Triparty Collateral Reverse Engineering

- *Status*
- *BVG approach*
- *Decisions*
- *Timeline*

September 25th 2018 – AMI-SeCo HSG CMH TF

Project Status

Business Justification :

- The final business justification will be submitted end of September, the RMG will have 6 weeks to review it and endorse it.

Business flows harmonisation/clarification:

- Harmonisation of the delta intra-day/full end of day reporting, the removal and the allegement processes.
- The BVG decided to only have one Report message that would cover both the delta (real-time) and the complete, the reporting business flows had to be reworked .
- Allegement and Removal process have also been reworked.
- Allegement and Reporting processes are still under review.

Project Status

Messages development:

- 3 workshops (June, July and September) have taken place to discuss the functions required and the messages to be created and reused. The high level structure of the messages was also covered and some business flows were clarified (allegement)
- The development of the messages has started with the TripartyCollateralTransactionInstruction and the TripartyCollateralAndExposureReport. The draft messages will be discussed during the workshop planned on October 1st and 2nd.
- The business validation group reviewing these draft messages is composed mainly of TPAs and CBs. Users are represented only with one institution JPMorgan. The group is currently investigating on whether additional users could join.
- Future workshops are planned for beginning and end of November + mid December. If required an additional one will be added in January.
- make sure the ISO 20022 functionality covers the functionality available in ISO 15022 during the coexistence period.

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Future Workshop Dates:

- October 1 and 2: Instruction and report
- November 5 and 6: Status, allegement and Allegement Response
- November 29 and 30: Confirmation, cancellation request and cancellation advise
- December 17 and 18: closing all the pending issues related to the DRAFT messages developed

BVG approach

- Take into account the different existing functions of the messages and cater for missing ones (unilateral removal).
- Define a correspondence to a existing ISO 20022 messages or the creation of a new ones respecting the ISO 20022 principles but allowing for a pragmatic approach when required.
- Rethink the business logic (Reporting and allegement) and make sure to cater for both CB and Commercial models' requirements.
- Rationalise the structure when required to foster the usage of the future messages (e.g. remove level of nesting for the Report)
- Rationalise also at the message level (is linkages at the report level required?), regroup/move around some message elements to make it more coherent (links vs linkages.
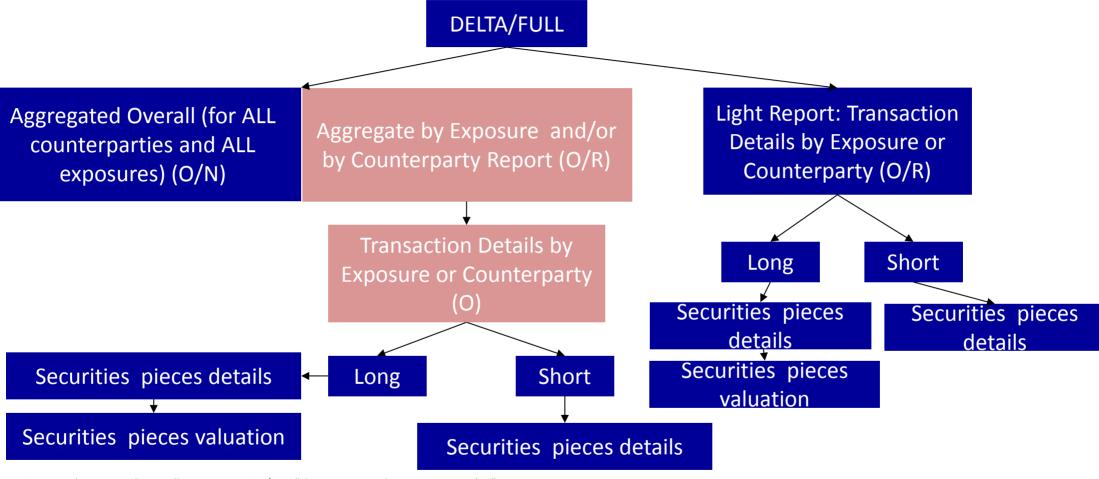- Respect the ISO 20022 semantics (identification vs references)

BVG main decisions

- Drop of the replace function. Cancel/New will be used instead
- Analyse the processes to be harmonised
  - ✓ Use of the ISO 20022 Collateral and Exposure Report for intra-day reporting (delta reporting) for both
  - ✓ Unilateral removal of an ISIN from the collateral pool.
- Have only one status message covering both the pending and the confirmed allocation. BVG also decided to use this same message for the cancellation request status even though a specific message colr.006 should be used
- For the allegement process the decision is still pending on either using the instruction message (with and extra function >< ISO 20022 principles). Preferred SWIFT and RA solution would be to create new messages for this specific flow

BVG approach to use the MT569 ISO 20022 equivalent for real-time reporting – final approval still pending

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                              DELTA/FULL
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Aggregated Overall (for ALL counterparties and ALL exposures) (O/N)

Aggregate by Exposure and/or by Counterparty Report (O/R)

Light Report: Transaction Details by Exposure or Counterparty (O/R)

Transaction Details by Exposure or Counterparty (O)

Long　　**Short**

Securities pieces details

Securities pieces details

Securities pieces details

Securities pieces valuation

Securities pieces details

Long　　**Short**

Securities pieces valuation

Securities pieces details

1. In the aggregated report all current summaries /overall, by exposure type, by counterparty, etc.) will remain available but will be optional.
2. The Transaction Details information will be represented per exposure or counterparty and will include all relevant info.
3. Long version includes valuation per piece, while the short not.

1. In the light report no summaries /overall will be available.
2. The Transaction Details information will be represented per exposure or counterparty and will include all relevant info.
3. Long version includes valuation per piece, while the short not.

Overall Project Time line

Today

Legend:
- BVG workshops and calls
- Meetings
- RMG Business Justification Approuva - Oct

| 2018 | | | | | 2019 | | | | 2020 | 2021 | 2022 |

| Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | |

BJ Process

CMH-TF Trip. Coll Stream
Single Harmonised Triparty Model

Bus. Validation + MWG

ISO SEG Validation

Bus. Validation + MWG

ISO Val.

Draft MX Development

MX Development V1

Funct. Validation (Proof Of Concept)

Draft doc. & MX schemas

FINAL doc. & MX schemas

ITB

T&T

Nov. MX Live in CUG

SWIFT