



BNY MELLON

BNY Panel discussion on recent market developments in the securities finance industry

Moderator: Brian Staunton, Managing Director Collateral Management, BNY Mellon Markets

Panellists:

Mr. Matt Collins, Managing Director & EMEA Head of Securities Lending, Morgan Stanley

Mr. Jonathan Lombardo, SVP, Global Funding & Financing Sales, Deutsche Boerse Group

Mr. James Day, Head of Securities Finance EMEA, BNY Mellon Markets

Ms. Jen Grenside, International Head of Equity Financial Resource Management, Citi

ICMA European Repo and Collateral Council Annual General Meeting

14 March 2018, London



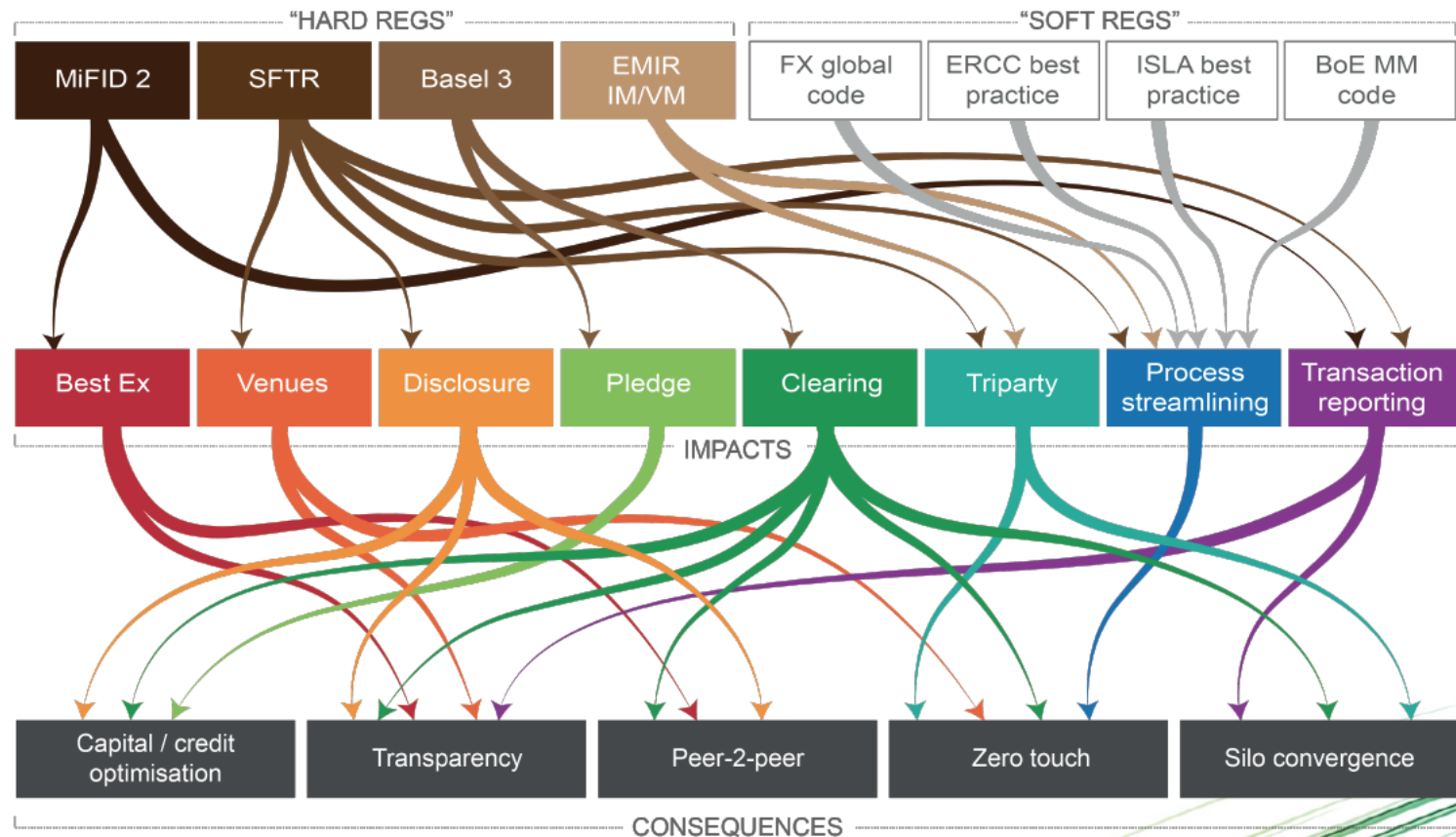


Remarks by the Chairman of ICMA's ERCC Committee

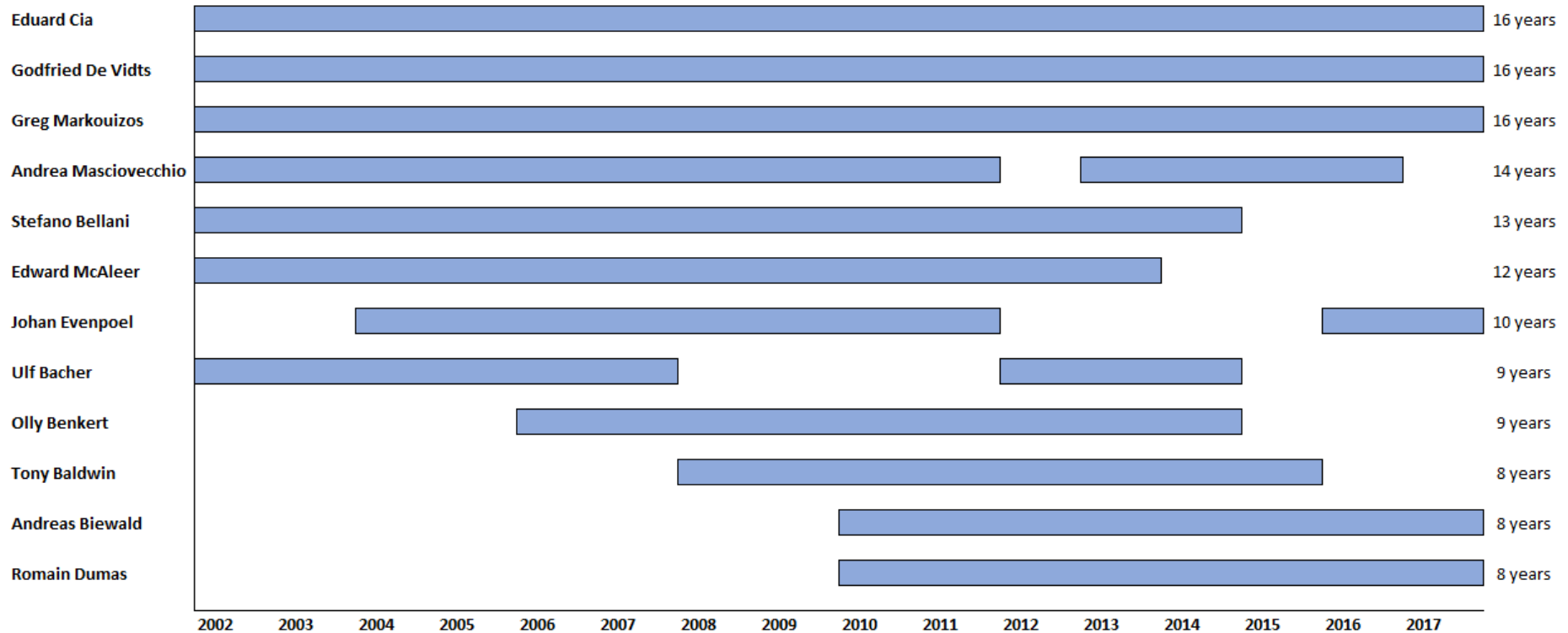
» **Mr. Godfried De Vidts**, Chairman of ICMA's ERCC Committee



Regulatory impact on Securities Finance



ICMA European Repo and Collateral Council
Annual General Meeting
14 March 2018, London



ICMA ERCC Committee 2018-2019

Jayne Forbes

AXA Investment Managers Ltd, London

Michael Manna

Barclays Capital Securities Limited

Emma Cooper

Blackrock Investment Management (UK) Limited

Eugene McGrory

BNP Paribas

Godfried De Vidts (Chairman)

BrokerTec Europe Limited, London

Grigorios Markouizos (Vice-Chair)

Citigroup Global Markets Limited

Jean-Robert Wilkin

Clearstream Banking, Luxembourg

Andreas Biewald

Commerzbank Aktiengesellschaft

Michel Semaan

Crédit Agricole Corporate and Investment Bank

Romain Dumas

Credit Suisse Securities (Europe) Limited

Jean-Michel Meyer

HSBC Bank PLC

Nicola Danese

J. P. Morgan Securities plc

Antony Baldwin

LCH Limited, London

Daniel Bremer

Merrill Lynch International (trading as Bank of America Merrill Lynch)

Paul van de Moosdijk

PGGM Vermogensbeheer B.V.

Sylvain Bojic

Société Générale S.A.

Richard Hochreutiner (Vice-Chair)

Swiss Reinsurance Company Ltd

Gareth Allen

UBS Limited

Harald Bänsch

UniCredit Bank AG

Nominations to ICMA IRCC Committee

- » In accordance with the agreed procedure, the following two ERCC Committee members have been nominated to the IRCC Committee:
 - **Godfried De Vidts** (BrokerTec Europe Limited) re-nominated as Chairman of the IRCC Committee for a term to expire at the ERCC's AGM in 2021
 - **Michel Semaan** (Crédit Agricole CIB) nominated as Vice-Chair of the IRCC Committee for a term to expire at the ERCC's AGM in 2019 (replacing Eduard Cia)
- » Nominees to be formally appointed by the ICMA Board at its next meeting on 23 March 2018

In memory of

Karl Rolewicz
1959 – 2018



Results of the 34th semi-annual repo survey

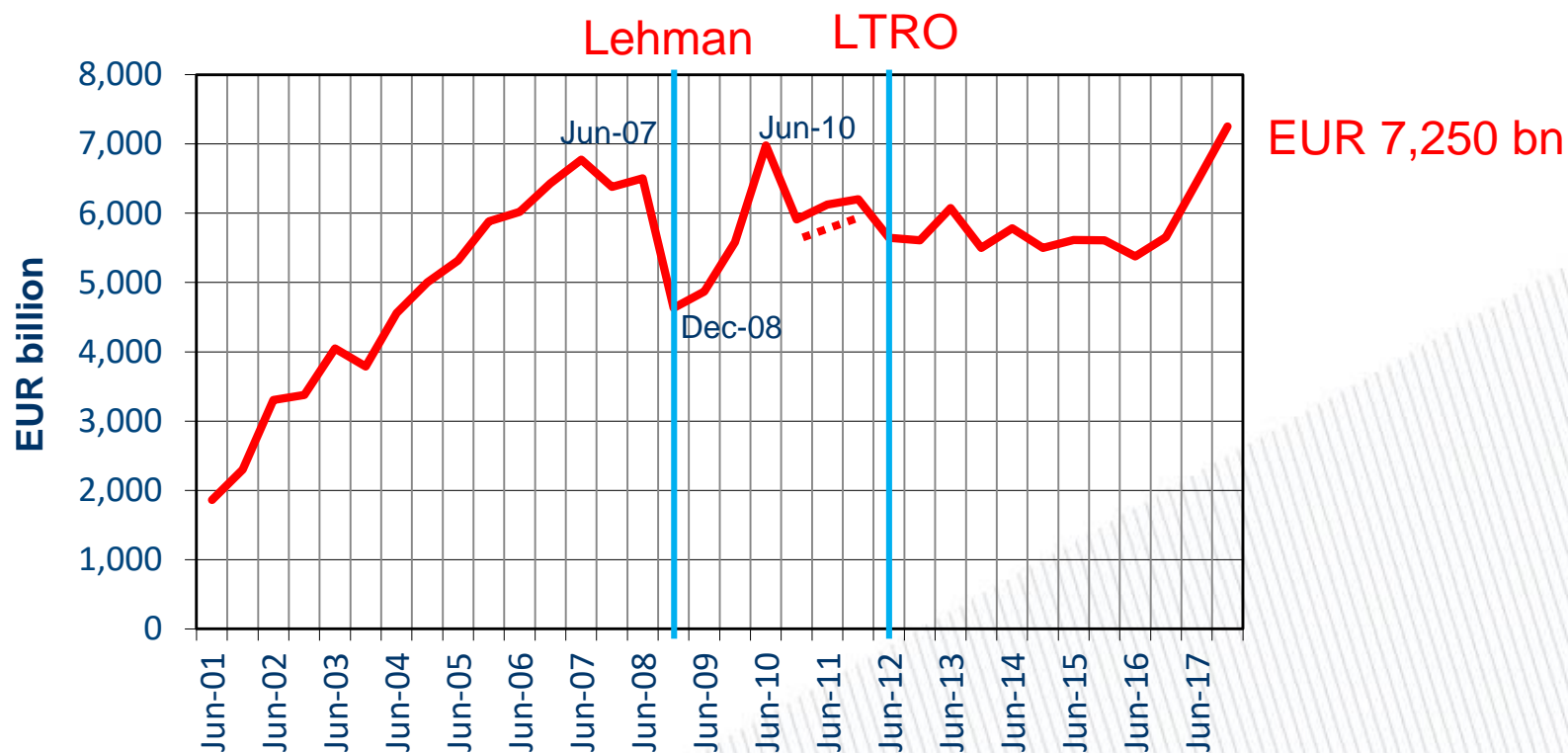
Survey overview

- » outstanding value of contracts at close of business on Wednesday, 6th December 2017
- » 64 responses

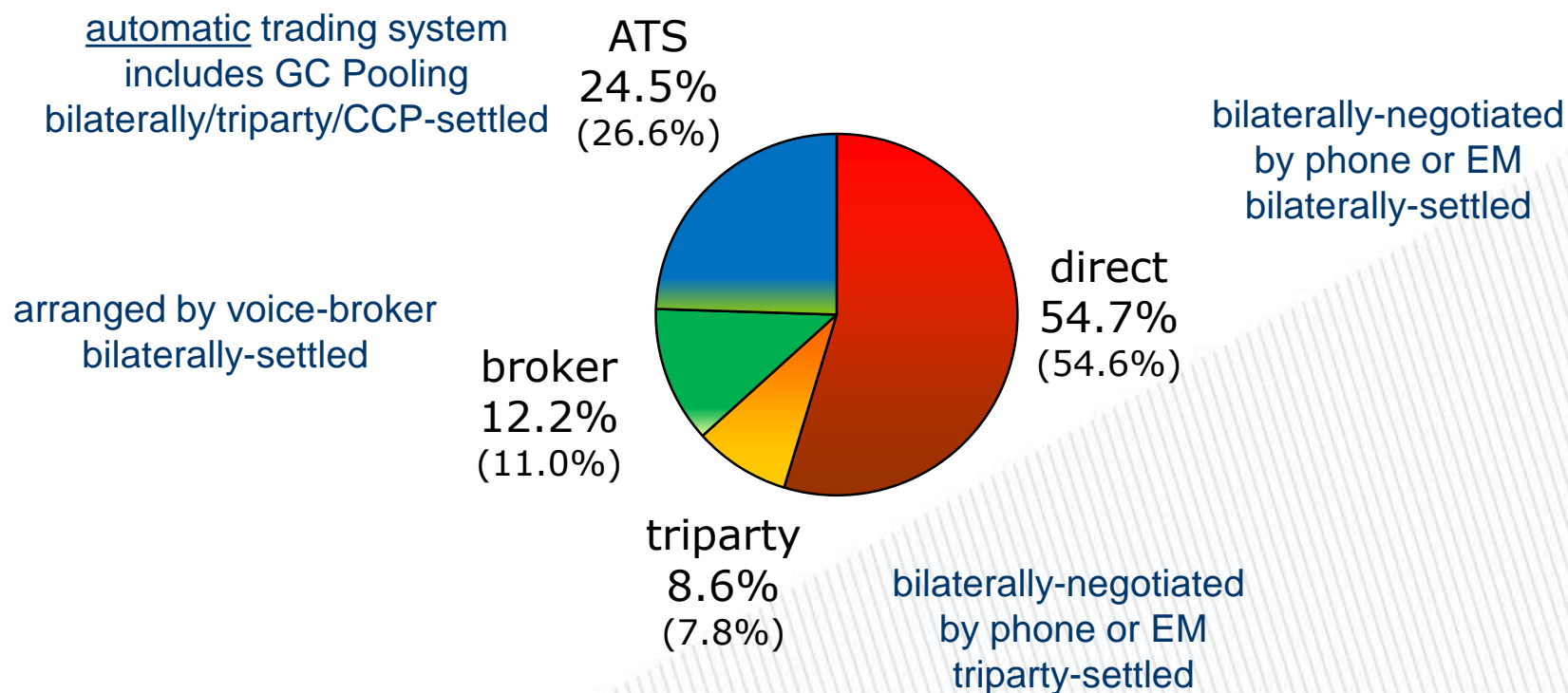
Headline numbers

» December 2017	EUR 7,250 billion
» June 2017	EUR 6,455 billion
» December 2016	EUR 5,656 billion
» June 2016	EUR 5,379 billion
» December 2015	EUR 5,608 billion
» June 2015	EUR 5,612 billion
» December 2014	EUR 5,500 billion
» June 2014	EUR 5,782 billion
» December 2014	EUR 5,499 billion
» June 2013	EUR 6,076 billion
» December 2012	EUR 5,611 billion
» June 2012	EUR 5,647 billion
» December 2011	EUR 6,204 billion

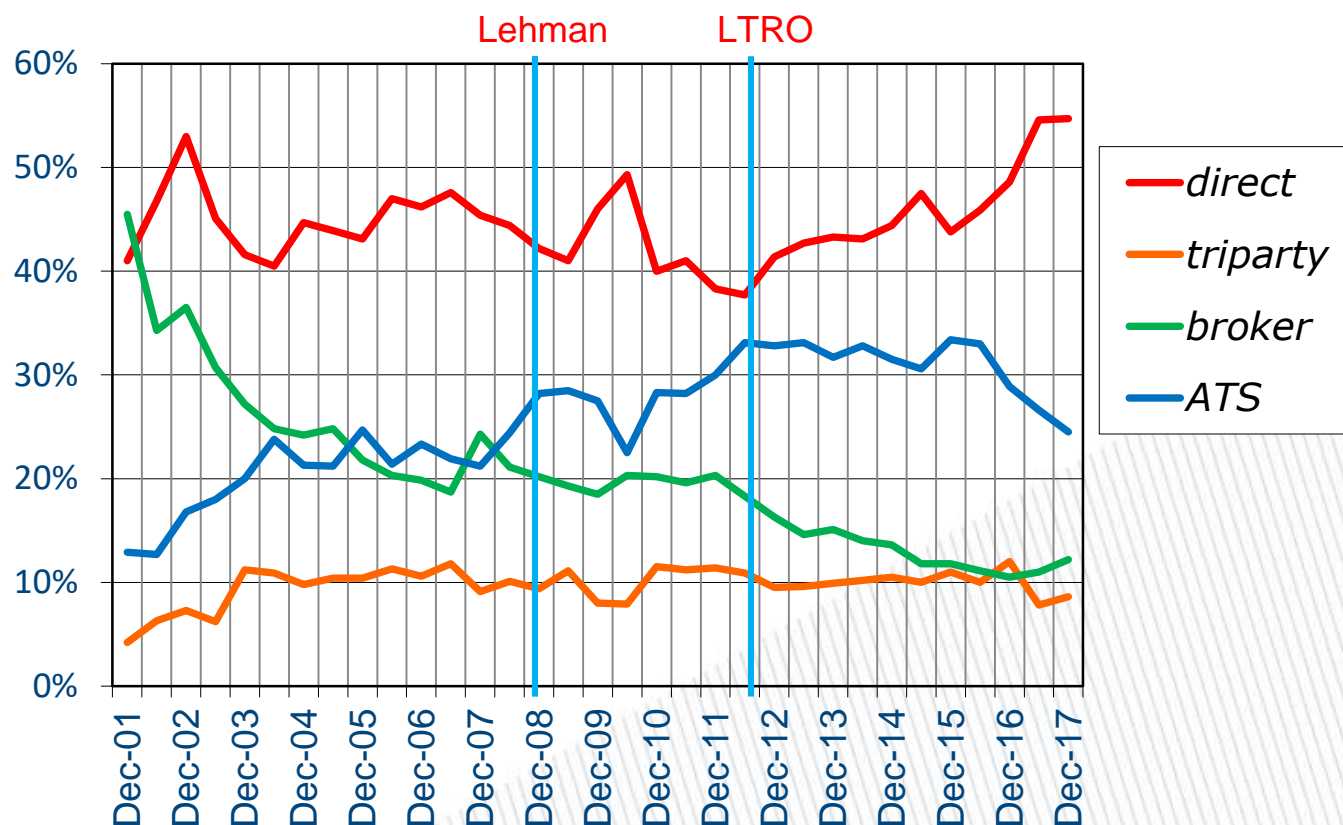
Headline numbers



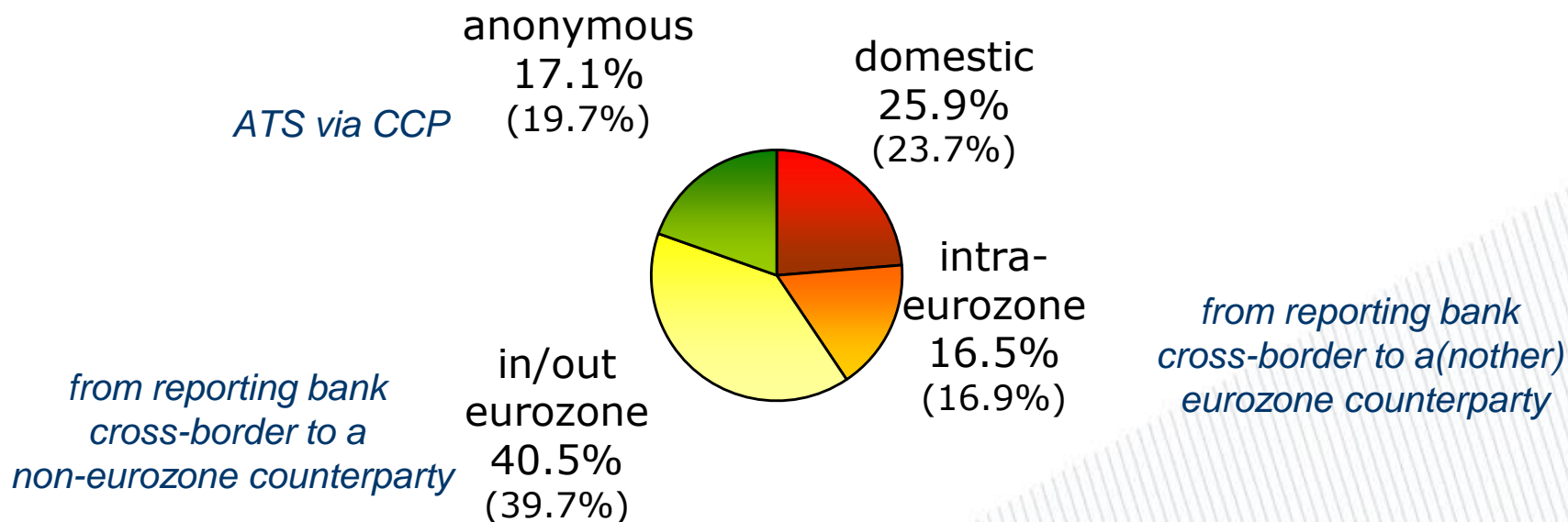
Trading Analysis



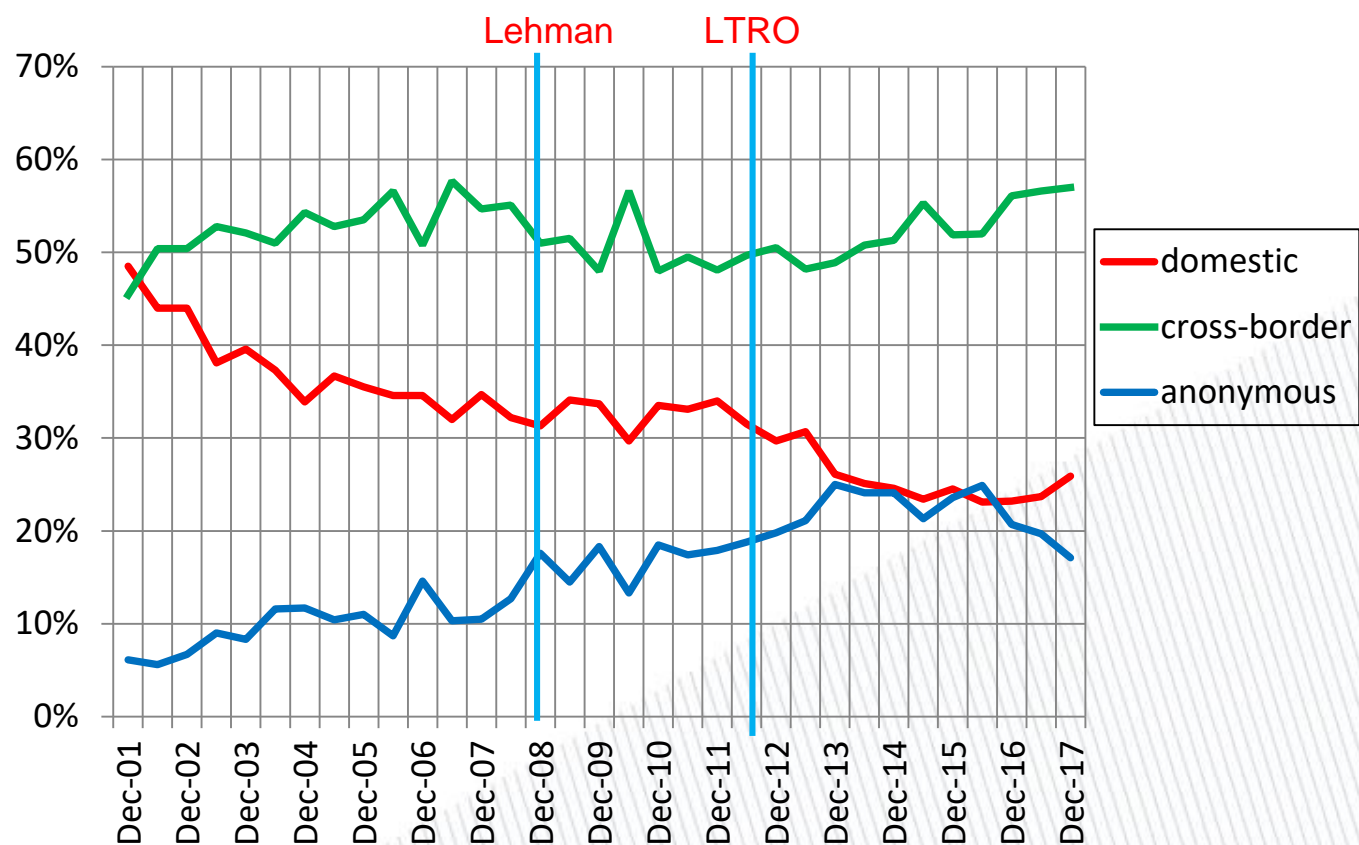
Trading Analysis



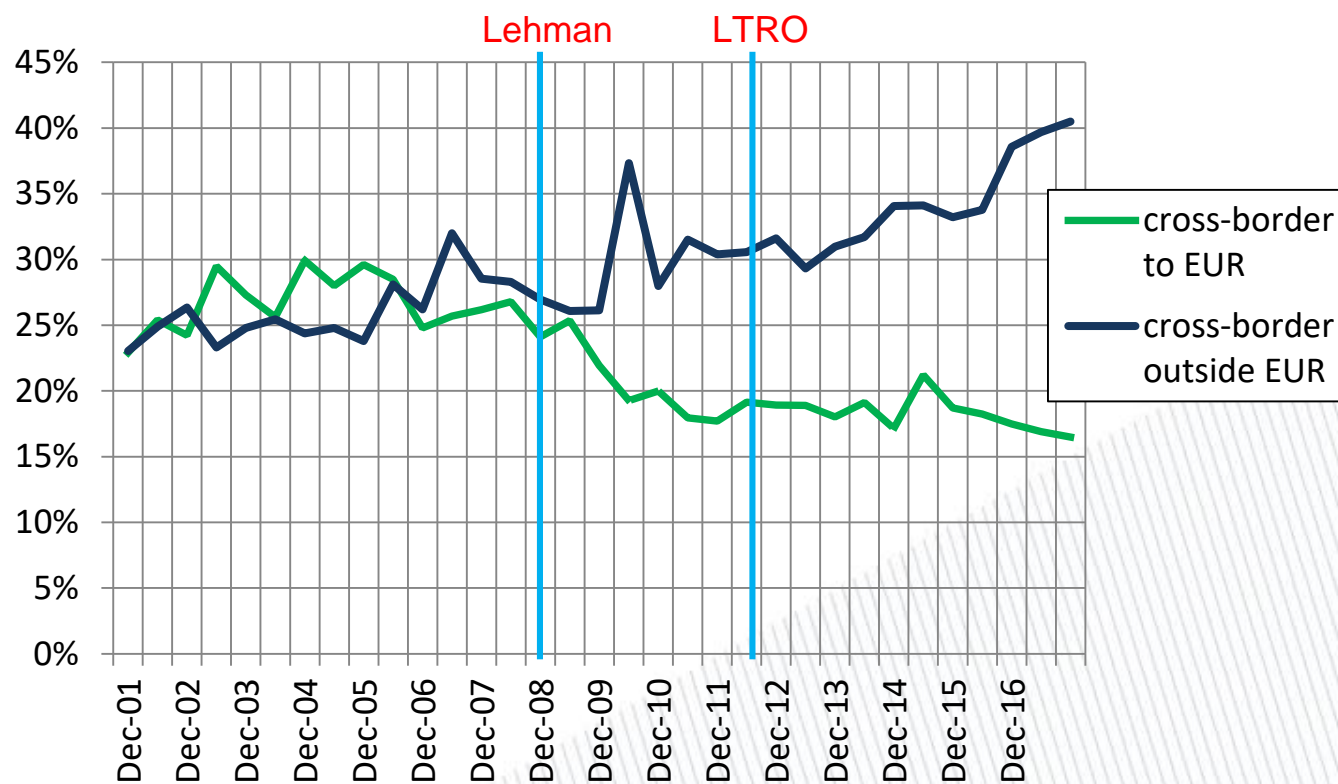
Geographical Analysis



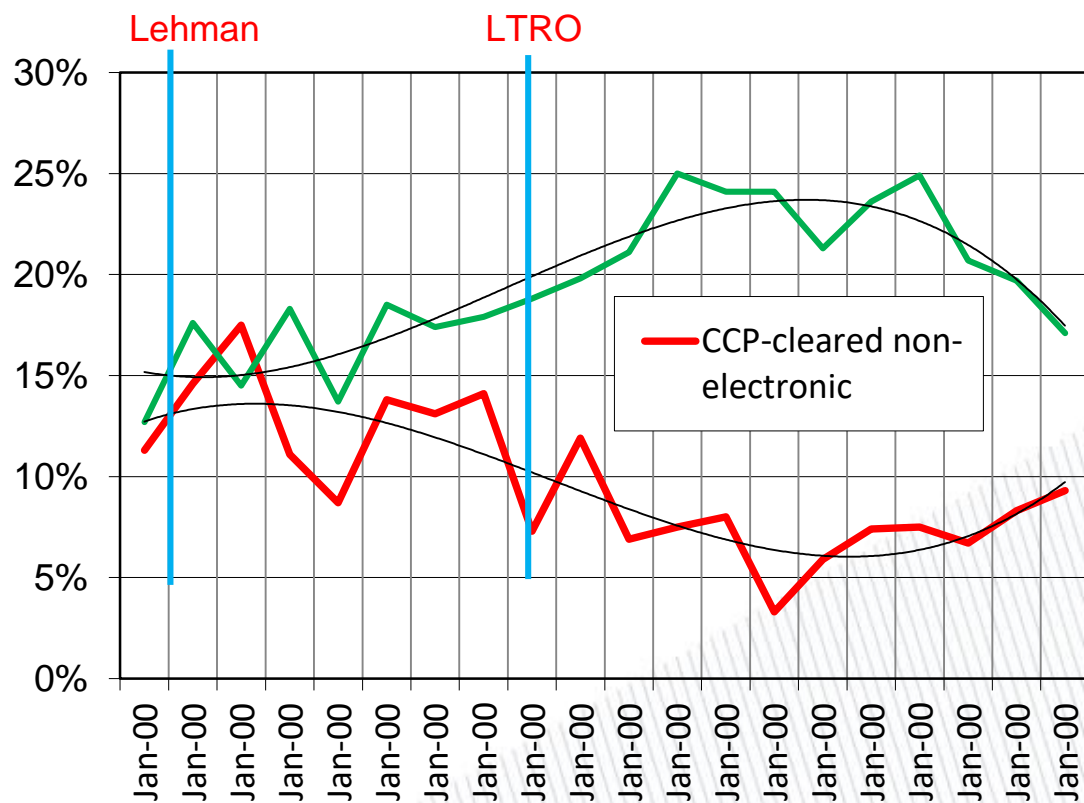
Geographical Analysis



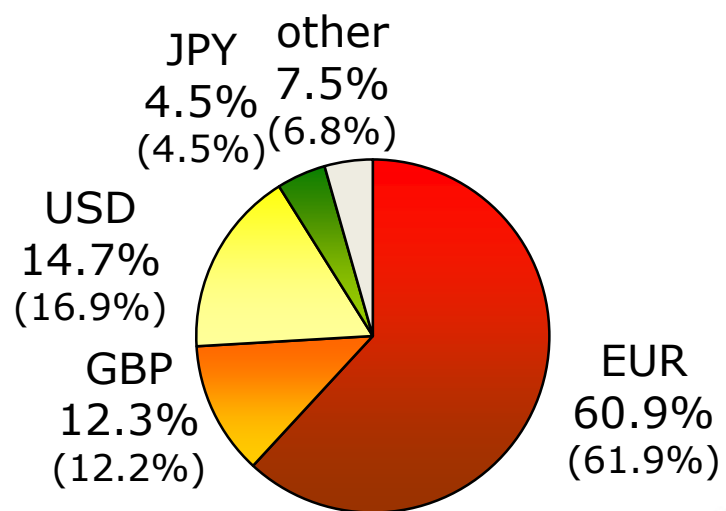
Geographical Analysis



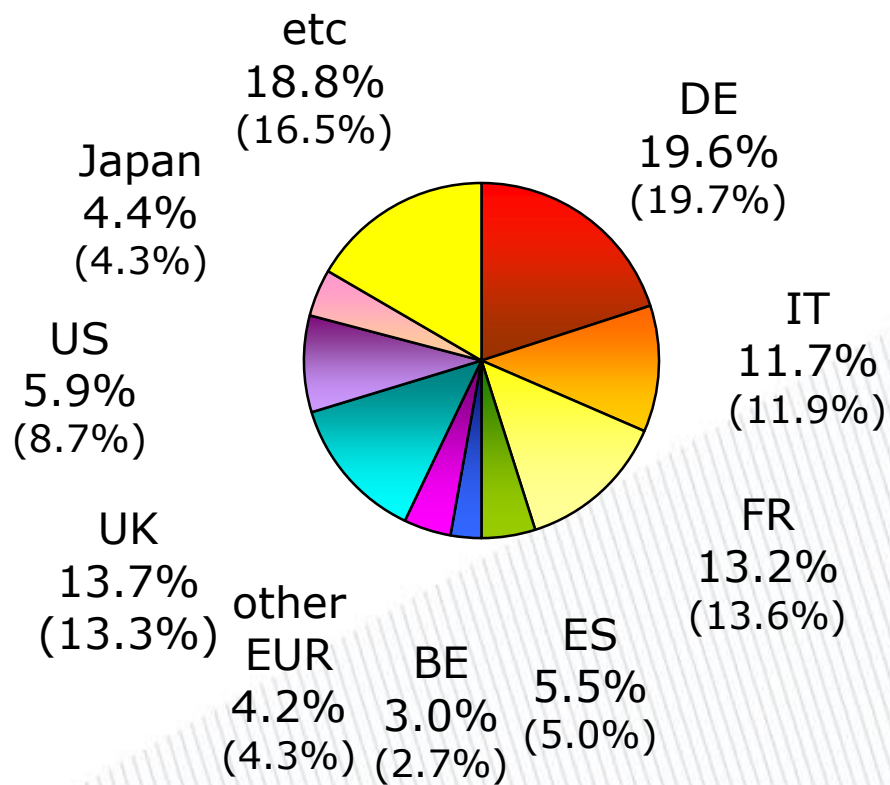
Business cleared across CCP



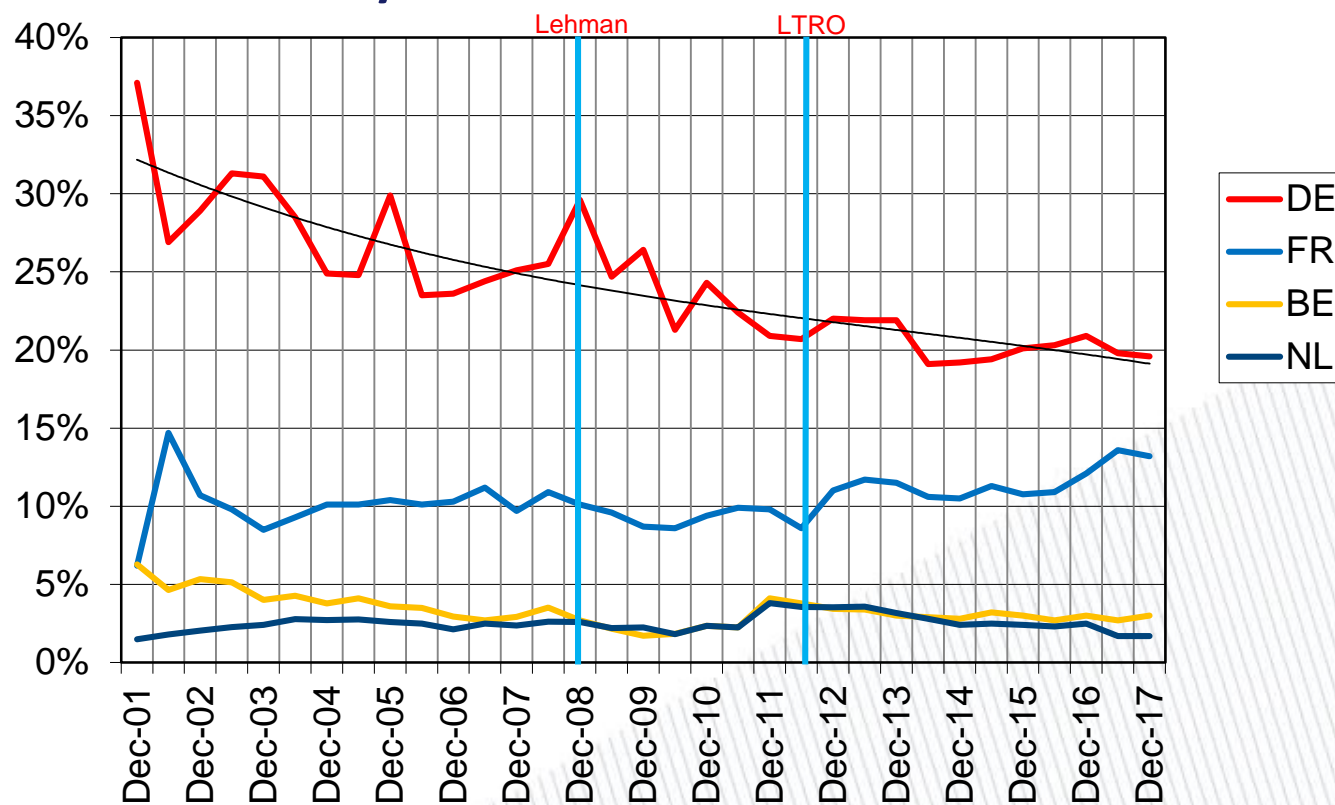
Currency Analysis



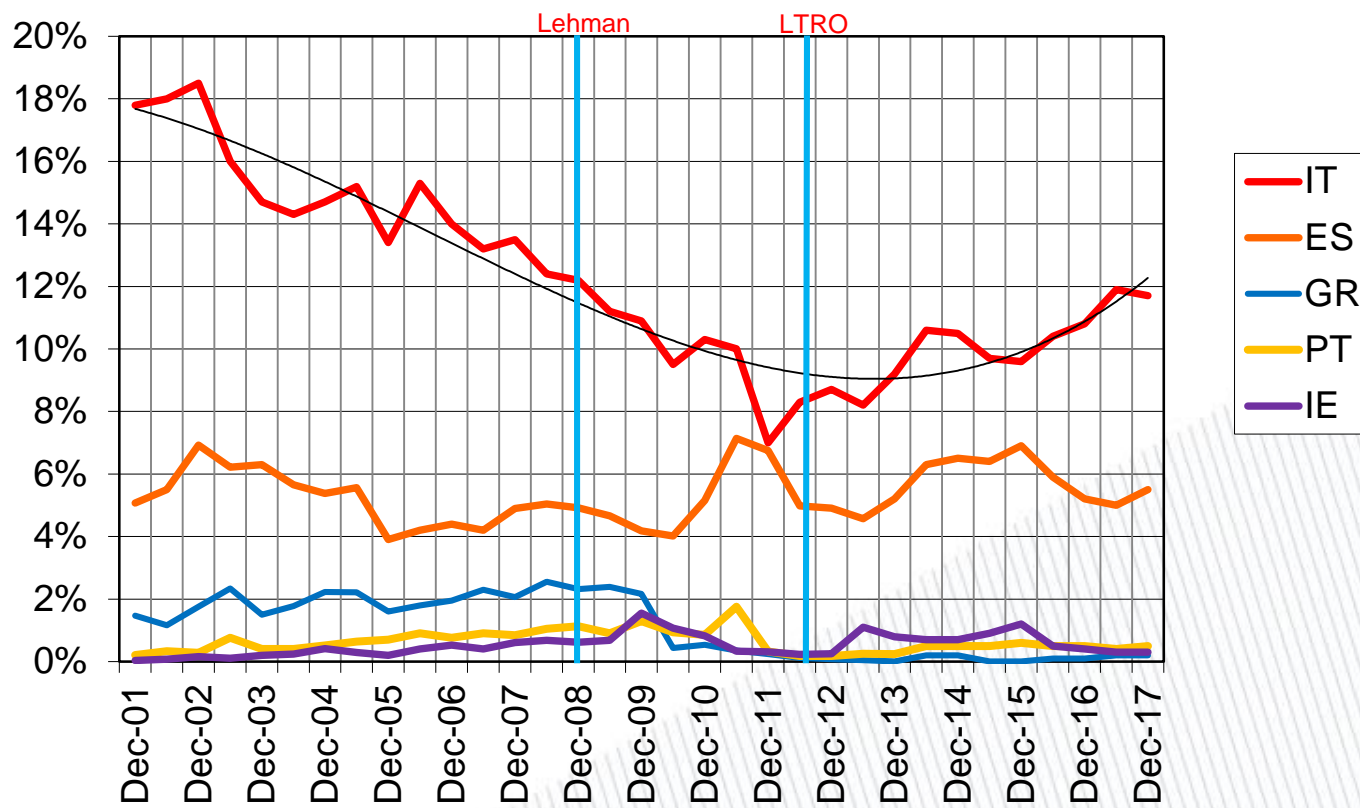
Collateral Analysis



Collateral Analysis --- Core Eurozone

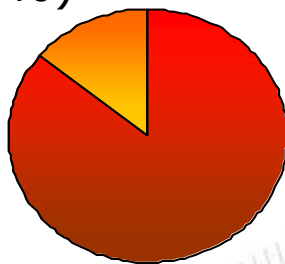


Collateral Analysis --- Peripheral Eurozone



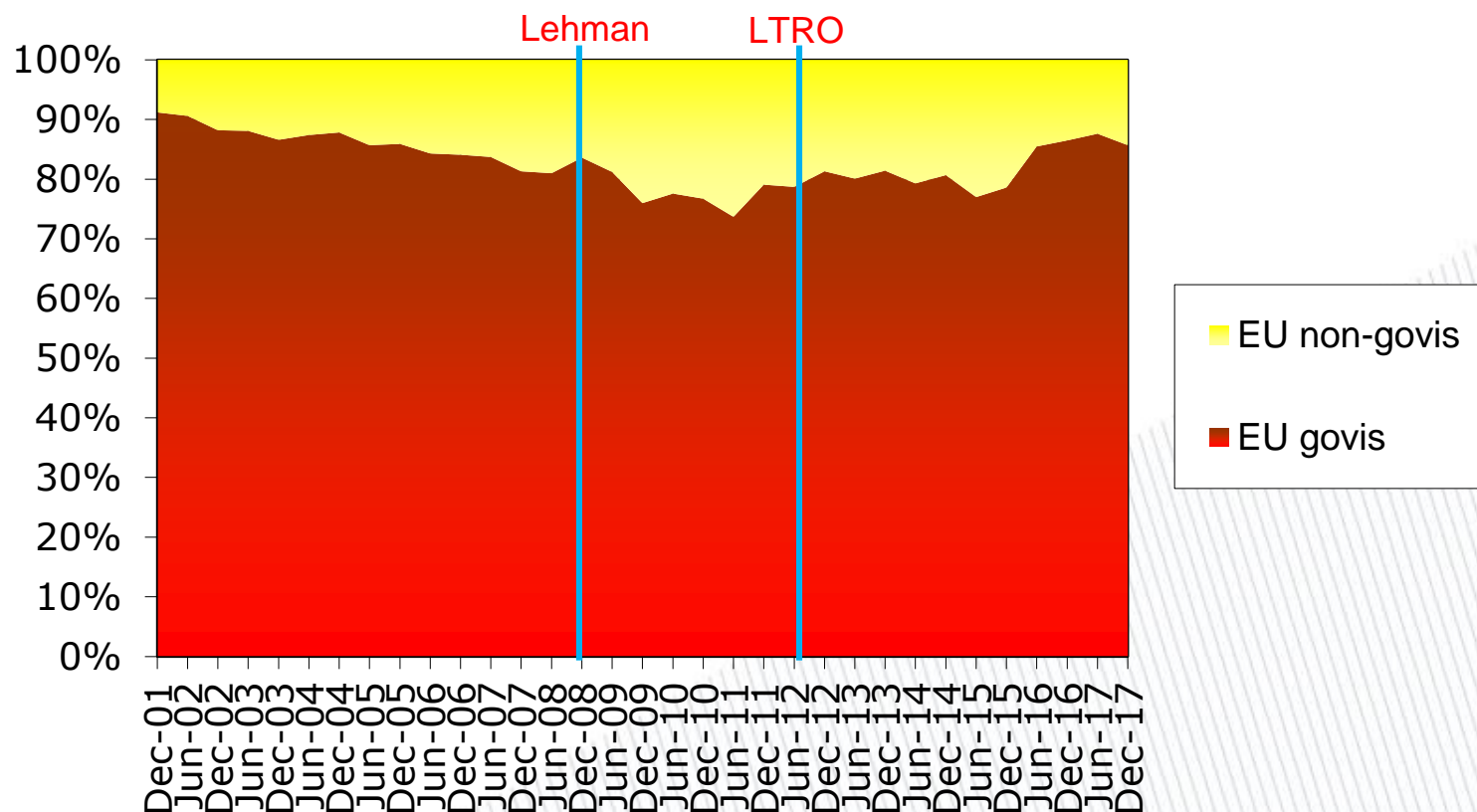
Collateral Analysis

EU non-
govis
14.3%
(12.4%)

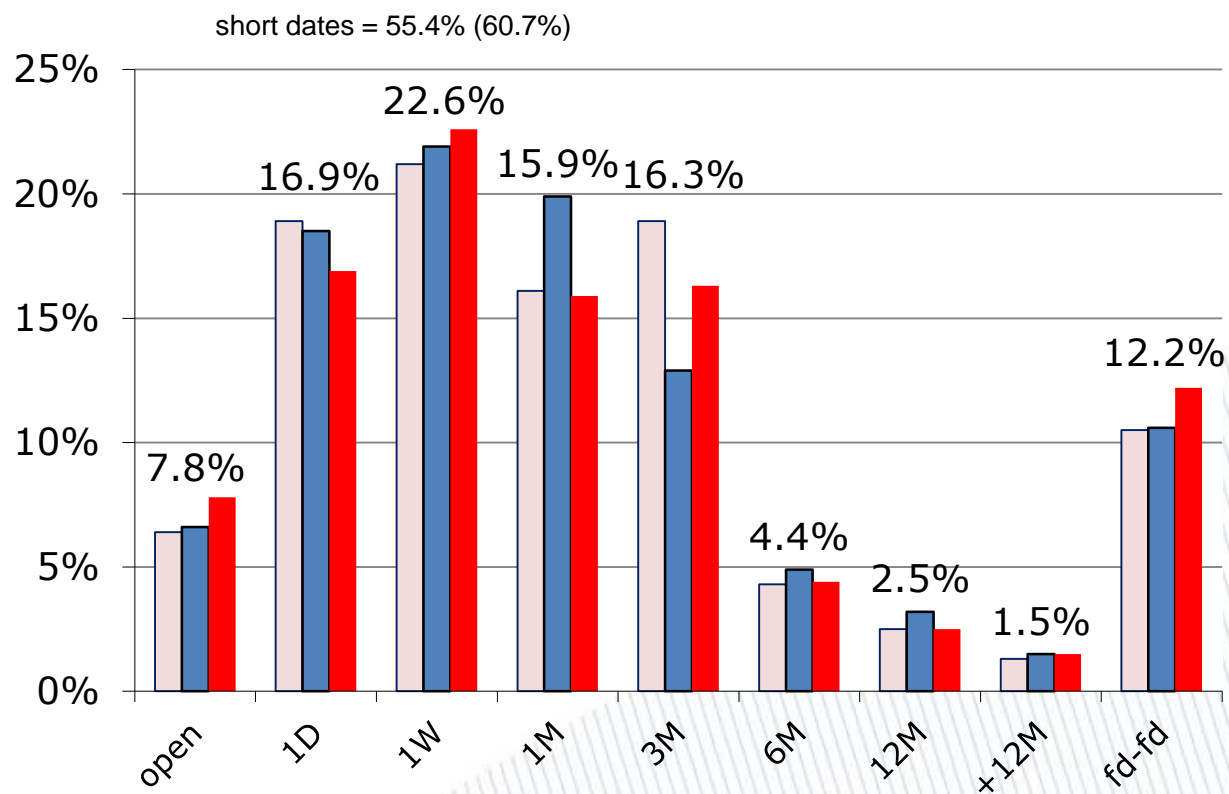


EU govis
85.7%
(87.6%)

Collateral Analysis



Maturity Analysis



34th European repo market survey
conducted in December 2017

Next European repo market survey:

» **Wednesday 6 June 2018**

Legal Update

Ms. Lisa Cleary
Senior Director, ICMA



ICMA

International Capital Market Association

Coverage of GMRA 1995

- The ERCC committee have taken the decision to discontinue coverage of the GMRA 1995 in the GMRA legal opinions from 2019 onwards.
- The GMRA legal opinions will continue to cover:
 - GMRA 1995 as amended by the Amendment Agreement; and
 - GMRA 1995 as amended by the 2011 GMRA Protocol (subject to certain elections)



ICMA

International Capital Market Association

Benefits of using GMRA 2011

- The GMRA 2011 reflects:
 - lessons learned from the Lehman default process;
 - amendments made to other master agreements; and
 - bilateral feedback of GMRA users.
- The GMRA 2011 contains:
 - Expanded Act of Insolvency definition;
 - Enhanced default mechanisms;
 - Improved flexibility for non-defaulting party; and
 - Set off mechanism.



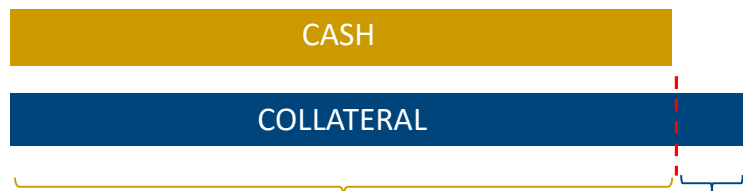
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ERCC Initial Margin pledge project

- ERCC sponsored project:
 - Developing a 'Initial Margin Pledge Structure' whereby the 'haircut' or initial margin (IM) in a repo transaction is secured on a pledge basis. Ideally this would be documented separately from the GMRA so as to protect the title transfer characteristics of the master agreement but there would need to be a robust linkage between the GMRA and the pledge document to ensure they were executed simultaneously and for the purposes of netting.
 - Developing a 'Secured Loan Agreement' which would provide for raising cash against pledged securities.

ERCC Initial Margin pledge project



Par repo under GMRA

Initial Margin

Glossary

GMRA	Global Master Repurchase Agreement
RWA	Risk Weighted Asset
E	Exposure
C	Collateral
RA	Risk adjustment
EAD	Exposure at default for regulatory purposes

Current treatment for standard GMRA transaction:

$EAD = 105MM - 100MM + 2.9694MM$
 $EAD = 7.969MM$
 $RWA (@100\%) = 7.969MM$
 $Capital (@10\%) = 0.797MM$

Regulatory risk adjustment of 2.828 % of Exposure (105MM).

Treatment for IM Pledge Structure:

The IM of 5MM would attract **zero exposure** on that basis that the IM is segregated in a pledge account.

$EAD = 100MM - 100MM + 2.828MM$
 $EAD = 2.828MM$
 $RWA (@100\%) = 2.828MM$
 $Capital (@10\%) = 0.283MM$

Regulatory risk adjustment of 2.828% of Exposure (100MM).

Saving using IM Pledge Structure:

$EAD = 5.141MM$
 $RWA = 5.141MM$
 $Capital = 0.514MM$

The numbers in this example are for illustrative purposes only.



ICMA

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ERCC Initial Margin pledge project

- ERCC legal working group action item
- Phase I
 - Development of IM Pledge Structure and outline triparty control agreement
 - Discussions with triparty service providers to customise control agreements
 - Preparation of legal opinions to support use of IM Pledge Structure
 - Preparation of associated guidance notes
- Phase II
 - Development of Secured Loan Agreement

- Firms undertaking large scale documentation projects to assess identify repapering requirements prompted by Brexit



Foreseeable changes: (i) BRRD recognition language – Art 55 and recognition of resolution powers; (ii) Art 46(6) MiFIR – EU based CP require EU dispute forum in contract.



Other: Art 13 EU Insolvency Reg and Art 30 Credit Institution Winding up Directive. Third country law contract may not offer safe harbour from clawback in insolvency.



Form: amendment to existing 2011 GMRA Protocol or Brexit specific protocol? Standalone arbitration clause?



ICMA

International Capital Market Association

Contact

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ICMA Ltd

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The European repo market at 2017 year-end

European Repo and Collateral Council Annual General Meeting

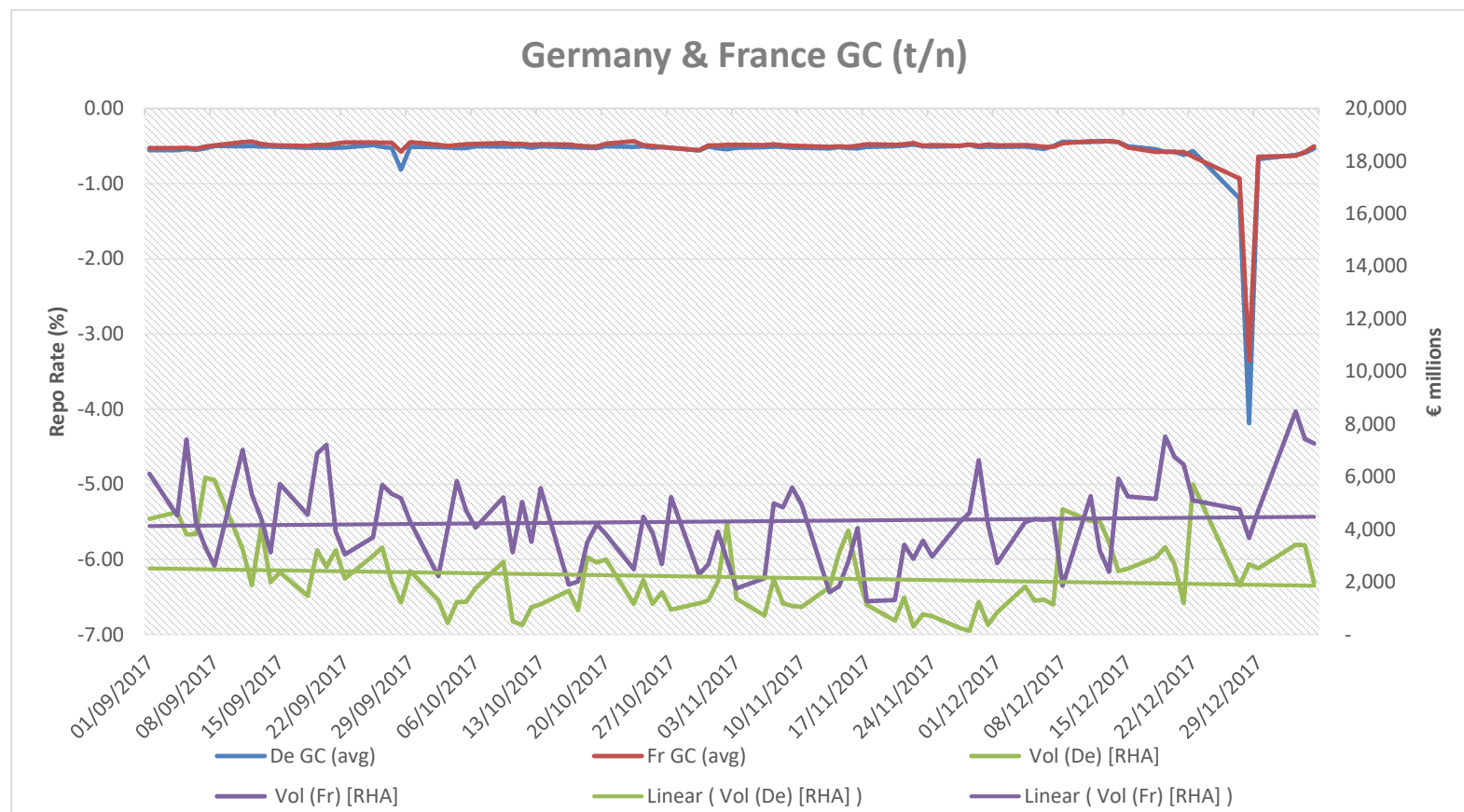
London, March 14th 2018



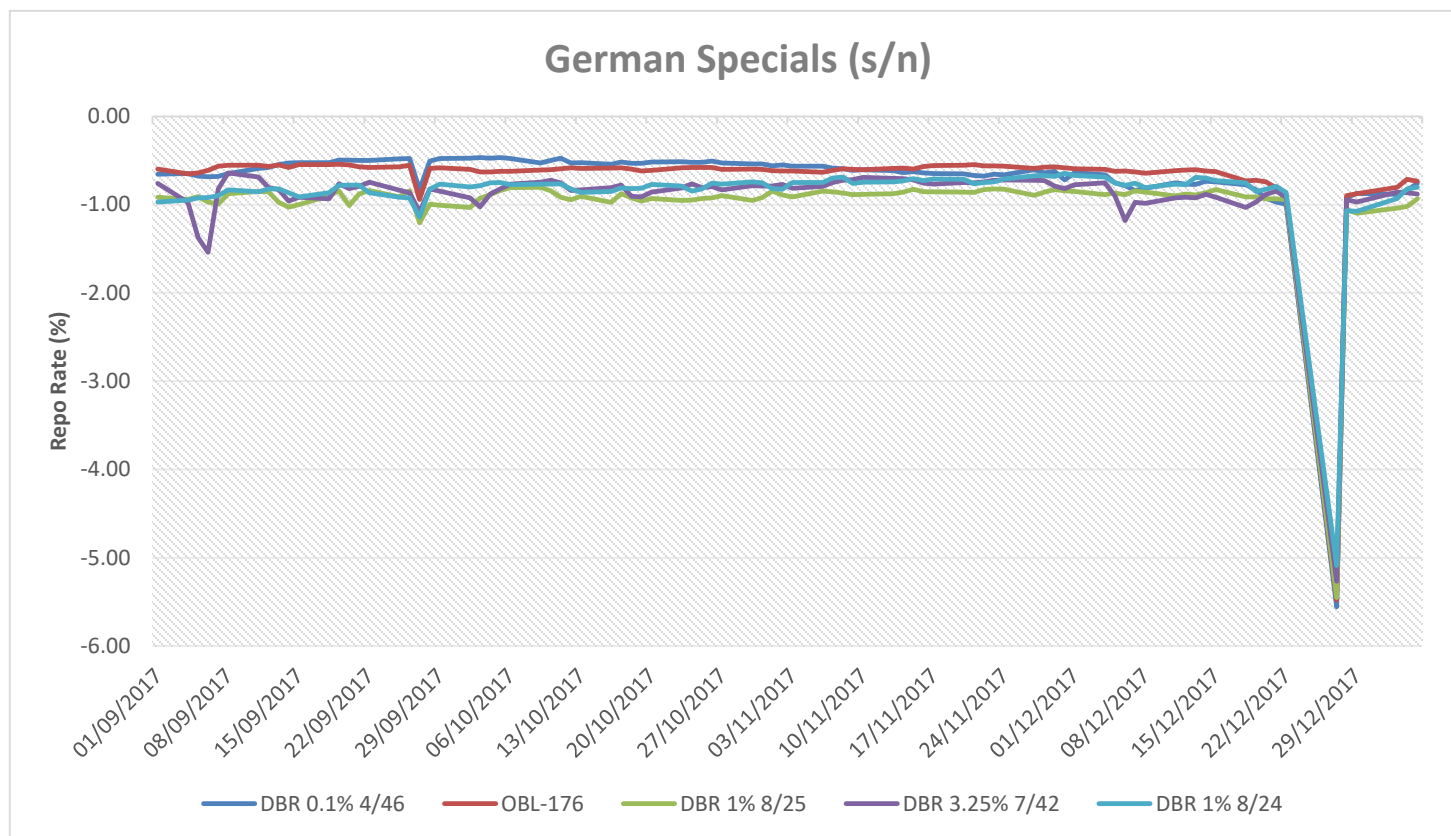
Andy Hill, Senior
Director, ICMA

2017 year-end in the European repo market

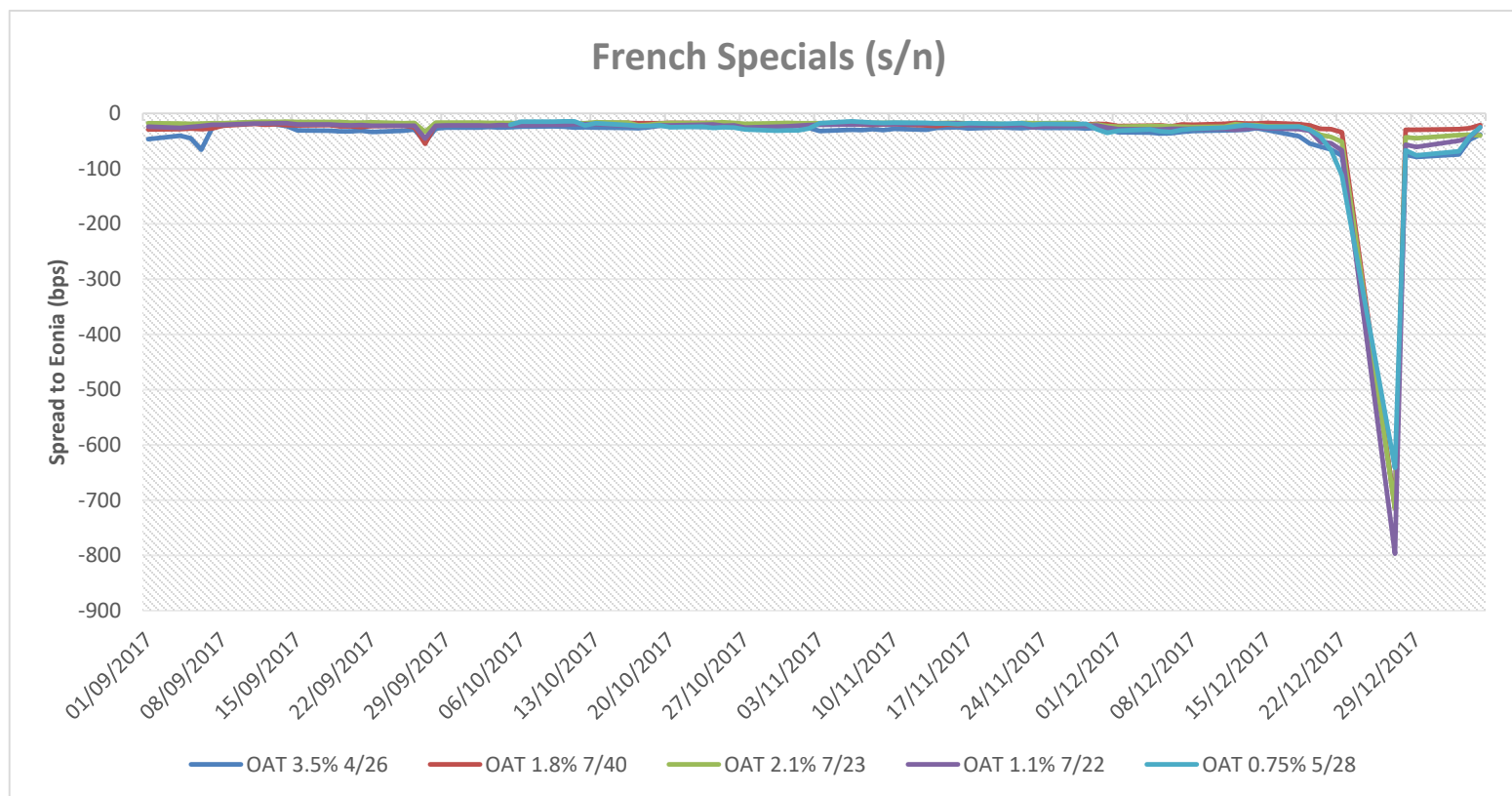
- ❑ The 2016 year-end has provided an extreme baseline by which future year-ends will be assessed, and, in relative terms, the 2017 year-end was mostly orderly.
- ❑ However, balance sheet pressures over the 'turn' persisted, and core GC tightened significantly (more than 350bp in the case of German collateral), as did specials (by as much as 600 to 700bp in the case of some French government bonds).
- ❑ Meanwhile, compared to 2016, periphery sovereign markets traded relatively tighter, as did Gilt repo.
- ❑ Some buy-sides note that it was equally difficult as the 2016 turn.



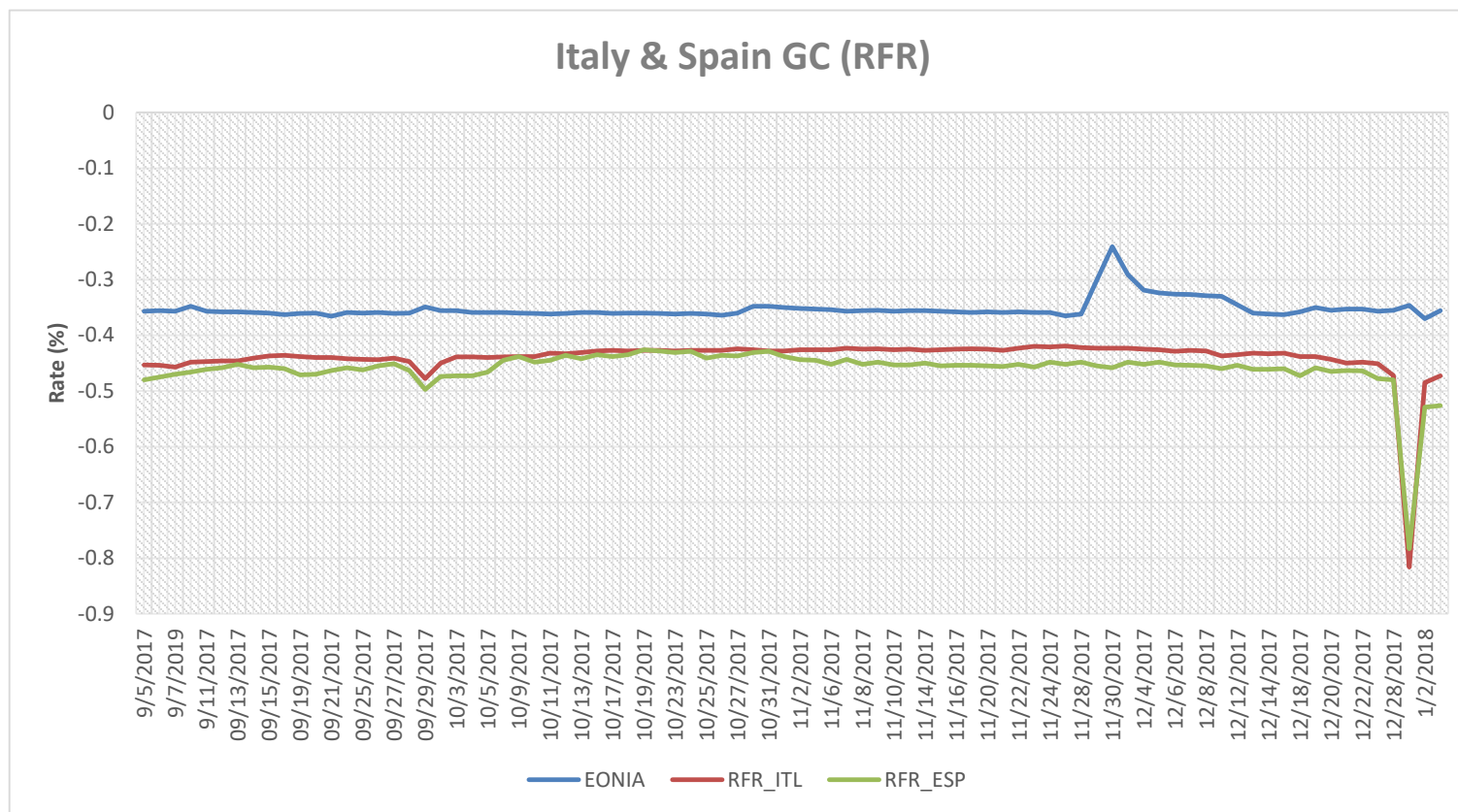
Source: Nex Data Services Ltd – BrokerTec Repo



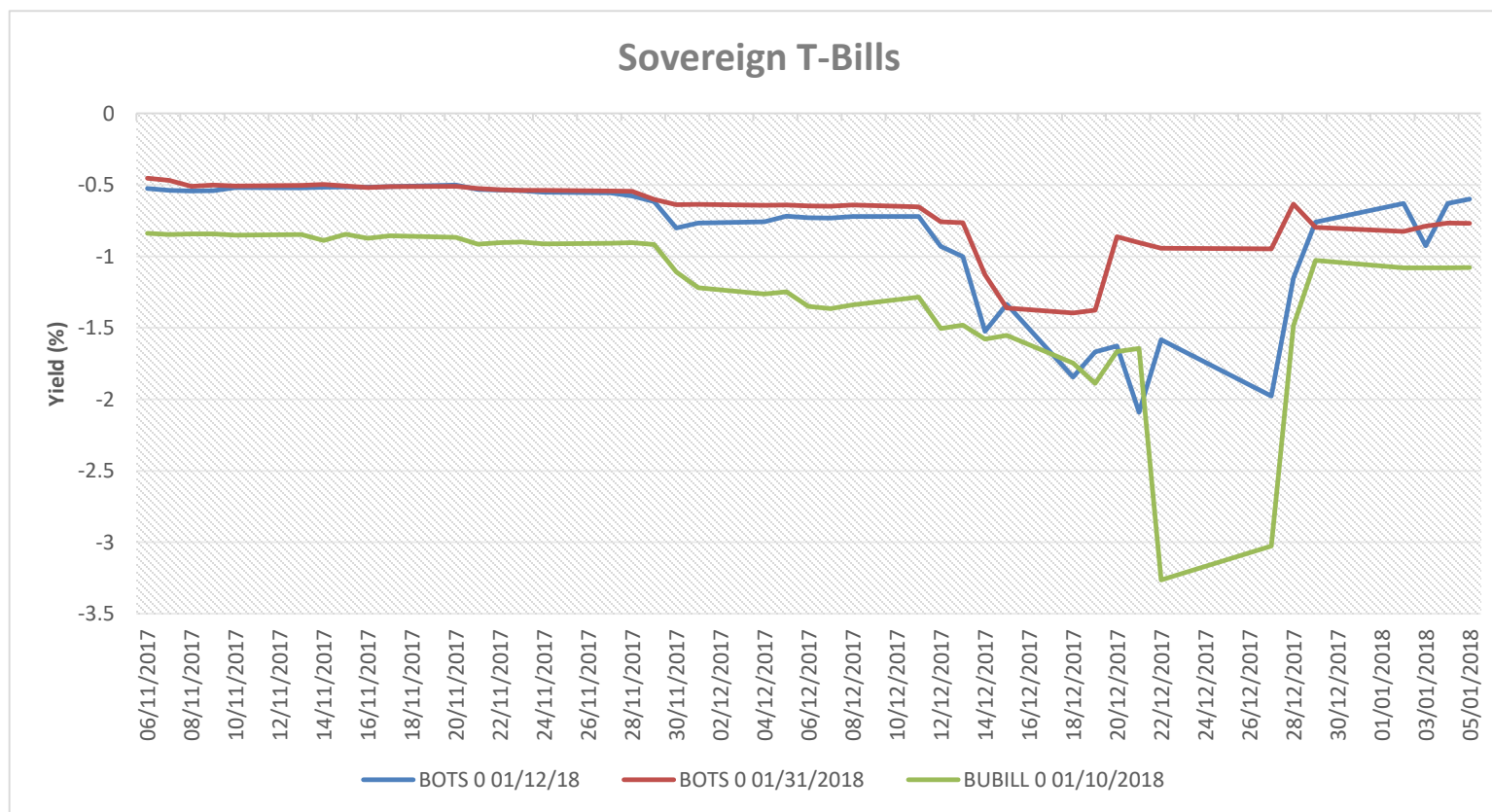
Source: Nex Data Services Ltd – BrokerTec Repo



Source: Nex Data Services Ltd – BrokerTec Repo



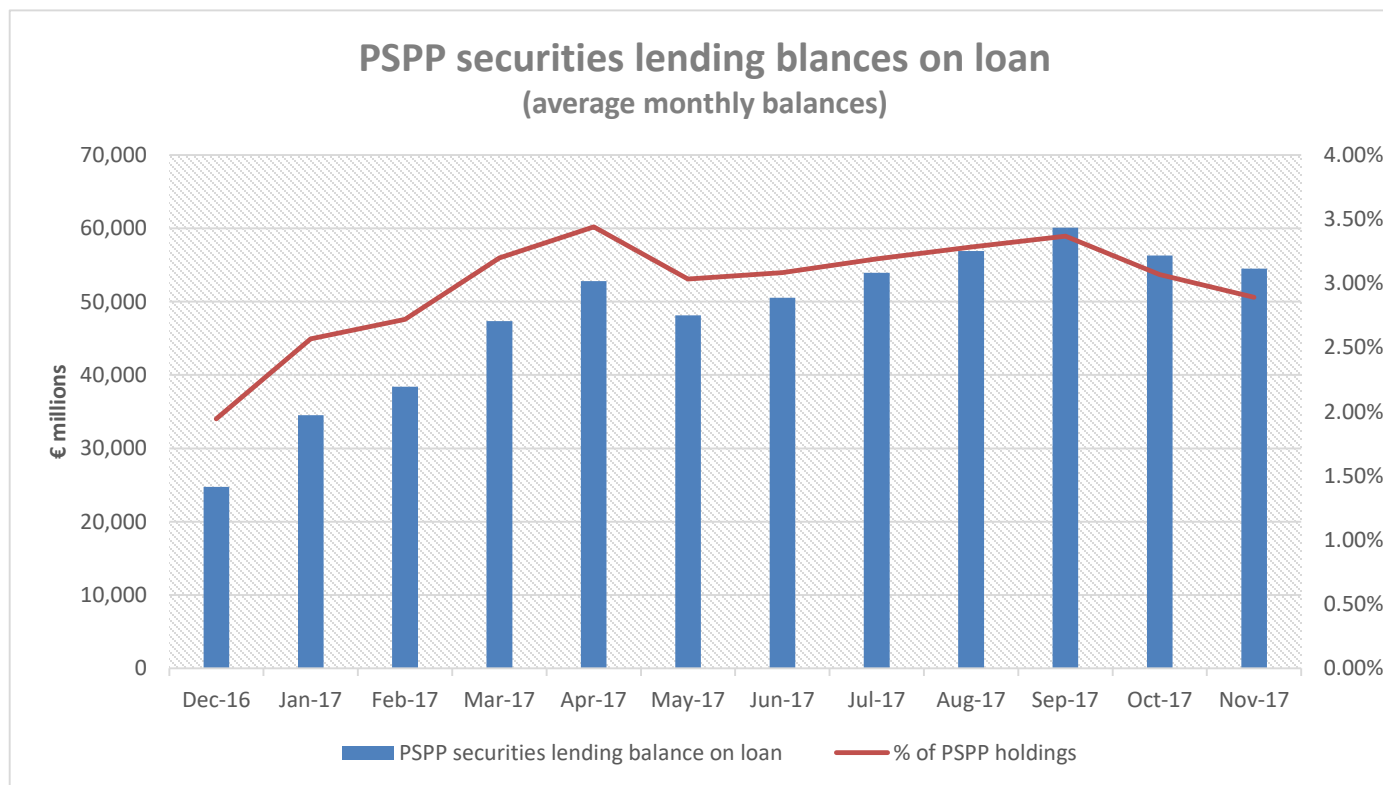
Source: Repo Funds Rate



Source: Bloomberg

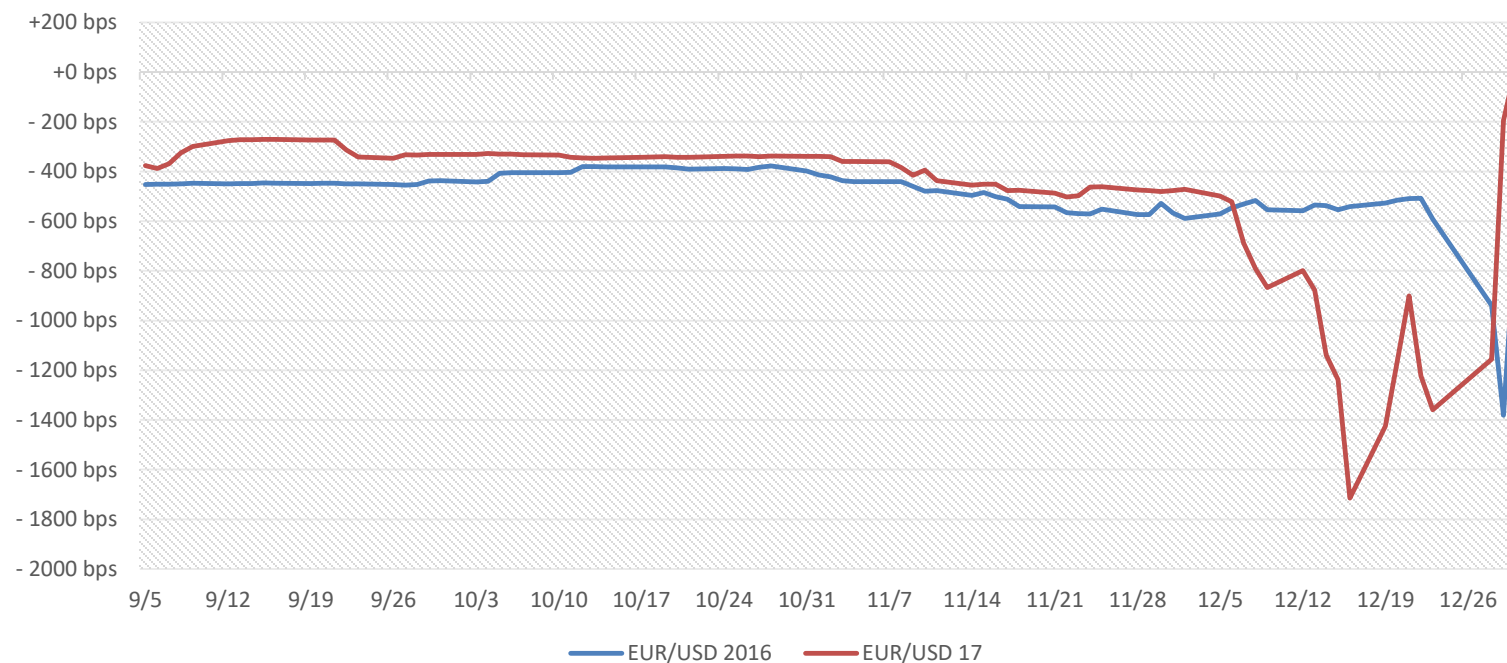
Why not as dramatic as 2016?

- ☐ Positioning
- ☐ PSPP lending programmes
- ☐ FX basis
- ☐ Preparedness



Source: ECB

EUR-USD currency basis swap



Source: Reuters

Still closed for business

- ☐ Basel reporting
 - ☐ Bank levies
 - ☐ G-SIB capital surcharge
-
- ☐ The future?

The Guide to Best Practice in the European repo market

Mr. David Hiscock
Senior Director, ICMA

ICMA ERCC Guide to Best Practice in the European Repo Market



A Guide to Best Practice in the European Repo Market

ICMA European Repo and Collateral Council
December 2017

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Preface

Martin Scheck, Chief Executive of the International Capital Market Association (ICMA) and Godfried De Vids, Chairman of the ICMA International Repo and Collateral Council (IRCC) and the ICMA European Repo and Collateral Council (ERCC)

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- 2** [Best practice in initiating a repo transaction](#)
- 3** [Best practice in margining repo](#)
- 4** [Best practice in managing the life cycle of a repo](#)
- Annex I** [Understanding repo and the repo market](#)
- Annex II** [Glossary of repo terminology](#)
- Annex III** [What are open, evergreen and extendible repos?](#)
- Annex IV** [Example of a mini close-out notice](#)
- Annex V** [Forms of confirmation in Annex II of the GMRA](#)



What is the Guide & How is it Maintained

- » The Guide sets out **standards for the orderly trading and settlement of repos**
 - » Its purpose is to help foster a smooth and orderly market in repo in Europe by recommending practices which market experience suggests can help avoid uncertainties or disagreements about transactions, and consequent delays or disruption to repo trading and settlement
 - » The Guide also codifies market conventions, where this has been thought to be helpful, usually in response to queries from market participants
- » The **practices set out in the Guide are general recommendations only**
 - » Parties to repos are free to agree other terms, where they see fit
 - » It is not necessarily a problem if recommended best practice is not followed, provided parties recognise the risks to which they may expose themselves as a result
 - » The Guide has been written to assist staff in member firms of the ICMA ERCC, but other firms may find the Guide helpful – it presupposes some knowledge and experience of how the repo market operates
- » The Guide is **maintained by ICMA and authored by Mr Richard Comotto**
 - » An ERCC Working Group, Chaired by Mr Sylvain Bojic, works to agree updates
 - » Involves input from business, operations, legal, and academic perspectives
 - » **Work is ongoing** – next meeting set for 11 April

December 2017 Update

- » December 2017 Guide update includes **new and/or revised practices relating to:**
 - » Deadlines for the notification of the termination of open repos
 - » Clear distinctions by market, issuer type, currency and ISIN prefix
 - » **Overdraft charges and the handling of fails on negative rate repos**
 - » Failing party should pay the highest of (i) the accepted overnight index for the contractual currency; (ii) the central bank deposit rate; or (iii) the repo rate on the failed transaction
 - » Mutual exchanges of confirmations
 - » Instruction of settlement, using SSIs & instructing on both legs as soon as possible post-execution
 - » Maximising netting opportunities
 - » **Calculating the value of collateral** – using middle, CoB executable prices
 - » **Margin call deadlines** and resolving margin disputes
 - » Notification of failures to deliver
 - » Promptly executing compensatory payments
- » New annex: **What are open, evergreen and extendible repos?**

What are open, evergreen and extendible repos?

		repo rate				termination/extension		substitution	
		can it be re-rated?	when can re-rate be requested (rerate date)?	re-rate notice period	interest payment date	eligible dates	termination/extension notice period	notice date	substitution notice period
open repo				option 2.1 --- same as termination notice period	option 3.1 --- repurchase date	any business day within term	conventional or mandatory settlement period	n/a	
evergreen	open	option 1.1 --- whenever requested by either party, if other agrees	any business day until termination or during a sub-period or on any of a series of agreed dates		option 3.2 --- after end of calendar month	option 4.1 --- any business day within term	as agreed but beyond conventional or mandatory settlement period	any business day within term	as agreed
	fixed-term			option 2.2 --- same as conventional or mandatory settlement period	option 3.3 --- on the re-rate date	option 4.2 --- any business day within agreed sub-term option 4.3 --- on any one of a series of agreed business days			
extendible		option 1.2 --- floating rate index would be automatically updated but change in spread can be requested by either party, if other agrees	when parties agree to extend	when parties agree to extend	option 2.1 --- original repurchase date or, if extended, new repurchase date option 2.2 --- spread re-rate date	option 3.1 --- any business day within term option 3.2 --- any business day within agreed sub-term option 3.3 --- on any one of a series of agreed business days	extension takes place on original repurchase date irrespective of how far in advance extension is agreed	option 4.1 --- when parties agree to extend option 4.2 --- as otherwise agreed	

New UK Money Markets Code

- » On 26 April 2017, the Bank of England posted on its website a **new UK Money Markets Code**, which has been endorsed by the Money Markets Committee of the Bank
- » The Code is accompanied by an Explanatory Note
 - » Sets out the **standards and best practice expected from participants in the deposit, repo and securities lending markets in the UK**
 - » Supersedes guidance for participants in these markets provided by the NIPs Code, the Gilt Repo Code and the Securities Borrowing and Lending Code
- » This new Code **remains voluntary**, but the Bank is encouraging all market participants to follow it
 - » A standardised Statement of Commitment to the Code is provided in Annex 1 and the Bank's ambition is for the Code to be **embedded widely by the beginning of 2018**
- » The Code's overriding principle is for UK Market Participants to **always act in a manner to promote the integrity and effective functioning of the markets**
 - » It sets out six underpinning principles in order to promote an open, fair and effective market
 - » In Chapter 3, Repo, the Code further sets out a summary of the basic procedures which participants in the repo market should observe as a matter of best practice
- » This high level Code is **different in nature from**, but complementary to, the general recommendations laid out in **the ICMA ERCC Guide to Best Practice**

Regulatory Update

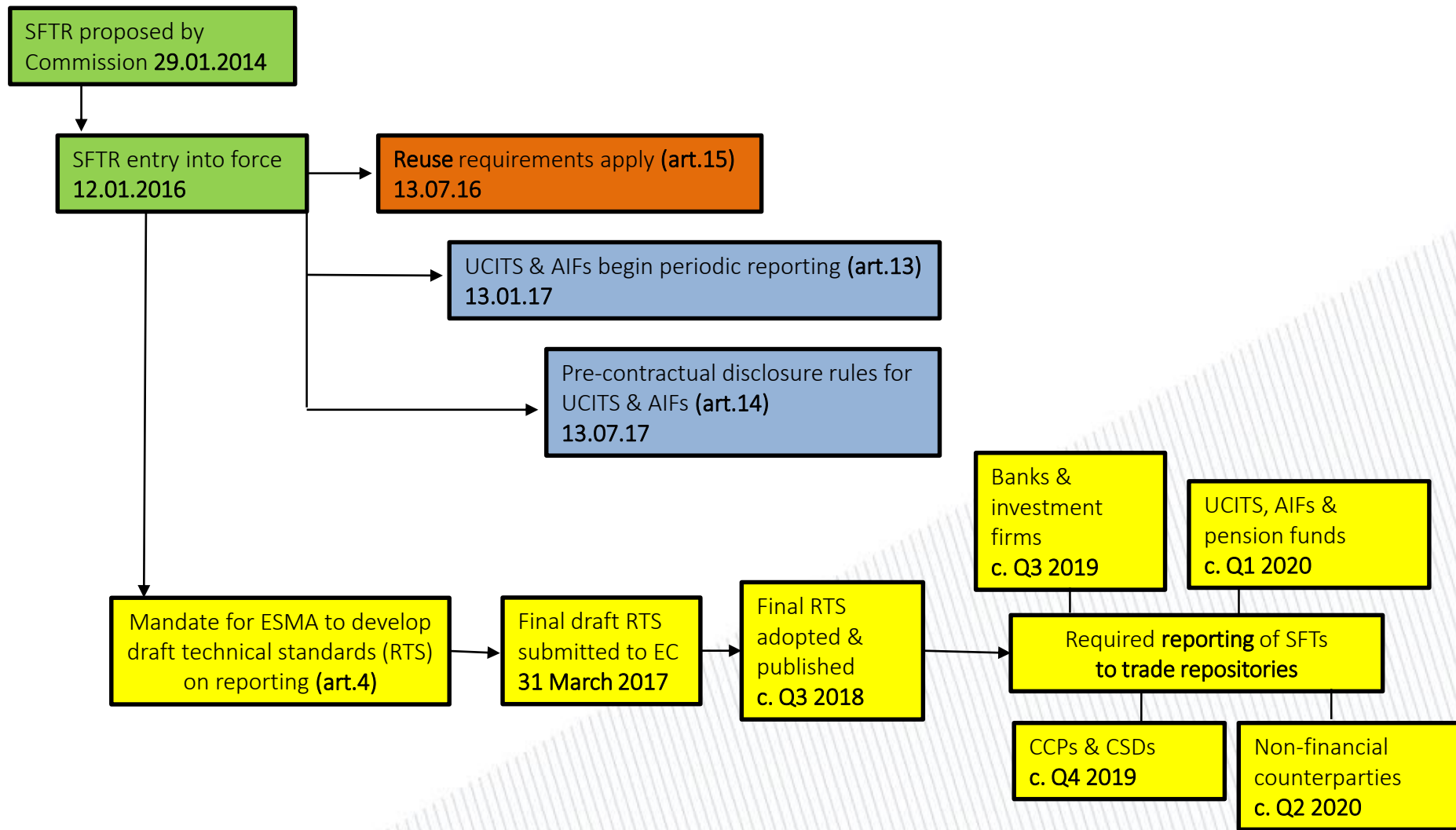
Mr. David Hiscock
Senior Director, ICMA

Revised Markets in Financial Instruments Directive (MiFID) & new Regulation (MiFIR)

- » MiFID II came into effect from the start of 2018 and does impact SFTs
 - » SFTs are **exempt from both pre- and post-trade transparency requirements**
 - » SFTs are also **exempt from MiFIR transaction reporting requirements** (as covered by SFTR)
 - » But must still MiFIR transaction report repos with ESCB counterparties (SFTR exempt)
 - » **Partial exemption re best execution requirements:**
 - » Exempt: RTS 27 (re execution venues executing client orders in MiFID financial instruments)
 - » Applies: RTS 28 (re investment firms executing client orders on execution venues)
- » Other requirements, notably including **order record keeping**, are applicable
- » Investor protection: MiFID II states that an **investment firm shall not conclude TTCAs for the purpose of securing obligations of retail clients**
 - » GMRA repos are TTCAs – it seems these are not therefore allowed with retail clients
 - » The definition of retail clients encompasses entities such as local authorities and municipalities – but subject to applicable procedures these types of clients may be able to elect for treatment as professional clients



SFTR: Key elements and timeline



SFTR: reporting (art. 4) – Level 1 text

■ Key provisions:

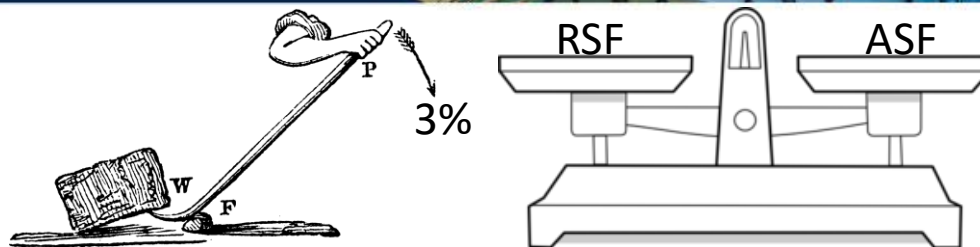
- Both counterparties to **report the details of all SFTs concluded**, as well as any modification or termination thereof to a trade repository specifically authorized under SFTR
 - Reporting **no later than on the working day following the conclusion**, modification or termination of the transaction (T+1)
 - SFTR sets out **list of minimum reporting elements**, including in relation to the reuse of collateral (where distinguishable from other assets)
 - Requirements apply to **EU counterparties** (incl. all (non-EU) branches) & **EU branches of third country firms**; except certain public bodies (Central Banks, DMOs, BIS)
 - SFTs with EU Central Banks are exempt from reporting
 - The reporting obligation **may be delegated** to a third party (“mandatory delegation” in case of SME non-financials)
- #### ■ ESMA to prepare draft RTS and ITS to specify content, format & frequency of SFT reports to TRs – including LEIs, ISINs & UTIs

SFTR: reporting (art. 4) – ESMA final draft RTS/ITS (31 March 2017)

■ Key proposals:

- Standard reporting format based on **ISO20022**
 - Broadly aligned with **EMIR reporting** regime for derivatives (e.g. action types)
 - **Over 80 proposed reporting fields** for repo alone (counterparty, loan, collateral data)
 - Intra- and inter-TR **reconciliation** required on the majority of fields with very limited tolerance (implemented in two stages)
 - Reporting of **collateral information** by value date + 1 at the latest
 - Daily **collateral updates** with daily revaluations required
 - **Margining** to be reported on an end-of-day basis (CCP & bilateral)
 - **Collateral re-use** to be reported at ISIN level (“approximate measure” applied where assets are not distinguishable) and on S+1
- **ESMA final draft RTS/ITS currently reviewed by Commission – final adoption expected in Q3 2018**

EU Banking Prudential Requirements



- » Commission proposal 23.11.2016
 - » Parliament and Council are still working to finalise their positions, ahead of trilogue
 - » Aim to reach agreements by end of this year, to take effect from the start of 2020
- » **Leverage ratio**
 - » Commission proposes a binding 3% leverage ratio
- » **Net stable funding ratio (NSFR)**
 - » Commission proposes a binding, detailed NSFR
 - » So as not to hinder the well-functioning of EU capital markets and to preserve the liquidity of sovereign bond markets, certain adjustments are proposed to the Basel NSFR standard, relating to the treatment of:
 - » Derivatives – lower RSF factors & recognition of offset re HQLA Level 1 VM (v. BCBS cash only)
 - » Short-term transactions with financial institutions – **repo asymmetry down to 5%/10%** (v. BCBS 10%/15%)
 - » High Quality Liquid Assets (HQLA) – 0% RSF for holdings of HQLA Level 1 (v. BCBS 5% RSF)
- » Calibration
 - » Key question concerns how to potentially achieve further beneficial refinement
 - » **Debates re offsetting / netting / potential exemptions**

EU CSDR Settlement Discipline

PUNISHMENT

- » In April, Commission is expected to publish proposed **RTS for the mandatory buy-in regime**
 - » Part of CSDR Settlement Discipline measures, alongside late settlement penalty regime
 - » Comes two years after revised draft RTS were published by ESMA
 - » Parliament and Council must consider, likely leading to formal adoption some time in mid-2018
 - » **Anticipate two years thereafter before application starts: ie mid-2020**
- » Expected to be largely in line with ESMA's February 2016 – **key aspects include:**
 - » (i) trading-level buy-ins (for the most part);
 - » (ii) 7-business days before a failing trade mandates the start of the buy-in process;
 - » (iii) 7-business days allowed from the start of the buy-in to completion (settlement);
 - » (iv) cash compensation in the event that the buy-in is unsuccessful; and
 - » (v) an **exemption for SFTs with less than 30-business day maturities**
- » ICMA believes, and has long argued, that the CSDR mandatory buy-in regime
 - » Is flawed in its design; and
 - » Will be severely **damaging to European bond market liquidity** and stability – particularly for less liquid markets such as those for corporate bonds and emerging markets

EU Bank Recovery & Resolution

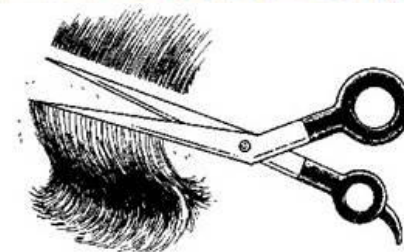
- » Commission's proposed BRRD reforms **extend moratorium periods**
- » Presents challenges for market participants
- » Seek to limit broadening of moratorium powers
- » Note that **Brexit complicates resolution** (UK v. EU27)



EU CCP Recovery & Resolution

- » Commission has proposed an EU Regulation for CCP R&R – may be agreed in mid-2018
- » Important given the significant role played by CCPs in repo & collateral markets
- » Debate is focussed on derivatives, but regime needs to accommodate repo
- » **Variation margin gains haircutting** (VMGH) is a critical point – seemingly adequately considered

Haircuts

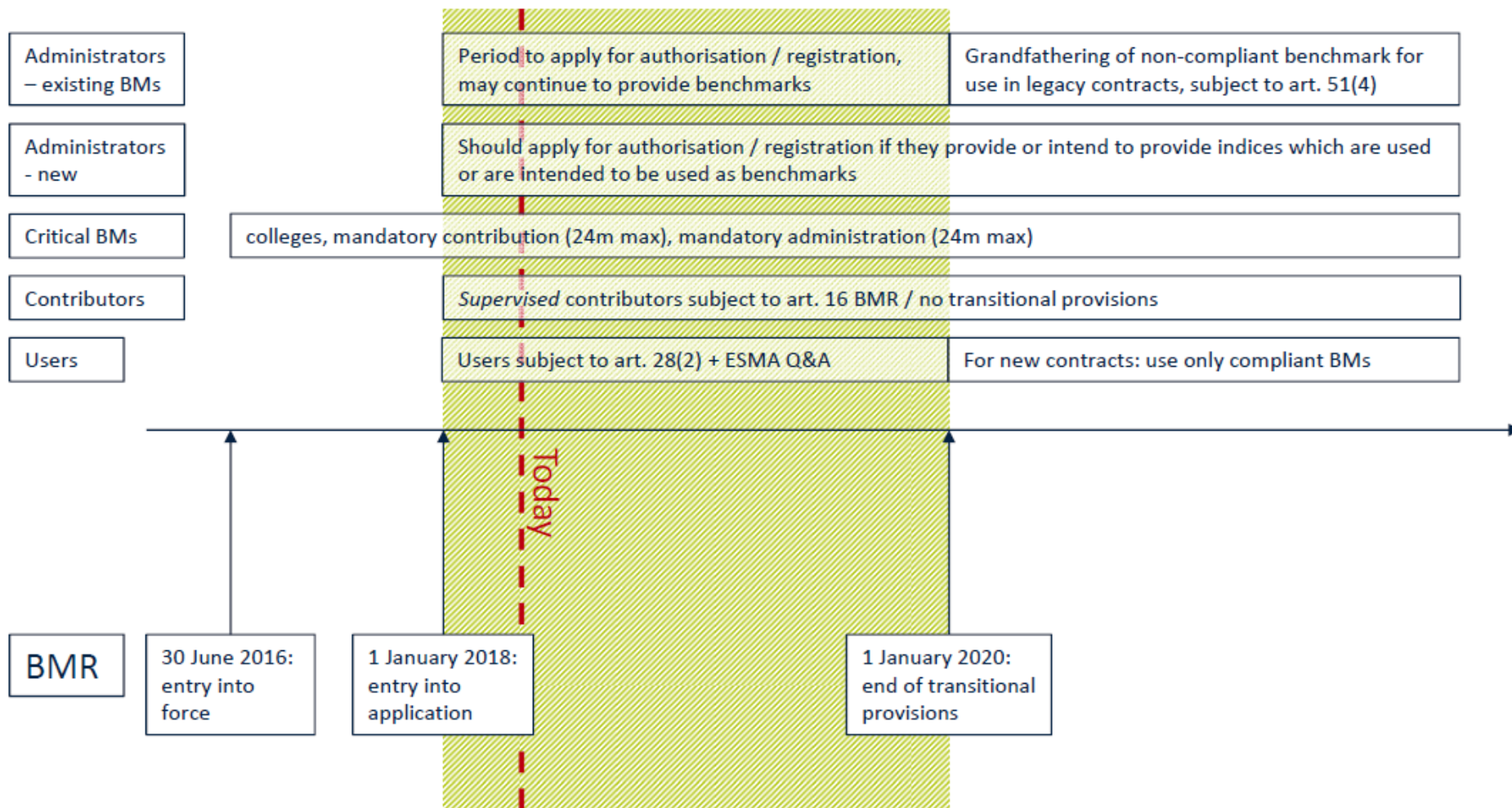


- » SFTR Article 29.3 anticipates possible creation of an EU SFT haircut regime
 - » On 19 October 2017, the Commission published its final report
 - » Took account of, more detailed, October 2016 report prepared by ESMA, EBA and ESRB
 - » Overall, the Commission followed that earlier guidance, concluding that:
 - » To a large extent, FSB recommendations on SFTs have been addressed in the EU through the adoption of SFTR and certain other specific provisions
 - as such, there **does not seem to be a need for further regulatory action at this stage**;
 - » It will continue to thoroughly monitor applicable developments in SFT markets and the international regulatory space; and
 - » It will **reassess the added value of qualitative standards and haircut floors** on the basis of a report to be prepared by ESMA **once comprehensive SFT data is available** (ie once SFTR reporting is live)
 - » Others continue to call for action to regulate haircuts
 - » In particular, the ESRB advocates a mandatory minimums regime, with some form of power to use these in order to act against procyclicality

New near risk-free reference rates – status

Currency	Near Risk-Free Reference Rate	Secured or Unsecured	Available?	Administrator
USD	SOFR	Secured	(April) 2018	FRBNY
GBP	Reformed SONIA	Unsecured	(April) 2018	BoE
CHF	SARON	Secured	Yes	SIX
Euro	Not yet defined	Not yet defined	No	Not yet defined
JPY	TONAR	Unsecured	Yes	BoJ

Temporal constraints on benchmark reform in the EU Benchmark Regulation



Thank you, Ladies and Gentlemen



» Contacts and information:

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- **Alexander Westphal:** Director – Market Practice and Regulatory Policy and Secretary, ICMA ERCC
 - Alexander.Westphal@icmagroup.org
 - Tel: +44 (0)20 7213 0333 (Direct Line) / +44 (0)7469 159961 (Mobile)
- **ICMA Legal & Regulatory Helpdesk:**
<https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/icma-legal-and-regulatory-helpdesk/>

ICMA Ltd, 23 College Hill, London EC4R 2RP / www.icmagroup.org

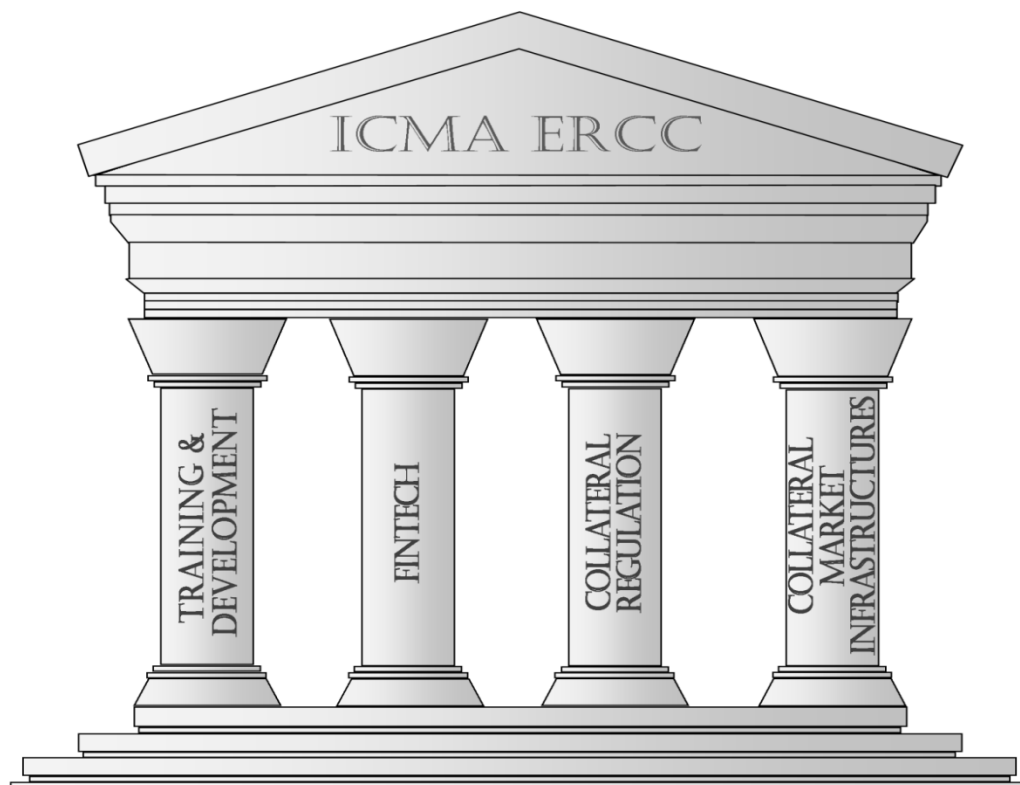
- **ICMA quarterly report:** provides detailed updates on these matters and ICMA's broader work
<http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Regulatory-Policy-Newsletter>

ERCC Operations Group Update

Mr. Nicholas Hamilton

Co-Chair of the ERCC Operations Group

ICMA ERCC Operations Group – The 4 pillars



Collateral Regulation

- EU SFTR
- MMSR and other reporting
- CSDR
- UK Money Markets Code

Collateral Market Infrastructures

- AMI-SeCo and sub-groups
- EPTF
- ICSD initiatives
- Liquidity management

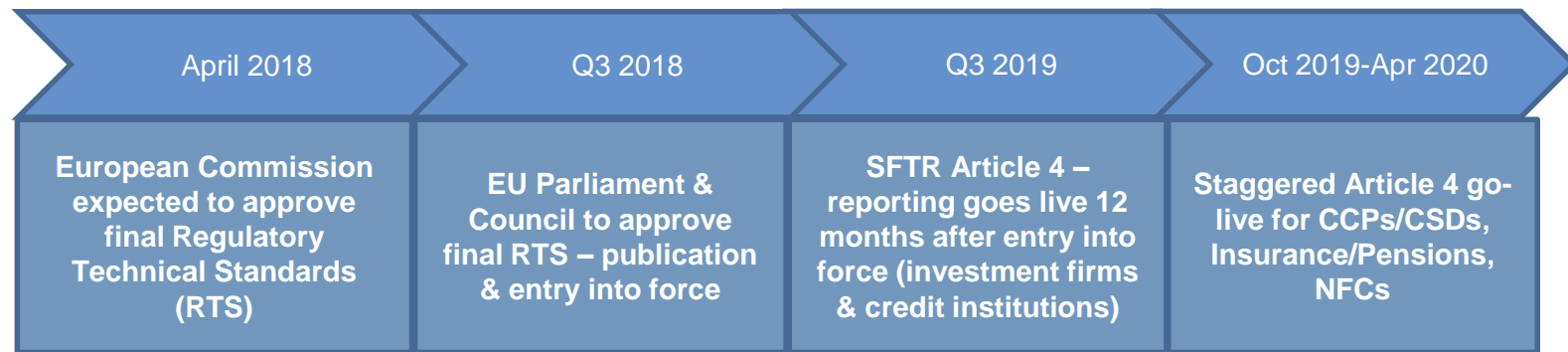
FinTech

- FinTech directory
- Application usage
- DLT applications

Training & Development

- Repo Guide to Best Practice
- Events, courses and workshops

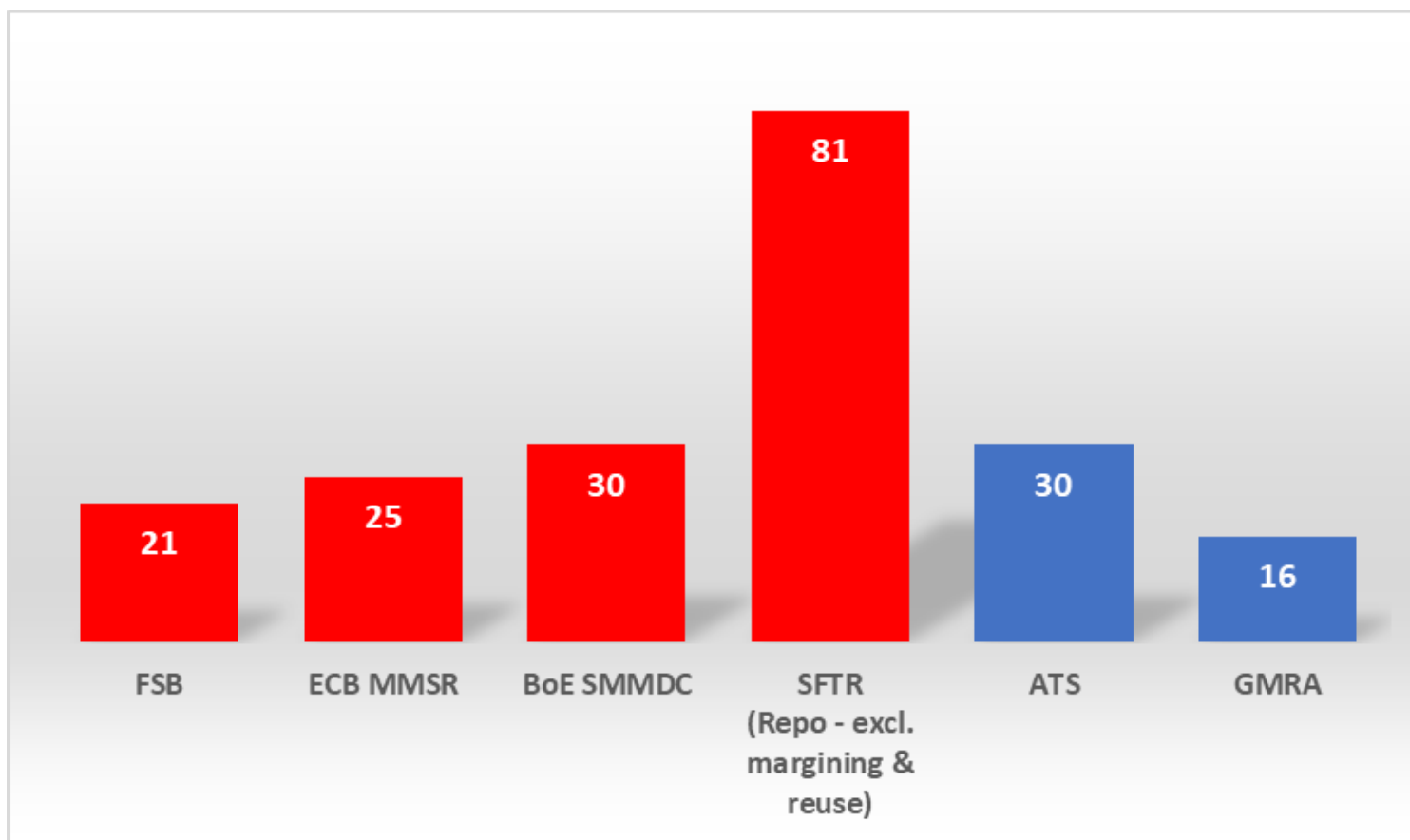
SFTR timeline & ERCC implementation work



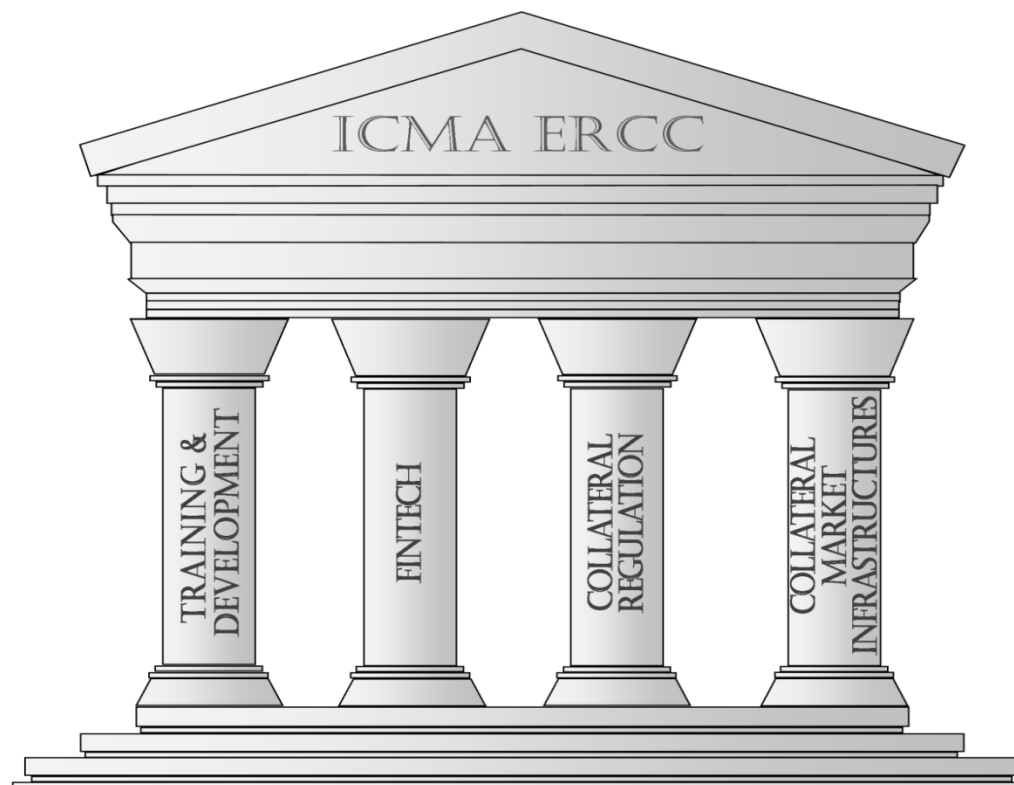
- **ERCC SFTR Task Force** established in 2015, chaired by Jonathan Lee (JPM)
- Initial focus on ESMA consultations & Level 2 process – has now shifted to concrete implementation work and best practices
- ICMA [bilateral reconciliation exercise](#) launched in June 2017 – supported by vendor platforms
- Group continues to grow and, in January 2018, was extended to include SFTR vendors and trade repositories (following initial bilateral meetings)
- Close collaboration across industry, including with other relevant associations (ISLA, AFME,...)

SFTR reporting vs other initiatives vs current market practice

Number of reporting fields required



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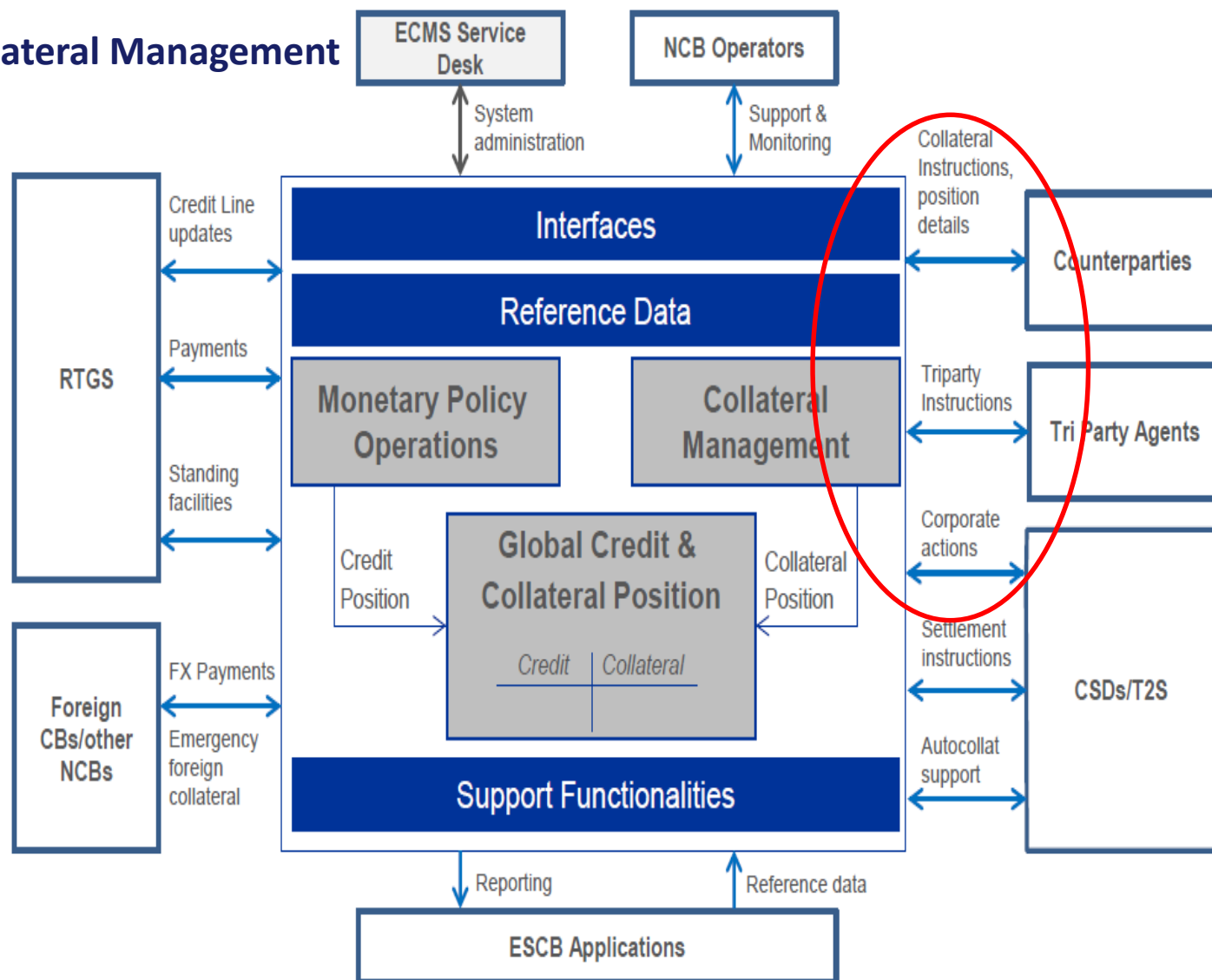
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AMI-SeCo & CMH-TF

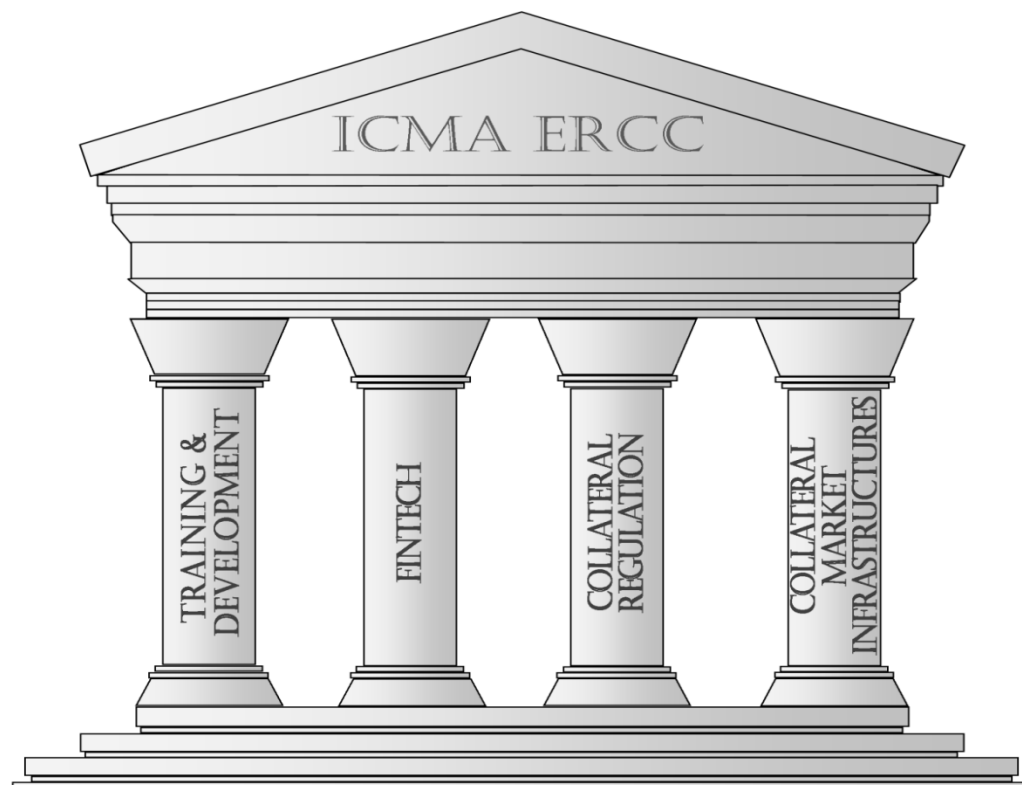
- ERCC represented in **ECB's Advisory Group of Market Infrastructures for Securities and Collateral (AMI-SeCo)**, through Nicholas Hamilton (ERCC Ops Co-chair)
- At its first meeting in March 2017, AMI-SeCo decided to launch more detailed work to foster further harmonization of collateral management processes and frameworks, following up on related work launched by COGESI
- Detailed work is being undertaken by a dedicated **Collateral Management Harmonisation Task Force (CMH-TF)** and its 5 sub-streams:
 - Substream 1: Triparty collateral management
 - Substream 2: Corporate Actions, Taxation Processes, Non-Euro Collateral
 - Substream 3: Bilateral Collateral Management, Margin Calls
 - Substream 4: Billing Processes, Cut-off Times
 - Substream 5: Collateral Dynamic and Static Data
- Specific focus on WS 1 (tri-party collateral management) and 2 (corporate actions) as key components for the **Eurosystem Collateral Management System (ECMS)**, which is due to go live by 2022
- First set of concrete harmonization proposals to be delivered by **June 2018**

Pillar 2 - Collateral market infrastructures

Eurosystem Collateral Management System (ECMS)



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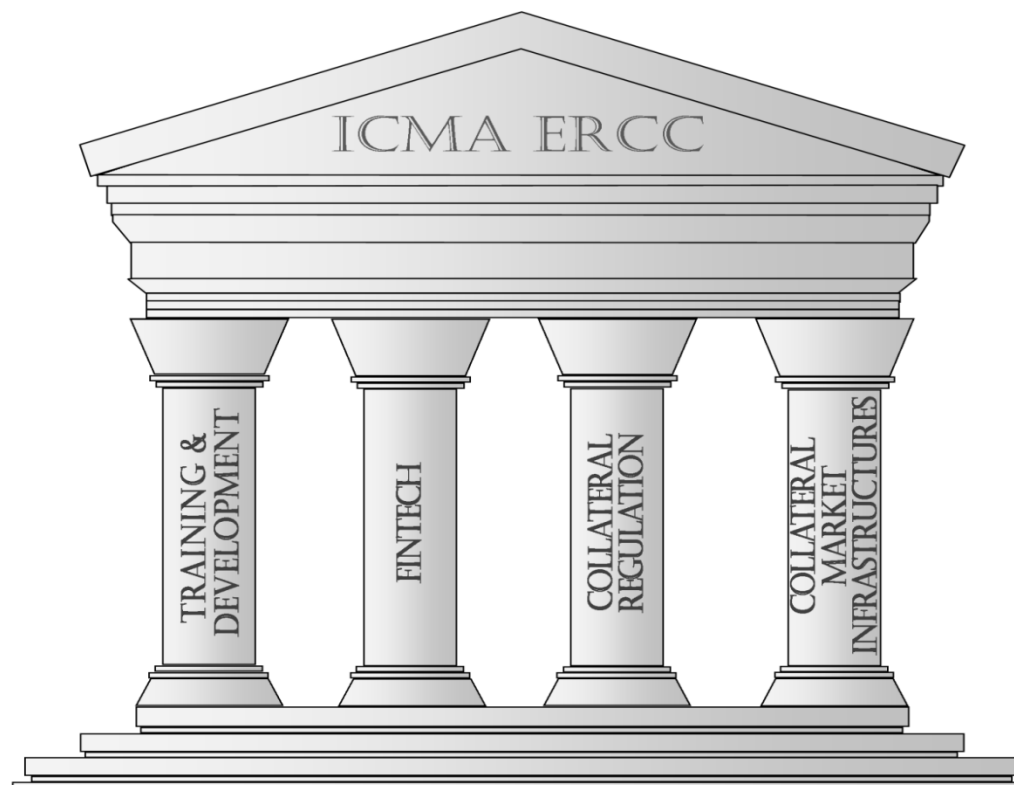
Repo Guide to Best Practice
Events, courses and
workshops

ERCC Ops FinTech WG

- Group formed in Sep 2016 & chaired by Sanjiv Ingle (SocGen)
- Initial objective to map all established & emerging FinTech solutions supporting collateral operations - in close collaboration with the relevant providers
- Final [FinTech mapping directory](#) published in November 2017: over 100 technology tools covered spanning across 10 categories
- Group will continue to update the document and engage with the providers where appropriate
- Interested members are still welcome to join!**

	A	B	C	D
1	 ICMA International Capital Market Association	Mapping of Ops FinTech Solutions ERCC Ops FinTech WG Last update: 01/12/2017		
2				
3				
4				
	Category	Name of the solution	Company	Short description
5				
84	Matching, confirmation & allocation	MX.3	Murex	MX.3 provides full confirmation process from the generation of the confirmation to the matching and relevant document attachment to trade details. Manual matching is processed in dedicated dashboard. Allocation features cover trades internal allocation for automatic funding purposes.
85	Matching, confirmation & allocation	Traiana Harmony Clientlink	Traiana (NEX Group)	Harmony ClientLink is a centralized, flexible Traiana hosted solution that automates Repo and cross asset allocations, confirmations, and reconciliation workflow between the buy side and their brokers. Delivering optimized risk management, regulatory compliance and post-trade processes. Universal file normalisation, intelligent matching and global connectivity removes manual processing and errors - facilitating finality of trade on T0 and faster resolution of trade breaks to reduce risk and avoid penalties. Repo Trade details are either sent directly to Trax or via Traiana to Trax to facilitate matching on trade date.
86	Reconciliation	Broadridge Collateral Management	Broadridge	The solution interfaces with third party matching and reconciliations solutions. Data can be easily extracted from the system and passed to a downstream reconciliation engine or to tri-resolve through the data translation layer of the system's interfacing module. The system also allows marks to be compared and updated via the 4SF Equilend, Loanet and Pirum gateways. Broadridge also sends and receives information to/from Pirum, Loanet and Equilend for the purpose of billing compare.
87	Reconciliation	Duco Cube	Duco	Duco is a London-based provider of hosted reconciliation services with offices in New York and Luxembourg. They offer an award-winning product, Duco Cube, that is vastly different than anything provided in this space previously, as it is usable by non-technical end-users. They give clients control of critical information and complex data in a highly secure environment, with a very short time to market.
88	Reconciliation	Intellimatch	FIS	Reconciliation software that achieves high levels of processing across transactional and positional reconciliations. Encompasses Nostro, Confirmation, Payments investigation, workflow, smart intelligence as well as other aspects of reconciliation work. Intellimatch is fully integrated with Apex Collateral to provide automated collateral trade reconciliations in accordance with ESMA/CFTC trade portfolio reconciliation regulations.
	Reconciliation	COLLINE	Lombard Risk	COLLINE has a dedicated reconciliation module. Reconciliation templates can be set up and saved for re-use and scheduled to run at defined times. All reconciliation runs are archived for review within the
	Ops FinTech Solutions			

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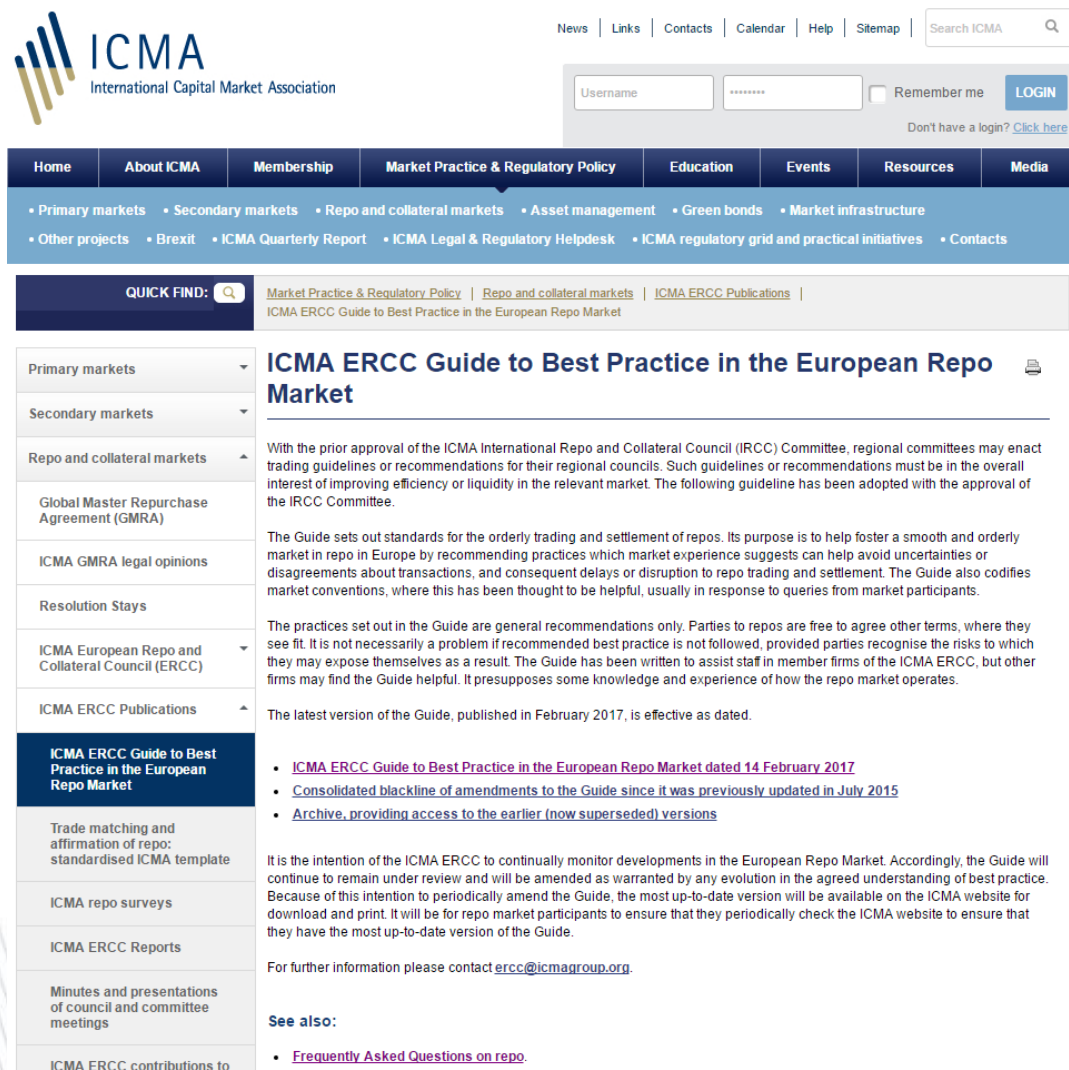
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- Events, courses and workshops

ERCC Repo Guide to Best Practice

- Initially published in March 2014
- Sets out detailed standards for the orderly trading and settlement of repo
- Reviewed on an ongoing basis by a dedicated ERCC working group – latest version published in December 2017
- Role in the implementation of SFTR?
- The Guide is available on the [ICMA website](https://www.icmagroup.org/ercc/publications/ercc-guide-to-best-practice-in-the-european-repo-market/)



The screenshot displays the ICMA (International Capital Market Association) website. The header includes the ICMA logo and navigation links: News, Links, Contacts, Calendar, Help, Sitemap, and a search bar. Below the header is a secondary navigation bar with links to Home, About ICMA, Membership, Market Practice & Regulatory Policy, Education, Events, Resources, and Media. A third navigation bar lists various market categories: Primary markets, Secondary markets, Repo and collateral markets, Asset management, Green bonds, Market infrastructure, Other projects, Brexit, ICMA Quarterly Report, ICMA Legal & Regulatory Helpdesk, ICMA regulatory grid and practical initiatives, and Contacts. A 'QUICK FIND' search bar is present, with results for 'Market Practice & Regulatory Policy', 'Repo and collateral markets', and 'ICMA ERCC Publications'. The main content area features a sidebar with a list of links: Primary markets, Secondary markets, Repo and collateral markets, Global Master Repurchase Agreement (GMRA), ICMA GMRA legal opinions, Resolution Stays, ICMA European Repo and Collateral Council (ERCC), and ICMA ERCC Publications. The main text area is titled 'ICMA ERCC Guide to Best Practice in the European Repo Market' and contains the following text: 'With the prior approval of the ICMA International Repo and Collateral Council (IRCC) Committee, regional committees may enact trading guidelines or recommendations for their regional councils. Such guidelines or recommendations must be in the overall interest of improving efficiency or liquidity in the relevant market. The following guideline has been adopted with the approval of the IRCC Committee. The Guide sets out standards for the orderly trading and settlement of repos. Its purpose is to help foster a smooth and orderly market in repo in Europe by recommending practices which market experience suggests can help avoid uncertainties or disagreements about transactions, and consequent delays or disruption to repo trading and settlement. The Guide also codifies market conventions, where this has been thought to be helpful, usually in response to queries from market participants. The practices set out in the Guide are general recommendations only. Parties to repos are free to agree other terms, where they see fit. It is not necessarily a problem if recommended best practice is not followed, provided parties recognise the risks to which they may expose themselves as a result. The Guide has been written to assist staff in member firms of the ICMA ERCC, but other firms may find the Guide helpful. It presupposes some knowledge and experience of how the repo market operates. The latest version of the Guide, published in February 2017, is effective as dated.' Below this text is a list of links: 'ICMA ERCC Guide to Best Practice in the European Repo Market dated 14 February 2017', 'Consolidated blackline of amendments to the Guide since it was previously updated in July 2015', and 'Archive, providing access to the earlier (now superseded) versions'. A paragraph follows: 'It is the intention of the ICMA ERCC to continually monitor developments in the European Repo Market. Accordingly, the Guide will continue to remain under review and will be amended as warranted by any evolution in the agreed understanding of best practice. Because of this intention to periodically amend the Guide, the most up-to-date version will be available on the ICMA website for download and print. It will be for repo market participants to ensure that they periodically check the ICMA website to ensure that they have the most up-to-date version of the Guide.' A contact link is provided: 'For further information please contact ercc@icmagroup.org.' A 'See also:' section lists 'Frequently Asked Questions on repo'.

Upcoming ICMA courses and workshops on Repo:

- **Annual ICMA Workshop: [Professional Repo and Collateral Management](#)**
Next workshop: 24 – 25 September 2018 in London (hosted by Euroclear)
- **ICMA Workshop: [Repo and securities lending under the GMRA and GMSLA](#)**
Next workshop: 7-9 March 2018 in London
- **ICMA Workshop: [GMRA Masterclass – a clause-by-clause analysis & Annex I negotiation](#)**
Next workshop: 26 – 27 March 2018 in London
- **ICMA EE course: [Collateral Management](#)**
Next course: 9-10 April 2018 in London

ANNEX: Pillar 2 - Collateral market infrastructures

COLLATERAL MANAGEMENT HARMONISATION ACTIVITIES - 2018 PLANNING

CMHA	Step	Description of Activity	January	February	March	April	May	June	July	August	September	October	November	December
1. TRIPARTY COLLATERAL MANAGEMENT	0	Terminology												
	1	Elaboration of harmonised workflows and business processes												
	2	Identification of data elements for each business process												
	3	Development of ISO 20022 messages												
	i	Development of implementation, monitoring and compliance framework												
2. CORPORATE ACTIONS	0	Terminology												
	0	Extend CA Survey to ECSDA												
	0	SWIFT to verify existence / identify gaps in existing ISO 20022 messaging												
	1	Elaboration of harmonised workflows and business processes per CA event												
	2	Identification of data elements needed for each CA event												
3. TAXATION PROCESSES	1	Standardisation of business process / data elements												
	3	Potential development of additional ISO 20022 messages												
	i	Development of implementation, monitoring and compliance framework												
	0	Terminology												
	0	Development of Questionnaire												
4. BILATERAL COLLATERAL MANAGEMENT	0	Filling-In of Questionnaire												
	0	Compilation/analysis of responses												
	1	Development of harmonisation proposals												
	2	Identification of data elements												
	3	Identification / development of ISO 20022 message												
5. MARGIN CALLS	i	Development of implementation, monitoring and compliance framework												
	0	Terminology												
	0	Fact-finding												
	1	Elaboration of business process and workflow for margin calls												
	2	Identification of data elements												
6. BILLING PROCESSES	3	Identification / development of ISO 20022 message												
	i	Development of implementation, monitoring and compliance framework												
	0	Terminology												
	2	Identification of minimum set of information required in fees invoice												
	3	Update / development of ISO 20022 message												
7. CUT-OFF TIMES	i	Development of implementation, monitoring and compliance framework												
	0	ICMA survey												
	0	Analysis of results												
	0	Terminology												
	0	Identification of collateral data elements for which data exchange should be enhanced												
8. COLLATERAL DATA	1	Identification of solutions to ensure that most up-to-date data is available												
	i	Development of implementation, monitoring and compliance framework												
	0	Survey to identify markets not in line with recommendations re: sourcing of collateral												
	0	Compilation/analysis of responses												
	1	Development of implementation, monitoring and compliance framework												
9. SOURCING OF COLLATERAL	1	Analyse potential harmonised workflow for the handling of non-euro CAs												
	0	Survey to identify markets not in line with recommendations re: sourcing of non-euro collateral												
	i	Development of implementation, monitoring and compliance framework												
	0	Terminology												
	0	Fact-finding												
10. NON-EURO COLLATERAL	1	Development of implementation, monitoring and compliance framework												
	0	Terminology												
	0	Fact-finding												
Meetings	CMH-TF		16	20		17		5			25	25	27	
	HSG				5 & 6		23 & 24					18 & 19		
	AMI-SeCo				20 & 21			21 & 22					20 & 21	
Explanation of Steps	0	Fact-finding (including terminology)												
	1	Elaboration of harmonised workflows and business processes												
	2	Identification of data elements												
	3	Identification / development of ISO 20022 Message												
	i	Development of implementation, monitoring and compliance framework												

Panel: Unlocking the value of T2S

Moderator: Ms. Gesa Benda, Head of Collateral Management Product, BNY Mellon

Panellists:

Mr. Adam Bate, Executive Director, Bank Resource Management, Morgan Stanley

Mr. Nicola Danese, Managing Director, JP Morgan

Mr. Michael Manna, Head of Fixed Income Financing Trading, EMEA & Asia Pacific, Barclays

Mr. Marcello Topa, Director, EMEA Market Policy & Strategy, Citi

Mr. Jean-Robert Wilkin, Executive Director, Head of Market Development, Clearstream

Next ERCC meeting:

- » **Wednesday 17 October 2018, 14:00 – 17:00**
- » **Hosted by Bloomberg in London**

ERCC Professional repo market course:

- » **24 – 25 September 2018**
- » **Hosted by Euroclear in London**

**Please join us
for a networking
drinks reception**