

Status update on ongoing work

Triparty Collateral
Management Expert
Group



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Introduction

- Harmonised handling of pending instruction at end of day
- Other topics: cash balance reporting, reference data, future-dated instructions
- Q&A to provide common guidance for implementation
- SCoRE update

Guidance: Cancellation of pending instructions

TPAs identified a need to check current practices for cancellation of pending instructions at EOD. EG is assessing if TPAs could apply a harmonised process for end of day cancellation for unmatched exposure notification (for commercial and central banks). A questionnaire was launched.

| TPA | Response |
|-------------|---|
| BNY Mellon | BNYM as triparty agent doesn't automatically cancel unmatched pending instructions at the end of the day. We only act upon client's instructions to cancel pending instructions |
| Clearstream | We can confirm for Future Model 1 and Model 2 that all unmatched pending instructions are cancelled end of day. Regardless whether they are stemming from increase or decrease requests. |
| Euroclear | Yes, unmatched instructions are cancelled at the end of the day (around 19:30 CET). For certain business lines, such as the margining of uncleared derivatives, unmatched instructions are not cancelled at the end of the day, and can still be matched on subsequent business days. After five business days, if still unmatched, they are cancelled as well. |
| BNP Paribas | No allocation is done (unless parties have agreed on an unilateral matching) [response provided in 2017] |
| JP Morgan | Unmatched instructions will not be actioned (no allocation performed), unless the clients have agreed on unilateral notifications in which case no matching is required. |

Guidance: Cancellation of pending instructions

- Feedback from TPAs identified two options:
 - 1. TPA could automatically cancel pending instructions at end of day or;
 - 2. Participants could be requested to always initiate the cancellation.
- Follow-up: TPAs will liaise with clients to discuss preferred option with feedback expected by end-June.

Guidance: Other topics

Reporting of intended vs. unintended cash balances

As per discussion in the SWIFT workstream, any intended cash by dealer should be reported in the Cash Balance Block and unintended cash by dealer should be reported in Cash Failed Amount. A common interpretation of how to identify intended vs. unintended cash will be documented and reflected in the Rulebook.

Reference data – inclusion of individual pricing data in message structure

The pricing reference data message has been enhanced to allow individual pricing components to be reported in the message. The Eurosystem will provide a breakdown of pricing data to TPAs in accordance with the revised message structure. This revision will be reflected in the next update of the Rulebook.

Future-dated instructions

Additional guidance for the handling of future dated terminations will be added to the description of Standard 15 (future-dated instructions) on the basis on discussions in the EG and SWIFT workstream.

Q&A

 The EG has established a process to provide common guidance to market stakeholders on the implementation of the Standards.

| S C ∴ R E | Implementation Questions | | | | | |
|---|--------------------------|--|--|---|------|--|
| TRIPARTY COLLATERAL MANAGEMENT EXPERT GROUP | | | | | | |
| ACTIVITY TO | OPIC | QUESTION | EG FEEDBACK | SCORE UPDATE NEEDED? | Date | |
| Triparty Collateral Management St | tandard 3 | Standard 3: Increase of a triparty transaction It states "if insufficient collateral is available, the request will remain open and the TPA will seek to increase the transaction amount as and when additional eligible securities become available" I don't see any reference in the standard if this is related to the central bank model and/or the commercial bank model. If it includes the commercial model, please can you confirm if the below is the expected workflow a. Assumption that a matched exposure type is already collateralised on the TPA system b. GIVER and TAKER send modification messages to increase the transaction amount by X amount c. TPA match the instructions and confirm they are matched d. TPA has to check there is sufficient eligible collateral to collateralise the new transaction amount. a. If yes – then modify the transaction to the new matched amount b. If no – then retain the matched modification and periodically check that there is sufficient collateral. When sufficient collateral allocated. Is the flow above how the other TPAs in the commercial bank model are processing an increase? Or are they updating the transaction to the new amount upon receipt of matched instructions, irrespective if eligible collateral as available. If the TPA doesn't update the transaction amount until eligible collateral is available, how it is envisioned that a client would be able to see their true shortage (taking into consideration the new increase). | Increase of a triparty transaction Clarification: This standard applies to both commercial bank activities and central bank activities. The intention was to highlight that the TPA will continuously seek to reach the requested Transaction Amount (TRAA) by allocating additional | The wording will be clarified to make this clearer as part of the next update to the SCoRE document e.g. "if insufficient collateral is available, the request will remain open and the TPA will seek to reach increase the transaction amount as and when additional eligible securities | | |

SCoRE Update

An update of the Rulebook is planned for end-Q3 in order to reflect:

- additional guidance formulated in the context of ongoing SWIFT workshops and;
- the aforementioned Expert Group topics.



Upcoming work

- TPA market practice for cancellation of pending instructions.
- Include additional guidance for Standard 15 (future-dated instructions) on the basis on discussions in SWIFT workstream.

- Maintenance of FAQ and providing common guidance for implementation.
- Identify and review all aspects which are deemed necessary to be included in the next version of the SCoRE document following the stabilisation of ISO 20022 messages and EG discussions.