



Triparty Collateral Management – H2 2022

Luxembourgish NSG

Background

Since publication of the Collateral Management Harmonisation Report in December 2017, the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) has made a number of significant breakthroughs in its ambition to create a Single Collateral Management Rulebook for Europe (SCoRE).

What is SCoRE?

SCoRE defines common rules for managing collateral in Europe. These rules will replace the fragmented legacy standards, structural constraints and complex and diverse market practices that exist across Europe today. Implementation of SCoRE should remove operational impediments to the availability, usage and mobility of collateral. Market participants in AMI-SeCo have committed to implementing the SCoRE Rulebook, with the first set of rules due to be implemented by November 2023. Their implementation efforts are regularly monitored by AMI-SeCo which facilitates an active dialogue with market participants on issues related to the clearing and settlement of securities and to collateral management.

National stakeholder groups (NSGs) are coordination forums to support the implementation of the Single Collateral Management Rulebook for Europe. They have been established in the markets covered by the AMI-SeCo in order to support the implementation of the Single Collateral Management Rulebook for Europe.

The Single Collateral Management Rulebook for Europe contains 17 Standards related to triparty collateral management (published as the [SCoRE Standards for Triparty Collateral Management](#)). Implementation progress is monitored twice per year.

Introduction

This summary report presents the results of the H2 2022 monitoring exercise conducted by the Luxembourgish NSG with the involvement among the following stakeholders:

- 2 TPAs – Clearstream Banking Luxembourg and JP Morgan

This report focuses on the milestones to be met by the time the survey was closed. In this monitoring exercise, participants were expected to have achieved all the milestones up to Milestone 8 inclusive “Internal testing Started for SCoRE” (with a deadline of 1 July 2022) as described in section 3 below.

Section 1 presents the key takeaways. Section 2 depicts the entity compliance status with the standards. Section 3 provides an overview of the progress against the individual milestones and section 4 focuses on concluding remarks.

There are two TPAs monitored in the Luxembourg market

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Key takeaways

Implementation of the Triparty Collateral Management Standards in the Luxembourgish market is on track

The implementation of the Triparty Collateral Management Standards in the Luxembourgish market is on track for the two reporting entities, namely Clearstream Banking Luxembourg and JP Morgan.

SCoREBOARD - Triparty Collateral Management

| SCoRE SMALL COLLATERAL MANAGEMENT BOARD FOR EUROPE | Survey submitted | Implemented 8.33% Implementation started 91.6% Analysis started 0% Analysis not started 0% Non applicable standards 0% Replies not submitted 0% | Survey submitted | Implemented 5.55% Implementation started 66.6% Analysis started 0% Analysis not started 2.77% Non applicable standards 25% Replies not submitted 0% |
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TPA Clearstream Banking Luxembourg

CBL implementation is on track

The TPA Clearstream Banking Luxembourg is already compliant with three out of the seventeen standards (Standard 12: Partial Settlement, Standard 14: Usage Baskets and Standard 15: Future Dated). The remaining standards are still under ongoing analysis.

Clearstream Banking Luxembourg expects to be fully compliant by the implementation deadline agreed by the AMI-SeCo.

TPA JP Morgan

JP Morgan implementation is on track

JP Morgan TPA is already compliant with two out of the seventeen standards (Standard 14: Usage of Baskets and Standard 15: Future Dated). Three standards are reported as not applicable to JP Morgan (Standard 11: Handling of Corporate Actions, Standard 16: Operating Hours, and Standard 17: Cut-off Times), and one standard as partly not applicable (Standard 1: ISO 20022 Messaging), to the extent that it pertains to the collateralisation of central bank operations only. The remaining standards are either in the course of being implemented or being further analysed.

JP Morgan TPA expects to be fully compliant by the implementation deadline agreed by the AMI-SeCo.

BC

Banque centrale du Luxembourg will adopt the Single Triparty Model

Banque centrale du Luxembourg is on track to implement the SCoRE Standards for Triparty Collateral Management as of the go-live of the ECMS.

Compliance level with the standards

This section provides an overview of the current status of compliance with the triparty collateral management standards. CSDs and TPAs are monitored on an individual basis and are assigned a colour-code status in accordance with the methodology outlined in figure 2 below. The replies of custodians and issuers from the AMI-SeCo community participating in the monitoring are presented on an aggregated basis per market and assigned a percentage representing their compliance status.



Standards implementation status as defined in the AMI-SeCo framework document



- The Standard has been implemented
- Implementation of the Standard is on schedule (based on the agreed milestones)
- Implementation is behind schedule (based on the agreed milestones)
- Implementation has not started

Compliance level with the standards

Notes:

- Several sub-standards to Standard 1 are non-applicable to JP Morgan. In light of this, the computation of the presented colour code only covers those sub-standards that are relevant to the entity.

3 Progress against the milestones

This section tracks market stakeholders progress in implementing the Standards against the 13 set milestones identified by AMI-SeCo.

The milestones facilitate consistent implementation across markets (given the long-term efforts that are needed) and avoid issues remaining undetected until the deadline of 20 November 2023 to achieve compliance and implementation of the standards.

Table 2
Milestones identified by AMI-SeCo

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|---------------------|--|---------------------|
| □ □ □ | □ □ □ □ □ □ □ □ □ □ Have you commenced an in-depth analysis of all applicable SCoRE Standards in order to identify and document all the changes required to internal processes and procedures in order to comply with the SCoRE Standards? | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ | □ Has initial high-level communication with external stakeholders on the changes introduced by SCoRE commenced? | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ | □ Have you completed an in-depth analysis of all applicable SCoRE Standards? | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ | □ Have you documented all the internal processes and procedures which need to be adapted in order to comply with the SCoRE Standards? | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ | □ Has detailed communication started regarding (i) upcoming changes in business processes, (ii) messaging formats and usage guidelines (in the case of new messages based on non-registered latest drafts by SWIFT) and (iii) planned testing activities been provided to users? | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ | □ Have you started to adapt/develop the processes and procedures in order to comply with the SCoRE Standards? □ | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ | □ Have you completed the necessary adaptations/developments for the processes and procedures in order to comply with the SCoRE Standards? □ | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ | □ Have you started to test the changes to your internal processes and procedures which have been introduced in order to comply with the SCoRE Standards? □ | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ | □ Have you completed the necessary internal testing? □ | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ □ | □ Are you in a position to test the changes introduced in order to comply with the SCoRE Standards with your user community (i.e. CSD participants / Collateral Givers and Collateral Takers in the context of the Standards applicable to TPAs)? □ | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ □ | □ Has final communication to users been provided (i.e. updated user guide to reflect the changes implemented, final message usage guidelines for A2A communication) related to the SCoRE Standards? □ | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ □ | □ Is the testing of the changes introduced in order to comply with the SCoRE Standards with your user community completed (i.e. CSD participants / Collateral Givers and Collateral Takers in the context of the Standards applicable to TPAs)? □ | □ □ □ □ □ □ □ □ □ □ |
| □ □ □ □ | □ Have the SCoRE Standards been implemented? □ | □ □ □ □ □ □ □ □ □ □ |

The current H2 2022 monitoring exercise focuses on milestones 1 to 8 given that Milestone 8 inclusive “Internal testing Started for SCoRE” (with a deadline of 1 July 2022) was meant to have been achieved by the time the survey closed.

In each survey round, all the entities are asked to confirm (on a yes/no basis) whether the milestones will be met by the set milestones dates. If it is not the case, they are also asked the expected date for when the milestone will be reached.

For the milestones which had to be achieved by the time the survey closed: the blue colour code is assigned to those milestones that have been successfully achieved. Milestones that will only be achieved later than their set deadline are assigned a yellow status with indication of the likely date of achievement.

For the milestones that are only due to be achieved after the current reporting cycle: the green colour code indicates that the entity anticipates achieving that future milestone on time. A yellow status indicates that the milestone is foreseen to be met later than the set milestone date. In this case, the date of achievement anticipated is also indicated in the table.

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Expectation of achieving the milestones at the set dates

[illegible]

4 Concluding remarks

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All reporting entities confirm that the Standards will be implemented in accordance with the implementation deadline agreed by the AMI-SeCo. Some entities report

slightly later interim milestones, but this does not impact the entities' ability to achieve full compliance on time and thus is not considered an issue of concern at this juncture.



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