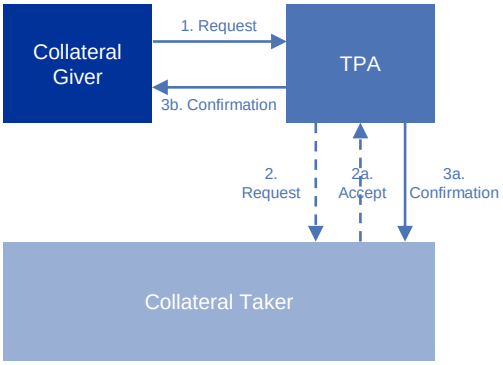
- Workflow covering the termination of a triparty collateral transaction
- Key data elements

3.3.1 Initiation of transaction

Initiation of Triparty Collateral Transaction	STANDARD 2

The collateral giver sends a message to the TPA to initiate a triparty transaction. The TPA automatically allocates eligible securities to the extent collateral is available and informs the collateral taker who initiates the transaction in their collateral management system.

Workflow



In the case of initiation and increase involving a Eurosystem NCB as collateral taker, no alledgement message will be sent from the TPA to the NCB as increases are always accepted by the central bank. Accordingly steps 2 and 2a are not relevant in this context.

Description of Steps

Pre-conditions

- All parties to the transaction have signed the relevant documentation and performed the necessary account setup

1. The collateral giver sends a request to the TPA to initiate a triparty collateral transaction with the collateral taker.
2. If applicable the request is sent to the collateral taker (step 2) who responds by sending a matching instruction to the TPA (step 2a).
3. The TPA automatically allocates eligible securities to the extent collateral is available. Three outcomes are possible:
   Scenario 1: the requested increased transaction amount is immediately fully covered; in this case the TPA will send a message to the collateral taker (3a) and, on an optional basis, the collateral giver (3b) confirming the full amount allocated.
   Scenario 2: the requested transaction amount cannot be covered (i.e. no (partial) collateral is available). In such case, no message will be sent.
   Scenario 3: the requested increased transaction amount is not immediately fully covered, i.e., is first partially covered. In this case, the TPA will send a message to the collateral taker (3a) and, on an optional basis, collateral giver (3b) stipulating the partial amount allocated. If and when the requested transaction amount becomes fully collateralised, a message will be sent to the collateral taker (3a) and, on an optional basis, collateral giver (3b).

Initiation of Transaction | Increase of Transaction | Decrease of Transaction | Revaluation | Cancellation | Unilateral Removal

Reporting on Stocks | Reporting on Flows | Handling of Cash Proceeds | Data Exchange | Closure of Transaction

Initiation request (Step 1)

colr.019.001.01 TripartyCollateralTransactionInstructionV01

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to an initiation of a triparty collateral transaction.	<CollTxTp><INIT>
Termination Date	Indicates that the transaction is open-ended (relevant for transactions involving Eurosystem NCBs).	<ClsgDt><OPEN>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Allegement (Step 2)

colr.021.001.01 TripartyCollateralAllegementNotification

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to a change of principal/exposure adjustment.	<CollTxTp><INIT>
Termination Date	Indicates that the transaction is open-ended (relevant for transactions involving Eurosystem NCBs).	<ClsgDt><OPEN>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Allegement acknowledgement (Step 2a)

colr.019.001.01 TripartyCollateralInstruction

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique reference identifying the collateral management transaction.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to a change of principal/exposure adjustment.	<CollTxTp><INIT>
Termination Date	Indicates that the transaction is open-ended (relevant for transactions involving Eurosystem NCBs).	<ClsgDt><OPEN>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Acknowledgement (Step 3)

colr.020.001.01 TripartyCollateralTransactionInstructionStatusAdvice

Data element	Definition	Represented in ISO message field*
Client Triparty Collateral Instruction Identification	Unique reference identifying the collateral management transaction from the client's point of view.	<ClntCollInstrId>
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Instruction Processing Status	Instruction has been acknowledged by the account servicer.	<InstructionProcessingStatus> <AcknowledgedAccepted>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Delta confirmation (Step 3a and 3b)

colr.022.001.01 TripartyCollateralCollateralAndExposureReportV01

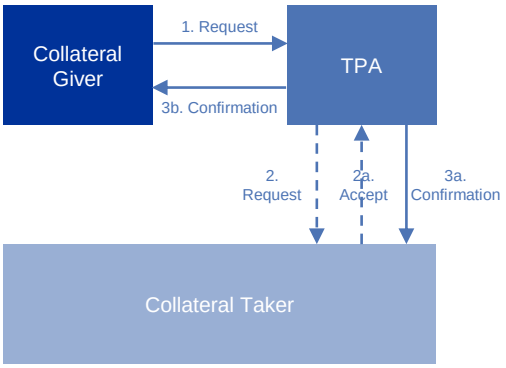
(see Reporting on flows)

3.3.2 Increase of transaction amount

Increase of Triparty Collateral Transaction	STANDARD 3

Business process covering the increase of a transaction amount between the collateral giver and collateral taker. The collateral giver sends a message to the TPA seeking an increase in the transaction amount held with the collateral taker. The TPA seeks to allocate securities to the extent that collateral is available. Accordingly the request to increase the transaction amount may be (i) fully settled (ii) partially settled or (iii) not settled. If insufficient collateral is available the request will remain open and the TPA will seek to increase the transaction amount as and when additional eligible securities become available.

Workflow



In the case of initiation and increase involving a Eurosystem NCB as collateral taker, an alledgement message from the TPA will not be needed as increases are always accepted by the central bank. Accordingly steps 2 and 2a are not relevant in this context.

Description of Steps

1. The collateral giver sends a triparty instruction to the triparty agent to request an increase of the transaction amount.
2. If applicable the request is sent to the collateral taker (step 2) who responds by sending a matching instruction to the TPA (step 2a).
3. The TPA automatically allocates eligible securities to the extent collateral is available. Three outcomes are possible:
   - **Scenario 1:** the requested increased transaction amount is immediately fully covered; in this case the TPA will send a message to the collateral taker (3a) and, on an optional basis, the collateral giver (3b) confirming the full amount allocated.
   - **Scenario 2:** the requested transaction amount cannot be covered (i.e. no (partial) collateral is available). In such case, no message will be sent.
   - **Scenario 3:** the requested increased transaction amount is not immediately fully covered, i.e., is first partially covered. In this case, the TPA will send a message to the collateral taker (3a) and, on an optional basis, collateral giver (3b) stipulating the partial amount allocated. If and when the requested transaction amount becomes fully collateralised, a message will be sent to the collateral taker (3a) and, on an optional basis, collateral giver (3b).

Initiation of Transaction | **Increase of Transaction** | Decrease of Transaction | Revaluation | Cancellation | Unilateral Removal

Reporting on Stocks | Reporting on Flows | Handling of Cash Proceeds | Data Exchange | Closure of Transaction

Increase request (Step 1)

colr.019.001.01 TripartyCollateralTransactionInstructionV01

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to an initiation of a triparty collateral transaction.	<CollTxTp><PADJ>
Termination Date	Indicates that the transaction is open-ended (relevant for transactions involving Eurosystem NCBs).	<ClsgDt><OPEN>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Increase allegement (Step 2)

colr.021.001.01 TripartyCollateralAllegementNotification

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to a change of principal/exposure adjustment.	<CollTxTp><PADJ>
Termination Date	Indicates that the transaction is open-ended (relevant for transactions involving Eurosystem NCBs).	<ClsgDt><OPEN>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Increase allegement acknowledgement (Step 2a)

colr.019.001.01 TripartyCollateralInstruction

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to a change of principal/exposure adjustment.	<CollTxTp><PADJ>
Termination Date	Indicates that the transaction is open-ended (relevant for transactions involving Eurosystem NCBs).	<ClsgDt><OPEN>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Increase acknowledgement (Step 3)

colr.020.001.01 TripartyCollateralTransactionInstructionStatusAdvice

Data element	Definition	Represented in ISO message field*
Client Triparty Collateral Instruction Identification	Unique reference identifying the collateral management transaction from the client's point of view.	<ClntCollInstrId>
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Instruction Processing Status	Instruction has been acknowledged by the account servicer.	<InstructionProcessingStatus> <AcknowledgedAccepted>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Delta confirmation (Step 3a and 3b)

colr.022.001.01 TripartyCollateralCollateralAndExposureReportV01

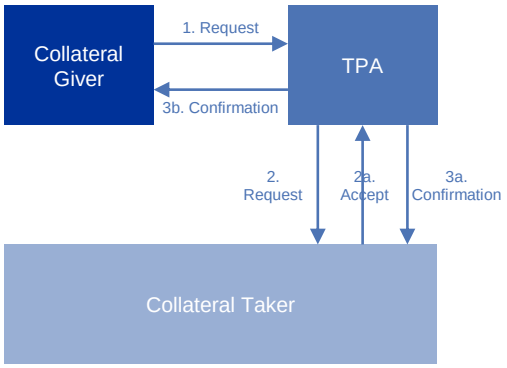
(see Reporting on flows)

3.3.3 Decrease of transaction amount

Decrease of Triparty Collateral Transaction	STANDARD 4

This process describes a request from the collateral giver to the TPA to decrease the triparty collateral transaction amount. The TPA sends the collateral giver's request to the collateral taker to check if the collateral giver may reduce the transaction amount. After the check of collateral sufficiency, the collateral taker sends a message to the TPA either approving or rejecting the request.

Workflow	Description of Steps



1. The collateral giver sends a triparty instruction to the triparty agent to request the decrease of the transaction amount. Decrease requests involving a Eurosystem NCB as collateral taker are sent on a same-day basis.
2. The triparty agent forwards the request to decrease the transaction amount (decrease allegement) to the collateral taker. Two outcomes are possible:
   - 2a: The collateral taker informs the TPA that there is sufficient collateral available to proceed with the decrease of transaction amount
   - 2b: The collateral taker queues the request as there is insufficient collateral available to proceed with the decrease of transaction amount. If the request is still pending at end of day, then the request will be cancelled by the TPA (please refer to cancellation workflow).
3. The TPA automatically releases collateral up to the amount still necessary and confirms to the collateral taker (step 3a) and the collateral giver (step 3b) that the transaction amount has been updated.

Initiation of Transaction | Increase of Transaction | **Decrease of Transaction** | Revaluation | Cancellation | Unilateral Removal

Reporting on Stocks | Reporting on Flows | Handling of Cash Proceeds | Data Exchange | Closure of Transaction

Decrease request (Step 1)

colr.019.001.01 TripartyCollateralTransactionInstruction

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to an initiation of a triparty collateral transaction.	<CollTxTp><PADJ>
Termination Date	Indicates that the transaction is open-ended (relevant for transactions involving Eurosystem NCBs).	<ClsgDt><OPEN>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Decrease allegement (Step 2)

colr.021.001.01 TripartyCollateralAllegementNotification

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to a change of principal/exposure adjustment.	<CollTxTp><PADJ>
Termination Date	Indicates that the transaction is open-ended (relevant for transactions involving Eurosystem NCBs).	<ClsgDt><OPEN>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Decrease allegement acknowledgement (Step 2a)

colr.019.001.01 TripartyCollateralInstruction

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique reference identifying the collateral management transaction.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to a change of principal/exposure adjustment.	<CollTxTp><PADJ>
Termination Date	Indicates that the transaction is open-ended (relevant for transactions involving Eurosystem NCBs).	<ClsgDt><OPEN>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Decrease acknowledgement (Step 3)

colr.020.001.01 TripartyCollateralTransactionInstructionStatusAdvice

Data element	Definition	Represented in ISO message field*
Client Triparty Collateral Instruction Identification	Unique reference identifying the collateral management transaction from the client's point of view.	<ClntCollInstrId>
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Instruction Processing Status	Instruction has been acknowledged by the account servicer.	<InstructionProcessingStatus> <AcknowledgedAccepted>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Delta confirmation (Step 3a and 3b)

colr.022.001.01 TripartyCollateralCollateralAndExposureReportV01

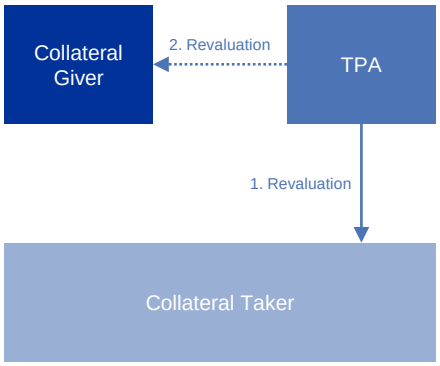
(see Reporting on flows)

3.3.4 Revaluation

Revaluation	STANDARD 5

Workflow by which the TPA informs the Collateral Taker (and optionally the Collateral Giver) of the new exposure amount following a revaluation of triparty positions. The collateral value may change as a result of (i) price / eligibility changes and (ii) custody events.

Workflow	Description of Steps



1. The triparty agent sends intraday reports for revaluation of triparty positions to the collateral taker and the collateral taker updates the credit line of the collateral giver accordingly. The intraday reports also serve the purpose of confirming collateral allocations in case an increase instruction was partially covered / not covered; in the same manner, the collateral taker cancels and replaces the previous collateral amount.
2. The triparty agent may optionally send the revaluation statement to the collateral giver.

Initiation of Transaction | Increase of Transaction | Decrease of Transaction | **Revaluation** | Cancellation | Unilateral Removal

Reporting on Stocks | Reporting on Flows | Handling of Cash Proceeds | Data Exchange | Closure of Transaction

Revaluation (Step 1 and 2)

colr.022.001.01 TripartyCollateralCollateralAndExposureReportV01

Data Element	Definition	Represented in ISO Message Field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Value Of Collateral Held	Value of collateral held.	<ValOfCollHeld>
Total Exposure	Intended transaction amount.	<TotalExposure>
Party A	Instructing party sending the collateral instruction.	<PartyA>
Party B	Counterparty of party A.	<PartyB>

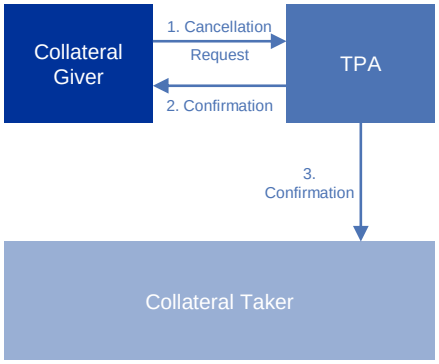
On reception of the revaluation, the collateral taker updates the exposure amount with the minimum of the collateral value or transaction amount {ValOfCollHeld,TotalExposure}.

3.3.5 Cancellation

Cancellation	STANDARD 6

This workflow covers the cancellation of a previously received increase or decrease instruction. Instructions can only be cancelled if they are either (i) not matched or (ii) matched but the settlement date is in the future. For communication between the TPA and the collateral taker, only the decrease workflow is relevant (as the collateral taker has to actively respond to the decrease). The workflow thus describes the case of a decrease or where matching from the collateral taker is required.

Workflow	Description of Steps



Pre-conditions

- An instruction has been sent requesting an adjustment which has not yet been confirmed

1. The collateral giver sends an instruction to the TPA to cancel a previously sent instruction.
2. The TPA checks the status of the related instruction (i.e. the request previously sent). Two outcomes are possible:
   a. *If the instruction is either (i) not matched or (ii) matched but the settlement date is in the future, then the TPA cancels the request and informs the collateral taker and collateral giver accordingly.*
   b. *If the instruction cannot be cancelled the TPA rejects the request and informs the collateral giver accordingly.*
3. If the instruction can be cancelled, the TPA sends a cancellation confirmation to the collateral taker. The process is also relevant for the cancellation of a decrease request which remains pending at end of day. In this case the TPA automatically cancels the pending request and informs the collateral taker and collateral giver accordingly.

Initiation of Transaction | Increase of Transaction | Decrease of Transaction | Revaluation | **Cancellation** | Unilateral Removal
Reporting on Stocks | Reporting on Flows | Handling of Cash Proceeds | Data Exchange | Closure of Transaction

Cancellation request

colr.005.001.04 CollateralManagementCancellationRequestV04

Data Element	Definition	Represented in ISO Message Field*
Related Reference	Reference assigned to the original instruction which is subject to cancellation.	<Ref>
Transaction Identification	Unambiguous identification of the transaction as known by the instructing party.	<TxId>
Party A	Identifier of the message sender.	<PtyA>
Party B	Identifier of the message receiver.	<PtyB>

Cancellation confirmation

semt.020.001.01 SecuritiesMessageCancellationAdvice

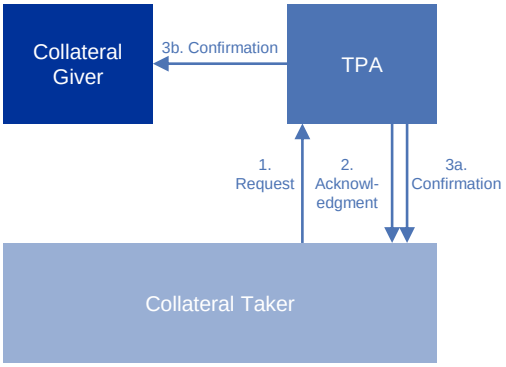
Data Element	Definition	Represented in ISO Message Field*
Client Triparty Collateral Instruction Identification	Unique reference identifying the collateral management transaction from the client's point of view.	<ClntCollInstrId>
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Instruction Processing Status	Instruction has been acknowledged by the account servicer.	<InstructionProcessingStatus> <Cancelled>

3.3.6 Unilateral removal

Unilateral Removal of Asset(s)	STANDARD 7

Workflow covering a request from the collateral taker or collateral giver to the TPA seeking the removal of specific asset(s) allocated to the triparty transaction which do not meet the collateral taker's risk control criteria (e.g. concentration limit breach). The unilateral removal of an asset must be legally supported by the unilateral right granted to the relevant party to amend the eligibility conditions agreed at the level of the triparty agreement. Therefore, any of the parties, namely Giver or Taker, could send such unilateral removal request provided it has been granted such contractual right.

Workflow	Description of Steps



1. The collateral taker sends an instruction to the TPA requesting the unilateral removal/exclusion of specific asset(s) from a triparty transaction.
2. The triparty agent acknowledges the receipt of the request.
3. The triparty agent then automatically allocates additional assets and withdraws the specific assets(s) and confirms the removal to the collateral taker (3a) and optionally the collateral giver (3b).

Initiation of Transaction | Increase of Transaction | Decrease of Transaction | Revaluation | Cancellation | **Unilateral Removal**

Reporting on Stocks | Reporting on Flows | Handling of Cash Proceeds | Data Exchange | Closure of Transaction

Removal request (Step 1)

reda.074.001.01 TripartyCollateralUnilateralRemovalRequest

Data Element	Definition	Represented in ISO Message Field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<Ref><CmonId>
Removal Request Identification	Unambiguous identification of the removal request as known by the account owner (or the instructing party managing the account).	<RmvlReqId>
Party A	Identifier of the message sender.	<PtyA>
Party B	Identifier of the message receiver.	<PtyB>
Removal of Securities	Indicates that the instruction is related to a request to remove specific assets(s) from the collateral pool. > Removal period for the financial instrument from the collateral pool must be extended. > Financial instrument must be removed from the collateral pool. > Financial instrument removal is terminated.	<Rmvl><RmvlTp> <EXTN> <REMO> <TERM>
ISIN	List of securities which should be excluded from the collateral pool.	<ISIN>
Reason Code	Reason for removal of assets.	<Rsn><Id>
Safekeeping Account	Account where financial instruments are maintained.	<SfkpgAcct>
Ineligibility Start Date	Start date from which the asset should be excluded from the collateral pool.	<ExclsnPrd><FrDt>
Ineligibility End Date	End date from which the asset should be excluded from the collateral pool.	<ExclsnPrd><ToDt>

Acknowledgement of removal request (Step 2)

admi.007.001.01 ReceiptAcknowledgementV01

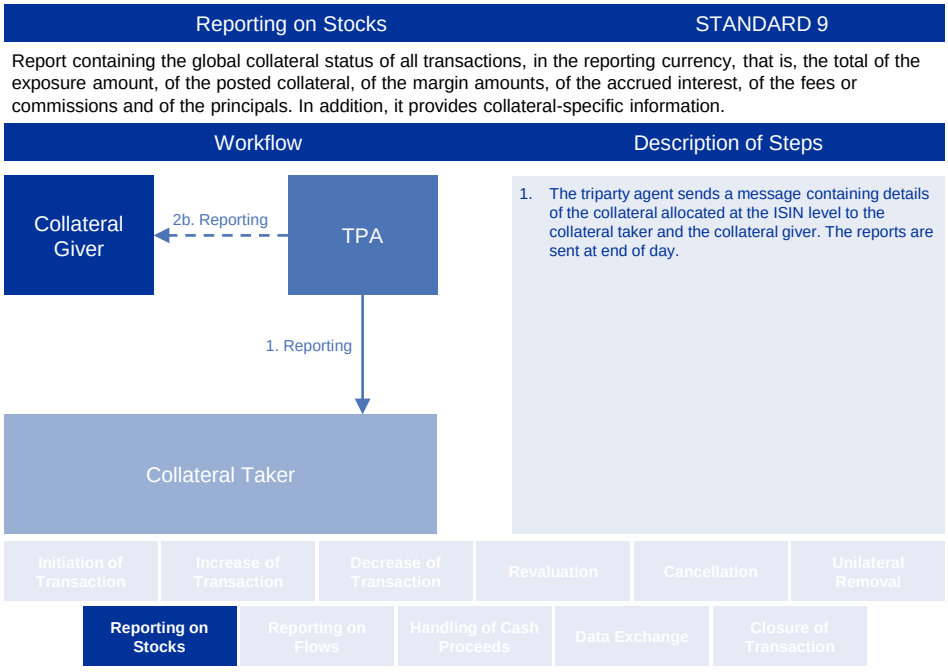
Data element	Definition	Represented in ISO message field*
Related Reference	Reference of the request.	<RltdRef>
Request Handling Status	Specifies the status of the request, for example the result of the schema validation or a business processing result/error.	<RmvlReqId> <ReqHdlg> <StsCd>

Delta confirmation (Step 2a and 2b)

colr.022.001.01 TripartyCollateralCollateralAndExposureReportV01

(see Reporting on flows)

3.3.7 Reporting on stocks



Reporting on stocks (Step 1)

colr.022.001.01 TripartyCollateralCollateralAndExposureReportV01

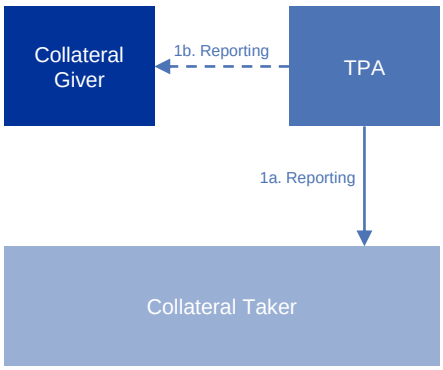
Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<Ref><CmonId>
Update Type	Indicates whether the report is complete or contains changes only. In this case the update type is Complete, which indicates that the statement is complete, i.e. contains full information on all securities allocated to the triparty transaction.	<UpdTp><Cd> <COMP>
Transaction Amount	This field contains the intended transaction amount.	<TotalExposure>
Collateral Value	This field contains the aggregate margined value of all assets delivered as collateral in all transactions with the given counterparty in the given exposure type, expressed in the reporting currency.	<ValOfCollHeld>
ISIN	This field contains the identification and description of the financial instrument (ISIN or Common Code).	<FinancialInstrumentIdentification>
Quantity of Securities Valued	This field contains the quantity of collateral or loaned securities, with quantity type code FAMT for debt and UNIT for equities.	<SecuritiesBalance>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of party A.	<PtyB>

3.3.8 Reporting on flows

Reporting on Flows	STANDARD 8

A report providing the details of increases and decreases of holdings which occurred during a specified period, for all or selected securities in the specified safekeeping account or sub-safekeeping account which the account servicer holds for the account owner. After each allocation cycle, if the composition of the triparty collateral pool changes, the TPA will send information in an ISO 20022 message on the security movements i.e. the securities added or removed from the triparty pool. The message will identify the ISIN and the Quantity of the ISIN added/removed.

Workflow	Description of Steps



1. After each security movement has occurred, the TPA will send a triparty message informing the collateral taker (and optionally the collateral giver) of the ISIN and Quantity added/removed from the collateral pool.

Initiation of Transaction | Increase of Transaction | Decrease of Transaction | Revaluation | Cancellation | Unilateral Removal

Reporting on Stocks | **Reporting on Flows** | Handling of Cash Proceeds | Data Exchange | Closure of Transaction

Reporting on flows (Step 1)

colr.022.001.01 TripartyCollateralCollateralAndExposureReportV01

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<Ref><CmonId>
Update Type	Indicates whether the report is complete or contains changes only. In this case the update type is Delta, which indicates that the reporting statement contains changes only.	<UpdTp><Cd> <DELTA>
Collateral Value	Total value of posted collateral (post-haircut) expressed in the reporting currency.	<ValOfCollHeld>
Transaction Amount	Intended amount of the transaction.	<TotalExposure>
ISIN	This field contains the identification and description of the financial instrument (ISIN or Common Code).	<FinancialInstrumentIdentification>
Quantity of Securities Valued	This field contains the quantity of collateral or loaned securities, with quantity type code FAMT for debt and UNIT for equities.	<SecuritiesBalance>
Securities Movement	Net movement of collateral securities.	<SecuritiesMovement>
Securities Movement Type	Specifies whether the net movement of securities is a receipt or a delivery.	<SecuritiesMovementType> <DELI> <RECE>
Safekeeping Account	Account where financial instruments are maintained.	<SafekeepingAccount>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of party A.	<PtyB>

3.3.9 Handling of cash proceeds

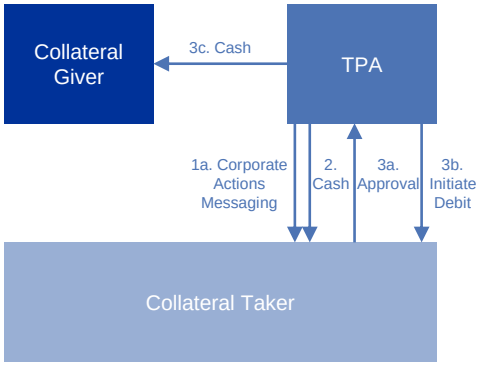
Handling of Corporate Actions	STANDARD 11

For central bank triparty transactions, two choices are available to the collateral giver in advance of the corporate action event:

i. If the collateral giver opts for substitution, the TPA is responsible for the processing of the CA event without the involvement of the collateral taker (NCB);

ii. If the collateral giver does not opt for the substitution, or if the substitution fails, the NCB will be in receipt of all relevant CA messaging and the cash proceeds will be transferred to an NCB cash account (T2S DCA in case of euro payments) on the payment date and upon receipt of confirmation that the NCB is sufficiently collateralised, the TPA can then debit the funds from the NCB cash account. In such case the workflow described below is applicable.

Workflow	Description of Steps



1. The TPA sends all relevant CA messaging to the collateral taker and collateral giver e.g. CA notification, CA confirmation etc. (please see section 2.4 of the AMI-SeCo CMH-TF Report on Corporate Actions for full details of the applicable messages and workflows). The messaging will be sent per triparty transaction.
2. On the payment date of the CA, the TPA will transfer the cash proceeds of the CA to the NCB's cash account. The TPA will also send a CA confirmation message (seev.036) in parallel to confirm the execution of the CA event.
3. Upon receipt of the corporate action confirmation message and the cash notification message the collateral taker checks the sufficiency of the overall pool of collateral (i.e. the sum total of collateral mobilised bilaterally and via a TPA). Two outcomes are possible:
   - 3a: If sufficiently collateralised, the ECMS sends a message to the TPA approving the debit of the NCB cash account where the CA proceeds are held. If the remaining collateral is not sufficient, no payments are performed and the NCB retains full control over the CA funds.
   - 3b: The TPA initiates the debit of the funds from the NCB's cash account.
   - 3c: The TPA is then responsible for the onward payment of the funds to the collateral giver.

Initiation of Transaction | Increase of Transaction | Decrease of Transaction | Revaluation | Cancellation | Unilateral Removal

Reporting on Stocks | Reporting on Flows | **Handling of Cash Proceeds** | Data Exchange | Closure of Transaction

Corporate action messages (Step 1)

seev.031 (CA Notification) & seev.036 (CA Confirmation)

Data element	Definition	Represented in ISO message field*
Safekeeping Account	Account where financial instruments are maintained.	<SfkpgAcct>

Notes: All corporate action messages e.g. notification, confirmation etc. will be sent per account. Accordingly, the safekeeping account number above can be used to identify the triparty transaction to which the corporate action relates.

All data elements should be populated as per the relevant corporate action messaging as outlined in the **AMI-SeCo Corporate Actions Standards**.

Cash message (Step 2)

camt.054 BankToCustomerDebitCreditNotification

Data element	Definition	Represented in ISO message field*
Message Reference	Reference, as assigned by the sender, to unambiguously identify the message.	<MsgId>
Triparty Transaction Reference	Unique reference identifying the triparty collateral management transaction to which the cash payment relates.	<AccountServicerTransaction Identification>
Corporate Action Reference	Linked reference assigned by the account servicer to unambiguously identify a CA event.	TBD
Cash Amount	Amount of cash being transferred to the NCB's DCA.	<Amount>

Approval of debit (Step 3a)

camt.036 DebitAuthorisationResponse (TBC)

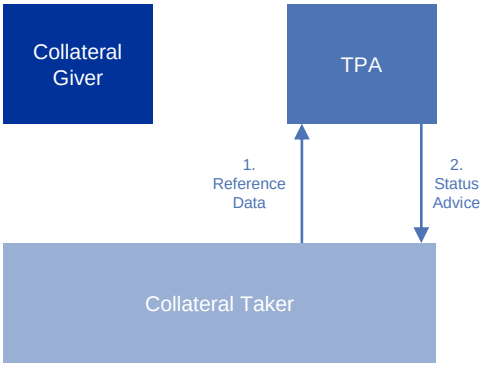
Data element	Definition	Represented in ISO message field*
Reference	Unique reference identifying the underlying cash payment for which the debit of the account is being authorised (could correspond to <MsgId> in camt.054).	TBD

3.3.10 Data exchange

Data Exchange	STANDARD 13

Workflow covering the exchange of data provided from the collateral taker to the TPA which is necessary for the TPA to execute collateral management activities. The collateral taker may provide updated information to the TPA on a daily basis.

Workflow



Description of Steps

1. **Reference Data**
   The collateral taker provides details of the assets eligible for use in the triparty transaction to the TPA. The reference data may include information on the securities eligible for use and details of the prices to be applied to each security. Other data may also be provided depending on the nature of the triparty transaction.
   - **Eligible Securities**
     In case a new asset become eligible for use, the collateral taker sends an "Eligible Securities Creation Request" to the TPA requesting the creation of an eligible asset. In case a previously eligible asset is no eligible for use, then an "Eligible Securities Deletion Request" is sent to the TPA requesting the deletion of the previously eligible asset.
   - **Pricing Data**
     For each eligible ISIN, pricing data may also be provided on to the TPA via a "Collateral Value Creation Request".
2. **Status Advice**
   For each request to create reference data the TPA shall send a notification inform the collateral taker if the creation/deletion of a record has been processed or rejected.

Initiation of Transaction | Increase of Transaction | Decrease of Transaction | Revaluation | Cancellation | Unilateral Removal
Reporting on Stocks | Reporting on Flows | Handling of Cash Proceeds | **Data Exchange** | Closure of Transaction

Step 1

Eligible securities creation request (reda.025.001.01)

Attribute	Description	Represented in ISO message field
ISIN	International Securities Identification Number, which uniquely identifies a security.	TBD
Collateral Taker ID	Identifier of the collateral taker.	TBD

Step 1

Eligible securities deletion request (reda.TBD)

Attribute	Description	Represented in ISO message field
ISIN	International Securities Identification Number, which uniquely identifies a security.	TBD
Collateral Taker ID	Identifier of the collateral taker.	TBD

Step 1

Collateral value creation request (reda.024.001.01)

Data element	Definition	Represented in ISO message field
ISIN	International Securities Identification Number, which uniquely identifies a security.	TBD
Price coefficient 1	Price to be assigned to the security with standard haircut.	TBD
Price coefficient 2	Price to be assigned to the security with standard and add-on haircut (for own-use securities).	TBD

Step 1

Close link deletion request (reda.TBD)

Attribute	Description	Represented in ISO message field
ISIN	International Securities Identification Number, which uniquely identifies a security.	TBD
Collateral Giver ID	Identifier of the collateral giver affected by the close link.	TBD

Step 1

Close link creation request (reda.027.001.01)

Attribute	Description	Represented in ISO message field
ISIN	International Securities Identification Number, which uniquely identifies a security.	TBD
Collateral Giver ID	Identifier of the collateral giver affected by the close link.	TBD

Step 2

Collateral data status advice (reda.028.001.01)

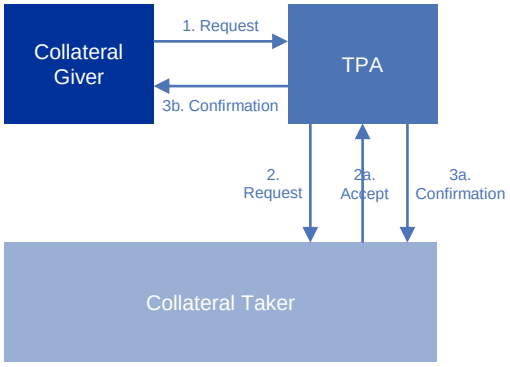
Attribute	Description	Represented in ISO message field
Request ID	ID of the original request to create reference data.	TBD
Status	Provides information on the status of the request. Three values are possible: Rejected, Queued or Completed.	TBD

3.3.11 Closure of transaction

Closure of Triparty Collateral Transaction	STANDARD 10

This process describes a request from the collateral giver to the TPA requesting a termination of a triparty collateral transaction. The TPA sends the collateral giver's request to the collateral taker to check if the collateral giver may terminate the transaction and thus reduce the exposure amount to zero. After the check of collateral sufficiency the collateral taker sends a message to the TPA either approving or rejecting the request.

Workflow	Description of Steps



Pre-conditions

- The transaction has been already been initiated

1. The collateral giver sends a triparty instruction to the triparty agent to terminate a triparty transaction.
2. The triparty agent forwards the request to terminate the triparty transaction to the collateral giver. Two outcomes are possible:
   - 2a: The collateral taker informs the triparty agent that there is sufficient collateral available to proceed with the termination of the transaction
   - 2b: The collateral taker queues the request as there is insufficient collateral available to proceed with the decrease of transaction amount.
3. The triparty agent automatically releases the collateral and confirms to the collateral taker (step 3a) and the collateral giver (step 3b) that the transaction has been terminated

Initiation of Transaction | Increase of Transaction | Decrease of Transaction | Revaluation | Cancellation | Unilateral Removal
Reporting on Stocks | Reporting on Flows | Handling of Cash Proceeds | Data Exchange | **Closure of Transaction**

Closure request (Step 1)

colr.019.001.01 TripartyCollateralTransactionInstructionV01

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to the closure of a triparty transaction.	<CollTxTp><TERM>
Termination Date	Indicates the termination date of the transaction.	<ClsgDt>
Transaction Amount	Intended transaction amount (equal to zero).	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Closure allegement (Step 2)

colr.021.001.01 TripartyCollateralAllegementNotification

Data Element	Definition	Represented in ISO Message Field*
Common Transaction Identification	Unique reference identifying the collateral management transaction.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to the closure of a triparty transaction.	<CollTxTp><TERM>
Termination Date	Indicates the termination date of the transaction.	<ClsgDt>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Closure acceptance (Step 2a)

colr.019.001.01 TripartyCollateralTransactionInstruction

Data element	Definition	Represented in ISO message field*
Common Transaction Identification	Unique reference identifying the collateral management transaction.	<CmonTxId>
Collateral Transaction Type	Indicates that the instruction is related to the closure of a triparty transaction.	<CollTxTp><TERM>
Termination Date	Indicates the termination date of the transaction.	<ClsgDt>
Transaction Amount	Intended transaction amount.	<DealAmt> <Tx>
Party A	Instructing party sending the collateral instruction.	<PtyA>
Party B	Counterparty of Party A.	<PtyB>

Closure allegement acknowledgement (Step 3)

colr.020.001.01 TripartyCollateralTransactionInstructionStatusAdvice

Data element	Definition	Represented in ISO message field*
Client Collateral Instruction Identification	Unique reference identifying the collateral management transaction from the client's point of view.	<ClntCollInstrId>
Common Transaction Identification	Unique identification agreed upon by the two trade counterparties to identify the trade.	<CmonTxId>
Instruction Processing Status	Instruction has been acknowledged by the account servicer.	<InstructionProcessingStatus> <AcknowledgedAccepted>

Closure confirmation (Step 3a and 3b)

colr.02**2**.001.01 TripartyCollateralCollateralAndExposureReportV01

(see Reporting on flows)

4 ISO 20022 messaging

As part of the current phase of the harmonisation of triparty collateral management, ISO 20022-compliant messages are being developed and existing ISO 15022 messages are being reverse-engineered to support the transmission of the relevant data elements for each of the harmonised business processes and workflows identified above. The full list of ISO 20022 messages being developed to support the processing of triparty collateral management transactions is given in the table below.

Table 1
ISO 20022 messaging

Message name	Message identifier
Triparty Collateral Transaction Instruction	colr.019
Triparty Collateral Transaction Instruction Processing Advice[9]	colr.020
Triparty Collateral Allegement Notification	colr.021
Triparty Collateral and Exposure Report	colr.022
Triparty Collateral Status Advice	colr.023
Triparty Collateral Unilateral Removal Request	reda.074
Collateral Management Cancellation Request	colr.005
Securities Message Cancellation Advice	semt.020
Collateral Management Cancellation Status	colr.020
Receipt Acknowledgement	admi.007
Approval of Debit	camt.036 (TBC)
Eligible Securities Creation Request*	reda.025
Eligible Securities Deletion Request*	reda.TBD
Collateral Value Creation Request*	reda.024
Close Link Creation Request*	reda.027
Close Link Deletion Request*	reda.TBD
Collateral Data Status Advice*	reda.028

Note: For each ISO 20022 message, the table above shows the message name, the abbreviated name and the message identifier.
* While ISO 20022 messages for triparty management are currently being created, ISO 20022 messages for the provision of reference data already exist or are already provided for in ongoing T2S change requests (T2S-0384-SYS, T2S-0572-SYS, T2S-0574-URD).

Definition of ISO 20022 messaging: explanation of methodology

In order to support the development of ISO 20022 messages for triparty collateral management, SWIFT, in its capacity as a member of the AMI-SeCo CMH-TF, will:

- design the ISO 20022 messages with mapping to ISO 15022 in mind to ensure the same levels of straight-through processing as currently;

9 The Business Validation Group (BVG) agreed that the transaction/instruction and collateral processing were 2 different flows and covered different functions; therefore they should be covered by different messages as follows:

- colr.020 TripartyCollateralTransactionInstructionProcessingStatusAdvice (with Instruction, Matching and Cancellation Processing statuses)
- colr.023 TripartyCollateralStatusAdvice (with Allocation, Settlement and Collateral statuses)

- make sure the ISO 20022 functionality covers the functionality available in ISO 15022 during the coexistence period;
- include any additional functionalities missing currently, solve existing issues and cater for any gaps compared with the Eurosystem Collateral Management System requirements;
- ensure that the ISO 20022 principle of "one function, one message" is respected, i.e. there should be one way to process a specific functionality (rather than two ways of doing the same thing), and it should be possible to reuse existing messages and their components when creating new messages;
- synchronise maintenance between the use of the ISO 15022 standard and the use of the ISO 20022 standard in terms of timing, review process and content;
- provide coexistence support, i.e. the simultaneous maintenance of ISO 15022 and ISO 20022 messages, for instance ensuring the necessary mapping/translation documentation – TBD;
- ensure Securities Market Practice Group market practices are adhered to;
- ensure additional requirements identified by harmonisation initiatives are included in both ISO 15022 and ISO 20022;
- ensure additional requirements identified by regulatory initiatives are included in both ISO 15022 and ISO 20022 (i.e. legal entity identifier).

The timeline for the development of these messages is shown below, together with the key actors involved.

Actor	Action	Timeline
CMH-TF	**Single harmonised triparty model**	January to June 2018 (complete)
CMH-TF (SWIFT)	**ISO 15022 reverse engineering high-level process**	April to June 2018 (complete)
CMH-TF (Banco de España and SWIFT)	**Business justification process**	April to July 2018 (complete)
RMG[10]	**Business justification approval**	September 2018 (complete)
CMH-TF (TPAs and SWIFT)	**Development of draft messages**	June to December 2018 (complete)
SEG[11] (setting up an evaluation team)	**Message final approval**	First quarter of 2019 (ongoing)
CMH-TF (Banco de España, TPAs and SWIFT)	**Triparty message specification**	December 2018 to March 2019 (ongoing)
Eurosystem	**Triparty management UDFS[12] iteration**	April to mid-June 2019 (ongoing)

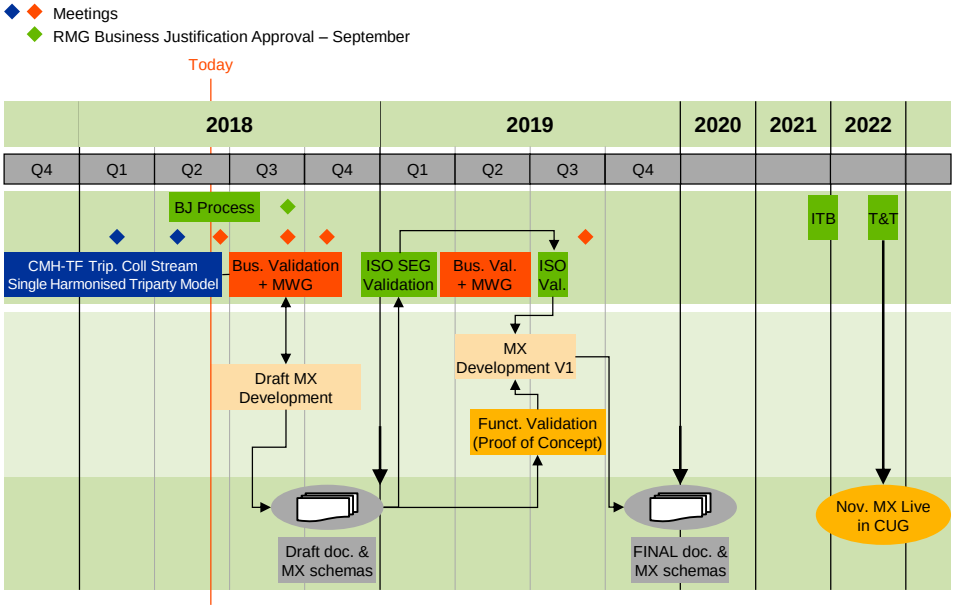
10 ISO 20022 release management group

11 Standards Evaluation Group.

12 User Detailed Functional Specifications.

Diagram 1

ISO 20022 messaging process draft timeline



Annex 1: Background to AMI-SeCo Triparty Collateral Management Standards

Background to Triparty Standard 1

According to this Standard, TPAs must be able to offer ISO 20022 messages in the context of collateralisation of central bank credit operations and commercial bank operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 2

This Standard provides for the initiation of a collateral transaction without matching for central bank processes, i.e. in the context of collateralisation of central bank credit operations. In the context of commercial bank operations matching of the instructions is required.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 3

This Standard provides for a unilateral increase of a collateral transaction without matching for central bank processes, i.e. in the context of collateralisation of central bank credit operations. In the context of commercial bank operations, matching of the instructions is required as the cash leg is also executed as part of the triparty agreement.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 4

This Standard provides for a harmonised process for the decrease of a collateral transaction for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 5

This Standard provides for a harmonised process for the revaluation of collateral for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors:

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 6

This Standard provides for the cancellation of a triparty transaction for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 7

This Standard provides for the unilateral removal of collateral for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 8

This Standard provides for reporting on flows for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 9

This Standard provides for reporting on stock for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 10

This Standard provides for a closure of a transaction for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 11

This Standard provides for the handling of corporate actions for central bank processes, i.e. in the context of collateralisation of central bank credit operations. In commercial transactions, there may be other services offered by the TPA for corporate actions such as systematic substitutions (especially in the case of elective corporate actions or corporate actions having a fiscal impact).

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks.

Background to Triparty Standard 12

This Standard provides for partial allocation of collateral for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 13

This Standard provides for the provision of reference data on securities eligible for use as collateral for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations. some processes may be more relevant for central banks and thus would not need to be offered by commercial TPAs if these do not form part of their product offering (for example the “Collateral Value Creation Request” may not be relevant to clients that are not Eurosystem central banks). Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 14

This Standard provides for the use of collateral baskets for central bank and commercial bank processes, i.e. in the context of collateralisation of central bank credit operations and commercial operations. In the commercial model, most of the baskets are pre-agreed between the collateral giver and collateral taker. For central bank transactions involving a Eurosystem central bank as collateral taker, the list of eligible assets is updated on a daily basis.

Implementation must be coordinated across AMI-SeCo markets and implementation actors:

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 15

This Standard provides for the future-dated processing of collateral for commercial bank processes, i.e. in the context of commercial operations.

Implementation must be coordinated across AMI-SeCo markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to CCPs.

Background to Triparty Standard 16

This Standard provides for harmonised operating hours in the context of collateralisation of central bank credit operations. Eurosystem-eligible TPAs must provide access to triparty services on the days on which TARGET2 is open (according to the calendar published on the ECB website). Allocations to triparty transactions involving Eurosystem central banks as collateral takers must be possible between 07:00 and 17:45 CET on the days on which TARGET2 is open. For commercial or bilateral models other operating hours apply.

The implementation should be coordinated across AMI-SeCo markets and implementation actors:

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks and CCPs.

Background to Triparty Standard 17

This Standard provides for cut-off times for central bank processes, i.e. in the context of collateralisation of central bank credit operations. For commercial or bilateral models, other cut-off times apply.

Implementation must be coordinated across markets and implementation actors.

By November 2022:

- providers must be able to offer services according to the Standard – this applies to TPAs;
- key users must be able to apply the services according to the Standard – this applies to central banks.

Annex 2: Harmonisation needs

Priority 1

Triparty collateral management (CMHA1)

No.	Process	Process description	Harmonisation need
1	Increase of Triparty Collateral Exposure (Global Amount)	An instruction sent by a trading party to its TPA to instruct the agent to perform a specific action on a collateral management transaction. It is also sent by an account owner to an account servicer where the account servicer manages the account at the TPA on behalf of the trading party. In response, a message is sent by the TPA after the receipt of a collateral instruction from its client. The receiver is either the collateral taker or the collateral giver or their account servicer. [At present, the messaging and workflow differ per TPA: the increase of a triparty collateral exposure amount may be conducted (i) unilaterally or (ii) with the need for matching instructions depending on the TPA.]	There is a need to implement harmonised messaging and workflows for an increase of a triparty collateral exposure amount.
2	Decrease of Triparty Collateral Exposure (Global Amount)	An instruction sent by a trading party to its TPA to instruct the agent to perform a specific action on a collateral management transaction. It is also sent by an account owner to an account servicer where the account servicer manages the account at the TPA on behalf of the trading party. In response, a message is sent by the TPA after the receipt of a collateral instruction from its client. The receiver is either the collateral taker or the collateral giver or their account servicer. This message provides valuation results as well as the status of the collateral instruction and the status of the proposed collateral movements (cash and securities).	There is a need to implement harmonised messaging and workflows for a decrease of a triparty collateral exposure amount.
3	Revaluation (Reception of a new Collateral Exposure Statement)	A statement sent by the TPA to the collateral taker following the revaluation of the assets allocated as a result of price or reference data changes (e.g. change in the haircut of the asset).	There is a need to implement harmonised messaging and workflows for the revaluation of a triparty collateral exposure amount.
4	Compulsory Decrease of Triparty Collateral Exposure Due to Deduction of Upcoming Corporate Action Event	A compulsory decrease of the triparty collateral exposure amount due to an upcoming CA event.	Eurosystem central banks will consider the implementation of a harmonised business process.
5	End-of-Day Reporting on Stocks	A message sent by a TPA to both the collateral giver and the collateral taker or to an account servicer who manages the account at the TPA on behalf of a trading party, providing the details of the valuation of both the collateral and the exposure. It is sent in the following circumstances: (i) after all collateral movements have been effected (after settlement has been initiated) to show the end (fixed) positions (current status), or (ii) taking into account all collateral management instructions (including “pending initiation” and/or “initiated”).	There is a need to provide end-of-day reporting on stocks via a standardised message.
6	Unilateral Removal of Specific Asset(s)	A request sent by the collateral giver/taker to the TPA for the removal of (a) specific asset(s) from the basket of securities collateralising the collateral exposure.	There is a need to define a formatted ISO 20022 message for the communication of the unilateral removal of (a) specific asset(s).
7	Partial Settlement of Triparty Collateral Exposure Increase	Specifies whether partial settlement of the increase in collateral exposure is permitted.	There is a need to ensure that partial settlement of triparty collateral exposures is possible (to the extent that the product allows) using any TPA in order to improve market liquidity.
8	Provision of Real Time Information on Securities Collateralising Triparty Collateral Exposure	Identifies whether real-time information is available to the collateral giver/taker on the securities collateralising the triparty exposure amount.	There is a need to provide real time availability of information on flows (securities movements) to the collateral taker/giver.

No.	Process	Process description	Harmonisation need
9	Handling of a Maximum Triparty Collateral Exposure Value	Identifies whether the TPA allows the setting of a maximum triparty collateral exposure amount.	[To be further analysed] There is a need to ensure that the handling of a maximum triparty collateral exposure amount is supported using a harmonised [possibly existing] workflow (relevant to Eurosystem central banks).
10	Handling of Cash Proceeds Related to Corporate Action Events	Identifies how cash positions related to the execution of a CA event are treated and reported.	The Eurosystem central banks will consider the implementation of a harmonised business process.
11	Rejection of Decrease Instruction	A rejection of a request to decrease the triparty collateral exposure. The rejection is sent from the collateral taker to the TPA.	There is a need to implement harmonised messaging and workflows for the rejection of a triparty collateral exposure decrease request [relevant to central banks].

Priority 2

Triparty collateral management (CMHA1)

No.	Process	Process description	Harmonisation need
1	Initiation of a Triparty Collateral Transaction	An instruction sent by a trading party to its TPA to instruct the agent to initiate a collateral management transaction. It is also sent by an account owner to an account servicer where the account servicer manages the account at the TPA on behalf of the trading party.	There is a need to implement harmonised messaging and workflows for the initiation of a triparty collateral transaction [relevance of process for central banks to be confirmed by TPA. For market participants, only one TPA does not adopt a standard workflow].
2	Termination (Closure) of a Triparty Collateral Transaction	A request to terminate the triparty transaction sent by the collateral giver to both the collateral taker and the TPA.	There is a need to implement harmonised messaging and workflows for the termination of a triparty collateral transaction [relevance of process for central banks to be confirmed by TPA. For market participants, only one TPA does not adopt a standard workflow].
3	Cancellation of a Pending Triparty Collateral Exposure Instruction	A request sent by the collateral giver/taker to the TPA to cancel a pending instruction. An instruction may only be cancelled if: • its status is NMAT; or • its status is FUTU with an execution request date in the future (i.e. not the current date).	There is a need to implement harmonised messaging and workflows for the cancellation of a triparty collateral exposure. There is a need to ensure that all TPAs allow for the cancellation of unmatched trades and matched trades for future value so that communications are consistent and comparable across the TPAs.
4	Future Dated Processing	Indicates whether it is possible for the collateral giver/taker to send a triparty instruction in advance of the execution date of the instruction.	There is a need to ensure that all TPAs allow the sending of future-dated instructions for all relevant exposure types (to the extent that the product allows) [TBC if needed for central bank operations]. Currently, future-dated instructions are not handled by all TPAs in the case of (1) bilateral pledges and (2) PADJ instructions.
5	Use of Baskets (Including Messaging Used)	Outlines whether and how the collateral giver/taker can restrict the use of triparty services to a certain group of eligible assets.	There is a need to implement a standardised format of communication (including selection criteria) for lists of eligible assets.
6	Amendment of Trade Details (Rate, Basket, Termination Date)	Identifies how amendments of trade details (e.g. rate, basket, termination date) are communicated to the TPA.	There is a need to implement harmonised messaging and workflow for the communication of information on amendments of trade details (rate, basket, termination date).
7	Trade Type Supported by TPA	Identifies which trade types are supported by TPAs.	There is a need to ensure that, in cases where a TPA offers the same type of product as another TPA, communication with users is conducted in a harmonised way.

No priority assigned

Triparty collateral management (CMHA1)

No.	Process	Process description	Harmonisation need
1	End-of-Day Reporting on Flows (Securities Movements)	A message sent by an account servicer (account servicing institution) to an account owner or its designated agent providing the details of increases and decreases of holdings which occurred during a specified period, for all or selected securities in the specified safekeeping account or sub-safekeeping account which the account servicer holds for the account owner.	No harmonisation need for end-of-day reporting on flows has been identified on the basis that intraday reporting on flows (securities movements) can be provided to the collateral taker/giver using harmonised messages.
2	Compulsory Decrease of Triparty Collateral Exposure Due to Revaluation	A compulsory decrease of the triparty collateral exposure amount following a change in the eligibility status or valuation of the underlying securities collateralising the triparty transaction.	The same harmonised messaging and workflows will be used as for the revaluation of a triparty collateral exposure amount.
3	Reporting Frequency	The frequency with which a collateral and exposure reporting statement is provided.	There is no harmonisation need for the timing of reporting – TPAs should provide frequencies acceptable to their clients.
4	Automatic Increase/Decrease of Triparty Collateral Exposure following Revaluation	Identifies whether a revaluation of the collateral leads to an automatic increase or decrease of the triparty exposure amount.	There is a need to further analyse whether it is feasible and desirable for the TPA to automatically increase/decrease the triparty collateral exposure amount following revaluation.
5	Accounting Modalities	The collateralisation technique employed in the triparty transaction.	There is no need to harmonise (with current different account structures employed by different TPAs, as long as this structure does not impede the implementation of harmonised workflows and messaging).
6	Handling of Adjustment to Triparty Collateral Exposure	Identifies whether the request to adjust the exposure amount is communicated to the TPA on a delta basis or on a “cancel and replace” basis.	There is a need to have a single method (i.e. “cancel and replace” instead of delta) for the handling of adjustments to the triparty collateral exposure amount. [BNYM confirmed that delta is only used in the US market and thus from a European perspective there is harmonised use of the “cancel and replace” method.]
7	Amendment of Triparty Collateral Exposure Instruction	Identifies whether the TPA provides the possibility for the collateral giver/taker to amend the triparty instruction already sent to the TPA.	It is considered that the harmonised market practice should be to rely on the use of the “cancel and replace” method rather than the amendment of such instructions.
8	Acknowledgement of Triparty Collateral Exposure Instruction Messages	Identifies whether the TPA sends a message to the collateral giver/taker acknowledging receipt of a triparty instruction.	No harmonisation need identified.
9	Handling of Pending Instructions – Unmatched Instructions	Specifies how pending instructions are treated when the instructions are not yet matched.	There is no harmonisation need as the cancellation process is to be used.
10	Handling of Pending Instructions – Under-collateralised Transactions	Specifies how pending instructions are treated when the exposure is matched but there is insufficient collateral to settle the instruction.	There is no harmonisation need as the partial settlement process is to be used.
11	Opening Hours	The hours during which triparty services are available for use.	There is a need for extended opening hours in order to facilitate optimal transfer of liquidity and triparty interoperability.
12	Settlement of a Triparty Collateral Transaction	Once the triparty transaction has been accepted and matched by the collateral giver and the collateral taker, the TPA will perform the collateral allocation (either delivery versus payment (DVP) or free of payment (FOP) depending on transaction type) to settle cash and securities between the transacting parties.	There is no harmonisation need. It should be ensured that CSDs provide users of triparty services with standardised reporting on settlement. Users should be provided with reporting when triparty instructions are unmatched, when they differ, when they match and when they settle. At the underlying level, users should be provided with reporting of collateral and cash.
13	Collateral Substitution	Where a collateral giver requires a recall of a security position allocated to the triparty collateral exposure, the TPA will allocate a new security position of equivalent value to the collateral taker and remove the old security position to credit this back to the collateral giver.	There is no need for harmonisation. Substitution should be universally offered and automated to the maximum extent possible in order to aid liquidity. Both FOP and DVP should be offered (depending on the account setup).
14	Settlement of Collateral	Identifies where the settlement of the underlying	No harmonisation need identified.

No.	Process	Process description	Harmonisation need
	on an SSS	collateral takes place.	
15	Governing Law	Identifies the governing law under which the triparty transaction takes place.	While TPAs should be allowed to operate under different laws, for true interoperability it should be clear how exposures between one TPA and another TPA are handled legally.
16	Credit Lines	Identifies whether credit lines are provided by TPAs and, if so, whether any differences exist in how these credit lines are provided.	No harmonisation need identified.

AMI-SeCo/CMH-TF guidance: mapping of harmonisation proposals (of June 2018) to the Triparty Collateral Management Standards

Based on the harmonisation proposals agreed by the AMI-SeCo in June 2018 with respect to triparty collateral management, a series of Standards have been prepared by the AMI-SeCo CMH-TF. The table below maps the harmonisation proposals to the resulting Standards presented in this document.

	AMI-SeCo Triparty Collateral Management Standards	Derived from AMI-SeCo agreement in the June 2018 report entitled "Triparty Collateral Management"
1	Implementation of ISO 20022 messages for triparty collateral management	See Section 2 Harmonised Triparty Business Processes and Workflows
2	Initiation of a triparty transaction	See 2.4.1 Initiation of Transaction
3	Increase of a triparty transaction	See 2.4.2 Increase of Transaction Amount
4	Decrease of a triparty transaction	See 2.4.3 Decrease of Transaction Amount
5	Revaluation of a triparty transaction	See 2.4.4 Revaluation
6	Cancellation of a triparty instruction	See 2.4.5 Cancellation
7	Unilateral removal process	See 2.4.6 Unilateral Removal
8	Reporting on flows	See 2.4.8 Reporting on Flows
9	Reporting on stocks	See 2.4.7 Reporting on Stocks
10	Closure of a triparty transaction	See 2.4.9 Closure of Transaction
11	Handling of corporate actions	New: reflects the AMI-SeCo agreement in November 2018 on the handling of corporate actions
12	Partial allocation	See 2.4.2 Increase of Transaction Amount
13	Reference data	New: see priority 2, need no. 5
14	Use of baskets	New: see priority 2, need no. 5
15	Future-dated processing	New: see priority 2, need no. 4
16	Operating hours	New: see no priority assigned, need no. 11
17	Cut-off times	New: see no priority assigned, need no. 11

Annex 3: Sample messaging

Example 1

Revaluation report

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Example 2

Reporting on stock

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Example 3

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