Banque Nationale de Belgique / Bank van België
Eurosystem

AMI-SeCo BENSG Meeting 24 October 2019

NBB - Brussels

24 October 2019

Implementation and Monitoring of AMI-SeCo Standards

Focus on Custodians

- AMI-SeCo Billing Processes Standards
- AMI-SeCo Corporate Actions Standards
- AMI-SeCo Triparty Standards

AMI-SeCo Standards
Introduction

- Market stakeholders in NSGs should take into account the planned changes and associated timelines as announced by the (I)CSDs
- Custodian/banks are part of the chain: (I)CSDs will inform them of the changes and timing through their User Committees

AMI-SeCo Billing Processes Standards

Scope & timing

- Who needs to implement the standards:
  - (I)CSDs acting as issuer and/or investor CSDs in the EU and CH
  - TPAs in the EU and CH
  - Custodians (commercial banks) acting in their capacity as Account Servicer in the EU and CH
  - Eurosystem central banks
  - Commercial banks

- Timeline for implementation: November 2022, with the exception of the adoption of ISO20022 messaging which will be implemented in two waves:
  1. November 2022: Actors involved in Eurosystem credit operations ((I)CSDs, Eurosystem central banks & counterparties)
  2. TBD: Other market participants

AMI-SeCo Billing Processes Standards

Monitoring

Involved actor	Applicable Standards	Adaptation Plan	Monitoring
Euroclear Bank	1-4	✓	✓
Euroclear Belgium	1-4	✓	✓
NBB-SSS	1-4	✓	✓
BNY Mellon	1-2	✓	✓
Custodians	2		✓
CCPs	2		✓
NCBs	1-4		✓

AMI-SeCo Billing Standard 2

Harmonised billing cycles

- Billing information shall be offered on a **monthly** basis
- The billing period shall be from the first day of the month to the last day of the month inclusive
- Custodians in their roles as Account Servicer should **provide this information** to their clients

AMI-SeCo Corporate Actions Standards

Scope & timing

- Who needs to implement the standards:
  - (I)CSDs acting as issuer and/or investor CSDs in the EU and CH
  - TPAs in the EU and CH
  - Custodians (commercial banks) acting in their capacity as Account Servicer in the EU and CH
  - Agents of issuers for debt instruments in the EU and CH
  - Eurosystem central banks
  - Eurosystem counterparties

- Timeline for implementation: November 2022, with the exception of the adoption of ISO20022 messaging which will be implemented in two waves:
  1. November 2022: Actors involved in Eurosystem credit operations ((I)CSDs, Eurosystem central banks & counterparties)
  2. TBD: Other market participants

AMI-SeCo Corporate Actions Standards

Monitoring

Involved actor	Applicable Standards	Adaptation Plan	Monitoring
Euroclear Bank	1-14	✓	✓
Euroclear Belgium	1-15	✓	✓
NBB-SSS	1-15	✓	✓
Custodians	1-14		✓
CCPs	1-14		✓
Eurosystem counterparties	1 & 15		✓
Issuers	1-13		✓
NCBs	1-15		✓

AMI-SeCo CA Standard 1

Harmonised business processes and workflows for CA

- Harmonised provision of CA information to/from the Account Servicer to/from the Account Owner throughout the custody chain

- Custodians are implied in their roles as Account Servicer providing information to their clients:
  - 1A: Notifying the client about the CA event: sending a CA notification message (if needed an update/cancellation)
  - 1B: In case of an elective CA, receiving a client instruction on how to proceed with the CA event
  - 1C: Sending a preliminary advice message (with details of cash/security movements) upon client request
  - 1D: Sending a confirmation message on the execution of a CA
  - 1E: Executing the reversal of a CA
  - 1F: Notifying the client about the details of a meeting event
  - 1G: Receiving meeting instructions from the client
  - 1H: After the meeting, inform the client upon request of the meeting outcome

AMI-SeCo CA Standard 2

Provision of data necessary for calculation of proceeds

- Custodians shall in their role as Account Servicers include in their CA notification message (see Strd 1A) the **necessary data elements** required **to automatically calculate** the cash and/or securities movements for each CA event and CA option type combination

- Harmonised entitlement calculation formulas
- Common set of data elements
- Easily calculate the impact of an upcoming CA event

AMI-SeCo CA Standard 3

Consistency of information provided by Issuer (I)CSDs, Investor (I)CSDs and Custodians

- Custodians shall remit information on CA events in accordance with the information received from the Issuer (I)CSD:
  - **Not changing the golden source information** provided by the Issuer CSD
  - Using identical information
- Custodians should **support all CA event types** announced by the Issuer CSD
- All Issuer CSDs to use CA event types in a consistent manner

AMI-SeCo CA Standard 4

Rounding rules

- Harmonised rounding rules for the calculation of cash payments and securities movements:
  - Cash payments: **round down** to the numbers of decimals permissible in the **payment currency**
  - Securities movements: **round down** to **nearest full unit**
  - Cash payments & security movements relating to specific securities account: ratio applicable to the entire issue to be applied to the total holding in the parent ISIN on the securities account
  - **Ratio** specified by the Issuer CSD in the event notification **to be passed on in its entirety in the event notification** sent by all Account Servicers and Custodians in the custody chain (no rounding up, rounding down or truncation of the ratio)
  - **Calculation** of cash payments & securities movements by all Account Servicers and Custodians in the custody chain **in line with the ratio** announced by the issuer

- Custodians should in their roles as Account Servicer **provide information** to their clients

AMI-SeCo CA Standard 5

Negative cash flow

- Negative interest shall result in a cashflow from the Investor to the Issuer which shall be processed using the INTR event.

- Custodians should in their role as Account Servicer be able to process negative cash flows on behalf of their clients

AMI-SeCo CA Standard 6

Business day rule

- If the payment date of a CA falls on a non-business day (in the country of the currency in which the payment is due), the **payment** shall be made **on the next business day**
- The T&C of the security must **not** have operational requirements stipulating that if the next business day would fall in the following month, the payment needs to be made **in the same month** (with the payment day being moved to precede the original payment date)

- Custodians should in their roles as Account Servicer **provide information** to their clients (issuers)

AMI-SeCo CA Standard 7

Securities amount data

- Securities amount data shall be defined using **nominal value for debt instruments** (FAMT) and **units for non-debt instruments** (UNIT)
- Currently applicable T2S Standard, to be applied on a pan-European basis

- Custodians should in their roles as Account Servicer **provide information** to their clients

AMI-SeCo CA Standard 8

Payment time

- CA cash proceeds shall be distributed as early as possible, but no later than 12 noon, on the CA payment date
- For any CA event involving a partial or full redemption, the cash proceeds should be made available by the Issuer CSD at the same time as the processing of the partial or full redemption on the payment date so that relevant parties are compensated / paid in a timely fashion for the partial or full redemption

- Impact for issuer agents

AMI-SeCo CA Standard 9

Notification of processing status

- In the event that an issuer, issuer agent, or Issuer CSD cannot process a CA on the previously announced Payment Date, then all Account Servicers shall inform Account Owners about the delay as soon as possible and based on information received from higher up the custody chain:
  - Issuers and their respective agents to provide information to the Issuer CSD on the reasons for the delay in the processing of the CA
  - A notification message with this information to be provided on a mandatory basis from the Issuer CSD to its clients
  - Custodians to **pass on the notification message through the custody chain** to ensure all impacted parties are informed of the delay

- Custodians should in their roles as Account Servicer **provide information** to their clients

AMI-SeCo CA Standard 10

Blocking of securities

- For all Mandatory with Choice and Voluntary CA events involving a debit of securities, the custodian shall ensure that the elected security position is subject to blocking:
  - To separate Underlying Securities on which an election is made accounting-wise from non-elected Underling Securities
  - Harmonised set of CA events where participation requires the blocking (i.e. a period of time in which investor's securities are prevented from being accessed) of securities
  - To include an **indicator in the CA notification message** to identify if a security position will be blocked

- Custodians should in their roles as Account Servicer **provide information** to their clients

AMI-SeCo CA Standard 11

Availability of default options

- Custodians in their roles as Account Servicer shall ensure that the CA event notification message identifies the default option for that event:
  - A default option should be present in all CA events that have more than one option
  - The default option as identified by the Issuer CSD must be transmitted unchanged through the custody chain

- Custodians should in their roles as Account Servicer provide information to their clients

AMI-SeCo CA Standard 12

Handling of fees for meeting related CA events

- Custodians in their roles as Account Servicer should support harmonised procedures for the handling of fees related to meeting events
- All fees to be credited/debited as a result of participation in a meeting related event shall be confirmed via a CA confirmation message

- Custodians should in their roles as Account Servicer provide information to their clients

AMI-SeCo CA Standard 13

Reversal of CA

- Custodians in their roles as Account Servicer shall **send a pre-advice message** (reversal announcement) **before the reversal** is processed and sufficiently in advance to allow the recipient of the CA payment sufficient time to pre-fund the reversal of the CA proceeds before the reversal takes place

- Custodians should in their roles as Account Servicer **provide information** to their clients

AMI-SeCo CA Standard 14

Processing of foreign currency payments

- To process payment in currencies not eligible in the settlement system:
  - CSD to instruct the cash correspondent:
    - to debit the account of the paying agent
    - to pay the funds to an account of the security holder
  - CSD to send the CA confirmation to the security holder only upon receipt of the confirmation from the cash correspondent that the cash has been transferred successfully
- Foreign currency: non-EUR and non-DKK payments

- No direct impact on custodians, but:
  - Custodian must be able to **receive the CA confirmation**
  - Custodian should **inform CSDs** about the cash account in foreign currencies

AMI-SeCo Triparty Collateral Management Standards

Scope & timing

- Who needs to implement the standards:
  - Regulated (I)CSDs, custodians or commercial banks which act TPAs in the EU and CH
  - Eurosystem central banks
  - CCPs active in the EU and CH

- Timeline for implementation: November 2022:
  - all TPAs to offer harmonised services described in the AMI-SeCo Triparty Collateral Management Standards
  - Eurosystem central banks and CCPs must be able to use these services
  - All messaging between these actors must be in ISO 20022 format

AMI-SeCo Triparty Collateral Management Standards

Monitoring

Involved actor	Applicable Standards	Adaptation Plan	Monitoring
Euroclear Bank	1-15	✓	✓
BNY Mellon	1-15	✓	✓
NCBs	1-17		✓

AMI-SeCo Standards
Monitoring

- Custodians (in their capacity as Account Servicers) and other stakeholders in the BENSG to **review the adaptation plans** and **start implementation activities**
- Monitoring of the implementation progress will start in **2020:**
  - Survey coordinated by the BENSG twice a year
  - On the basis of questions (to be further specified) on status/progress
  - Overview/progress report published on ECB website
  - 4 Belgian main custodians monitored (90%)
  - BNY Mellon operating in multiple markets, but monitored by the Belgian NSG

AMI-SeCo Standards
Documentation

- The already endorsed AMI-SeCo Standards and the Monitoring Framework will be published soon on the BENSG website:

  https://www.nbb.be/en/payments-and-securities/eurosystem-advisory-groups-market-infrastructures/ami-seco-bensg

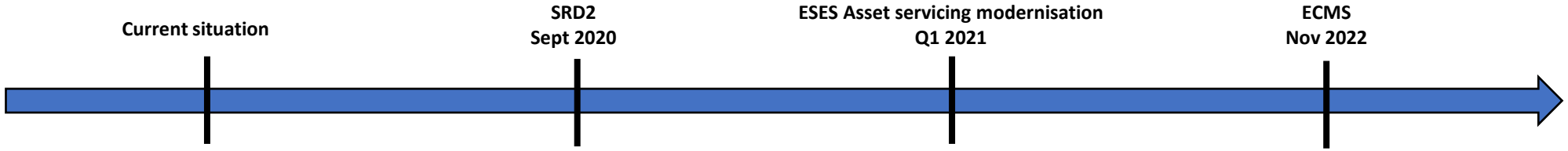
Adaptation Plans

Belgian CSDs and TPAs

- Euroclear Belgium
- Euroclear Bank
- BNY Mellon
- NBB-SSS

Adaptation plans overview
Corporate actions

ESES - Corporate actions Roadmap to compliance



Standards		
1	Flow of messages	√
5	Negative cash flow	√
6	Business days conv.	√
9	Processing status	√
10	Blocking process	√
11	Default option	√
12	Consent fees	√
13	Reversal	√
14	Foreign currency	√

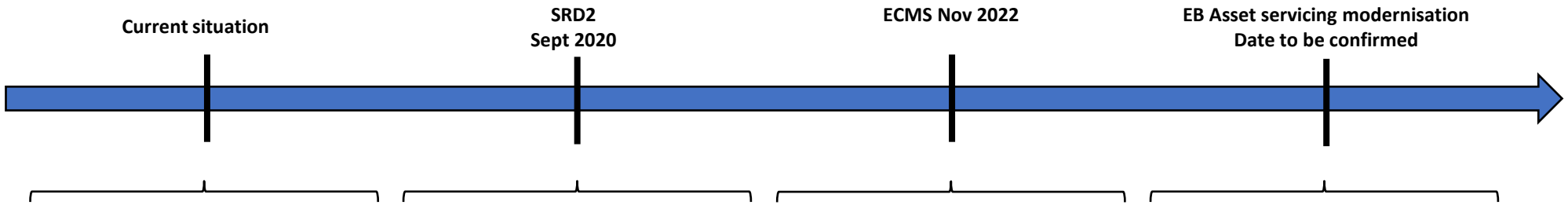
Standards		
3	Messages fields – meetings	√
15	20022 meetings	√

Standards		
3	Message fields – Corporate actions	√
4	Rounding	√
7	UNIT/FAMT (FR)	√

Standards		
2	CAEV to be added when applicable	√
8	Payment time (dependency on agents)	√
10	Blocking flag	√
15	20022	√

Note : available for testing in Nov 2021

Euroclear Bank - Corporate actions Roadmap to compliance



Standards		
1	Flow of messages	√
2	List of CAEVs	√
5	Negative cash flow – floor coupon	√
6	Business days conv.	√
7	UNIT/FAMT	√
8	Payment time	√
9	Processing status (cash)	√
10	Blocking	√
11	Default option	√
12	Consent fees	√
13	Reversal	√
14	Foreign currency	√

Standards		
3	Messages fields – meetings	√

Standards		
3	Message fields – Corporate actions	√
4	Rounding – XS securities	√
10	Blocking flag	√

Standards		
4	Rounding – foreign securities	√
9	Processing status (securities)	√
15	20022	√

Note : available for testing in Nov 2021

euroclear

Adaptation Plan

Bank of New York Mellon

NBB-SSS – Adaptation Plan

Jimmy Steenhout

Adaptation Plan – CA Standards

NBB-SSS

CA Standard	Already implemented	To be implemented	Not applicable
1) Harmonised business processes & workflow	Notify, update, cancel CA	Elective processes	Meeting notif/results/etc.
2)Provision of data necessary for calc of proceeds	Maturity extension	Bond default	Dutch auction
3) Consistency of info provided by issuer CSD in investor CSD & custodians			✓ NBB-SSS is no investor CSD
4) Rounding rules	✓		
5) Negative cash flow			✓ All rates at least 0%
6) Business day rule	✓ Since 2013, T&C in breach are rejected		

Adaptation Plan – CA Standards

NBB-SSS

CA Standard	Already implemented	To be implemented	Not applicable
7) Securities amount data in nominal	✓ Always in NBB-SSS		
8) Payment time	✓		
9) Notification processing status			✓
10) Blocking of securities		✓	
11) Default options in CA event		✓	
12) Handling fees for meeting related CA events			✓
13) Reversal of CA movements			✓
14) Foreign currency CA payments	as from 2020		
15) ISO20022		✓	