

TERMS OF REFERENCE

TASK FORCE ON

COLLATERAL MANAGEMENT HARMONISATION

1. Background

On 4 July 2017, the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) took note of the AMI-SeCo Harmonisation Steering Group (HSG) initial deliberations on scope and methodology of collateral management harmonisation and its decision to create the Collateral Management Harmonisation Task Force on (CMH-TF).

2. Objectives and timeline

In line with the mandate of the AMI-SeCo, the objectives of the AMI SeCo's HSG CMH-TF are to:

- i) deepen the analysis of the AMI-SeCo's/HSG's initial deliberations on collateral management harmonisation with a view to presenting a detailed list of harmonisation needs and activities (CMHAs) to the AMI-SeCo/HSG by Q4 2017;
- ii) subject to AMI-SeCo approval of the list of CMHAs, work on the next steps towards implementation which, for each functional area, may include:
 - a) defining a harmonised business process and workflow to address the identified harmonisation needs, in line with the ISO 20022 standard, where applicable ;
 - b) identifying the data elements necessary for the functioning of this process; and
 - c) identifying/defining an ISO 20022 compliant message(s) by which these data elements should be transmitted.

- d) Identify how compliance with the new harmonization standards/best practices should be measured and at which level (e.g. Only at the level of CMSPs, at the level of direct Users of CMSPs, at national level)

The CMH-TF is expected to prioritise its work in line with business needs and regularly update the HSG on its work, including the prioritisation thereof.

3. Topics to be addressed by the CMH-TF

The CMH-TF will have the latitude to analyse any matters related to collateral management which are relevant for fulfilling the above objectives.

These matters include, but are not limited to:

- i) identification of barriers to the efficient management of collateral;
- ii) analysis of existing market standards/market best practices/guidance with a view to performing a gap analysis and proposing relevant AMI-SeCo standards/best practices/guidance;
- iii) harmonisation of ancillary activities which are necessary for the efficient management of collateral, for example, the processing of corporate action events and taxation forms during the lifetime of a repo;
- iv) harmonisation of procedures for triparty collateral management and development of ISO 20022 messaging;
- v) definition of agreed terminology on key concepts relevant to collateral management;
- vi) any other collateral management topic deemed relevant.

The CMH-TF may decide to establish dedicated sub streams.

4. Membership

The Chairperson of the CMH-TF will be appointed by the HSG Chairperson. The list of members of the CMH-TF is approved by the HSG, based on candidates proposed by the AMI-SeCo or HSG members. Based on the required expertise, the CMH-TF Chairperson may invite, on an ad-hoc basis, observers to present their views in the meetings.

The members of the CMH-TF shall:

- have strong and detailed expertise in collateral management (including in particular in the fields of collateral messaging, business processes and related dynamic/static collateral data). Ideally, market participants should also have strong expertise in standard settlement processes, custody processes as well as specific (bilateral and triparty) collateral management processes; expertise in the use of multiple triparty collateral management providers is beneficial

- have strong expertise across the different product categories covered in the collateral management process (Derivatives, Repo, Securities Lending)
- have strong knowledge of ancillary activities relevant for the conduct of collateral management such as (i) handling of corporate action events during the lifecycle of a repo or securities lending transaction and the underlying collateral; (ii) handling of taxation related processes during the lifecycle of a repo or securities lending transaction and the underlying collateral; (iii) valuation of collateral
- be able to initiate actions and mobilise appropriate resources in their institutions in order to contribute to the intensive CMH-TF workplan and objectives, including to any sub streams which may be established in order to advance work on specific collateral management topics;
- have previous or current experience of working in an team responsible for collateral management operations;
- have expertise in ISO standards, in particular ISO 20022, and in leading the technical application of ISO standards for the development of messages and/or amendments to business processes in response to market initiatives.

The secretariat of the CMH-TF will be provided by the ECB.

5. Expiry of mandate

The mandate of the CMH-TF is in principle open ended, but shall be subject to review, if deemed necessary.