



EUROPEAN CENTRAL BANK

EUROSYSTEM

Status update on ongoing work

Bilateral Collateral
Management Expert
Group

CMH-TF
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Single Collateral Management Rulebook for Europe
common rules for managing collateral



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Overview

The Bilateral Collateral Management Expert Group has focused on 2 main topics:

1. Guidance on usage of Settlement Transaction Type codes

Scope:

- Guidance on Usage of Settlement Transaction Types in **Repurchase and Reverse Repurchase Transactions**
- Usage of Settlement Transaction Types in **Securities Lending and Securities Borrowing Transactions**
- Usage of Settlement Transaction Types in **Buy/Sell-back and Sell/Buy-back Transactions**

2. Fact-finding on current usage of Settlement Transaction Types codes.

1. Guidance

Usage of Settlement Transaction Types

Example prepared for Repurchase and Reverse Repurchase Transactions:

	The seller and buyer will release the message types corresponding to their role in the transaction:
Seller: REPU	The party receiving the cash in exchange for the securities (the seller) will see itself as counterparty to a repurchase transaction (REPU) and will always send a delivery instruction for <u>the opening leg</u> (and a receive instruction for <u>the closing leg</u>)
Buyer: RVPO	The party receiving the securities and delivering the cash (the buyer) will see itself as counterparty to a reverse repurchase transaction (RVPO) and will always send a receive instruction for <u>the opening leg</u> (and a delivery instruction for <u>the closing leg</u>).

1. Guidance

Example for Repurchase and Reverse Repurchase Transaction

1. The opening/initiation of the transaction

Two leg transaction	Explanatory description	MT / MX Message	Settlement Transaction Type
Repurchase transaction: purchase or opening leg	The seller in a repurchase transaction sells collateral securities in the purchase or opening leg	543 / sese.023	REPU
Reverse repurchase transaction: purchase or opening leg	The buyer in a reverse repurchase transaction buys collateral securities in the purchase or opening leg	541 / sese.023	RVPO

2. The closing/repurchase/return leg of the transaction

Two leg transaction	Explanatory description	MT / MX Message	Settlement Transaction Type
Repurchase transaction: repurchase or closing leg	The counterparty that was the seller in the opening leg of a repurchase transaction (and is still called the seller) buys back collateral securities in the repurchase or closing leg.	541 / sese.023	REPU
Reverse repurchase transaction: repurchase or closing leg	The counterparty that was the buyer in the opening leg of a repurchase transaction (and is still called the buyer) sells collateral securities back in the repurchase or closing leg.	543 / sese.023	RVPO

2. Fact-Finding

Current usage of Settlement Transaction Types codes

Before finalising the guidance note the Expert Group decided to collect information from CSDs (via ECSDA) on the current usage of Settlement Transaction Type Codes.

Main objective of questions:

- The aim is to understand how broadly the market practices are being implemented. A distinction will be made between ICPs and DCPs. For DCPs: are transactions matched and how (with same or different values). Do actors with a different profile, such as ICPs have different implementation of market practices, etc.
- The general usage is requested for bilateral SFTs (not related to triparty and not related to central bank autocollateralisation and also not CCPs).

2. Fact-Finding

Current usage of Settlement Transaction Types codes

Feedback was provided by 20 CSDs:

- 1. AT – OeKB CSD
- 2. BE – Euroclear Belgium
- 3. ES - Iberclear
- 4. FR – Euroclear France
- 5. GR – ATHEXCSD
- 6. GR – BOGS
- 7. HR - CDCC
- 8. LV – Nasdaq
- 9. NL – Euroclear Netherlands
- 10. SK – CDCP
- 11. SI – KDD
- 12. DE – CBF
- 13. LU – LuxCSD
- 14. LU – CBL
- 15. Euroclear Bank
- 16. Interbolsa
- 17. VP Securities, DK
- 18. Central Depository AD, BG
- 19. KDPW, PL
- 20. CSD Prague, CZ

2. Fact-Finding

Key takeaways

- Usage of the codes is concentrated in a few CSDs
- In those CSDs, the matching with C/P codes varies as well (from 100% to much lower levels), indicating the codes are not uniformly well applied
- There is a need to further understand the reasons driving high / low usage of the codes in individual markets

Next steps

- **Current usage of Settlement Transaction Types codes**
 - Further questions will be circulated to the respondents to the survey in order to better understand the reasons for high / low levels of usage e.g. is there a local market practice in place or is there a specific product behind which drives usage of the correct codes?
- **Guidance on usage of Settlement Transaction Types**
 - The guidance note will be reviewed on the basis of the above in view of finalising the guidance and determining how common market practices could be adopted