



EUROPEAN CENTRAL BANK

EUROSYSTEM

ADVISORY GROUP ON MARKET INFRASTRUCTURES FOR SECURITIES AND
COLLATERAL (AMI-SeCo)
THE CHAIR

Advisory Group on Market Infrastructures for Payments (AMI-
Pay)

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Request for AMI-Pay feedback on AMI-SeCo report on collateral management harmonisation

Dear members of AMI-Pay,

I have the pleasure to transmit herewith - for your feedback - the AMI-SeCo Report on Collateral Management Harmonisation prepared by the AMI-SeCo Harmonisation Steering Group's Collateral Management Harmonisation Task Force (CMH-TF). In its meeting on 7 December 2017, AMI-SeCo approved the report and agreed to share the report with AMI-Pay and the Money Market Contact Group (MMCG) to gather views from a cash and treasury perspective.

The report identifies strong market need to harmonise collateral management. The report includes a set of activities and processes for which harmonisation is needed in collateral management. The report also takes into account aspects and timing considerations that are relevant in the context of the Eurosystem's Collateral Management System (ECMS)¹. In this respect, significant harmonisation efforts will already be required in the first half of 2018.

AMI-SeCo recognises that existing workflows and business processes for collateral management are different across Europe, which could also be challenging for the treasury function and could have adverse implications on the efficiency of liquidity management. Given the (increasing) use of collateral for funding purposes and central bank operations, AMI-SeCo has agreed to take a holistic approach to overcome the diverging processes and interactions in collateral management activities. Harmonisation should lead to a pan-European, single collateral management rule book, use of latest

¹ See ECB press release "ECB approves major projects in field of large-value payments and collateral management" (7 December 2017) <https://www.ecb.europa.eu/press/pr/date/2017/html/ecb.pr171207.en.html>

international standards (such as ISO 20022), straight-through-processing and increased availability of collateral.

The report is shared with AMI-Pay members to gather early feedback on the harmonisation report from a cash and treasury perspective. Initial feedback/input is welcome from financial market stakeholders involved in treasury operations, payments and cash management on the operational restrictions which impede availability, usage and mobility of collateral, where harmonisation will be helpful. In particular, AMI-Pay is invited to provide a joint reply to AMI-SeCo, which considers the following: if harmonisation needs are missing from the list of harmonisation needs included in the report, and, if so, why they think it is the case. AMI-Pay is also invited to identify if other issues and national practices could hamper collateral management in support of liquidity and financing needs.

Regarding the next steps, AMI-SeCo will define concrete proposals for harmonised processes and workflows. In this regard, AMI-SeCo intends to closely cooperate with AMI-Pay and MMCG also in 2018 and beyond. Over the coming months, AMI-SeCo will develop concrete harmonisation proposals and will consult AMI-Pay and the MMCG on these proposals in due course.

AMI-SeCo invites AMI-Pay to provide additional support to the CMH-TF from a cash and treasury perspective. In particular, AMI-Pay constituencies could contribute to one or several of the five sub streams of the CMH-TF: 1: Triparty Collateral Management; 2: Corporate Actions, Taxation Forms, Non-Euro Collateral Management; 3: Bilateral Collateral Management, Margin Calls; 4: Billing Processes, Cut-Off Times; 5: Collateral Dynamic and Static Data. While the sub streams already have a fair representation of market stakeholders, AMI-SeCo would welcome nominations from a wide range of institutions which could bring further expertise.

The AMI-Pay feedback on the report in general and on the cash and treasury focused questions set out in this letter would be greatly appreciated **by Friday, 26 January 2018**. Furthermore, nominations to support the work of the CMH-TF in its various sub-streams would be most welcome by the same date.

Yours sincerely,

[signed]

Marc Bayle de Jessé

Encl. Report on Collateral Management Harmonisation (Prepared by CMH-TF)