



EUROPEAN CENTRAL BANK

EUROSYSTEM

SCoRE Corporate Actions Rulebook

2021 update

CMH-TF
16 March 2021

Single Collateral Management Rulebook for Europe
common rules for managing collateral



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Agenda

Topics:

- Overview of updates in the SCoRE Corporate Actions Rulebook.
- Specific topics
 - Business Day Conventions (Standard 6)
 - Payment Time (Standard 8).
- SCoRE update (Written consultation: 15 March 2021 until 16 April 2021)

Overview of updates in the SCoRE Corporate Actions Rulebook

1. Inclusion of additional guidance on Standard 6 (Section 2 and Annex 1)
2. Inclusion of additional guidance on Standard 8 (Section 2)
3. Update of background description for Standard 9 to include the timeline for sending of the Notification of Processing Status messages.
4. Update of background description for Standard 10 to include details on the blocking indicator which will be added to ISO messages in order to comply with the Standard.
5. Inclusion of Expert Group guidance on miscellaneous items as documented in the Asset Servicing Expert Group's SCoRE Implementation Questions log.
6. Incorporation of feedback received from CSDs on ISO 20022 messaging in the context of the ECMS project.
7. Inclusion of message path in key data elements tables to provide further clarity on the exact placement of the data element in the relevant ISO 20022 message.
8. Incorporation of Expert Group analysis on extending the applicability of already defined standards to non-debt instruments via the update of key data elements (Section 3) and inclusion of relevant events (Section 4).

Business day conventions

- AMI-SeCo survey on usage of business day conventions

- A number of issues have been identified from a post-trade perspective with the usage of the 3 unadjusted calculation period business conventions (highlighted in red in the table below) which prevent the efficient processing of corporate action payments.

Business Day Convention	
Following	Adjusted
	Unadjusted
Modified Following	Adjusted
	Unadjusted
Previous	Adjusted
	Unadjusted
Modified Previous	Adjusted
	Unadjusted

- An earlier fact-finding exercise by AMI-SeCo's CMH-TF Asset Servicing Expert Group showed that the usage of these conventions is mainly limited to securities issued in the ICSDs (Euroclear Bank and Clearstream Banking Luxembourg), Euroclear Finland and Monte Titoli. Issuers/issuer representatives were invited to provide further information.
- Relevant actors in those markets (ICMSA, ICMA, CSDs) were asked to provide further information on (i) the rationale for the usage of the 3 conventions highlighted in red and (ii) whether the same means could be achieved by usage of the other 5 conventions (highlighted in green). The following feedback was received.

Business day conventions

AMI-SeCo survey on usage of business day conventions

- **International market**
 - ICMSA explained that the recommended conventions to be utilised are:
 - the Following Business Day Convention (Unadjusted) for fixed interest instruments and
 - the Modified Following Business Day Convention (Adjusted) for FRNs.
 - The vast majority of instruments issued within the international market adopt the highlighted conventions.
 - However, there is some unexplained utilisation of the Modified Following Business Day (Unadjusted) convention.
- **National market**
 - The vast majority of instruments issued within the national market use two conventions:
 - Following Business Day Convention (Unadjusted and Adjusted) and
 - Modified Following Business Day Convention (Adjusted).
 - Observations:
 - A pragmatic solution needs to be found that the payments shall be made within the correct deadline (month/year) set out at issuance.
 - For new issuances, it is important that the commercial agreement with the bondholders are in line with the new rules.

Business day conventions

Conclusion

- It is recommended using two conventions in the future (which are currently the most used conventions and are also recommended by ICMSA), i.e. Following Business Day Convention and Modified Following Business Day Convention (Adjusted).

Business Day Convention	
Following	Adjusted
	Unadjusted
Modified Following	Adjusted

- A pragmatic post-trade solution should be used for existing bonds that do not use the recommended conventions in the table (i.e. the reallocation procedure).
- Issuers should comply with S6 for all new issuances as of November 2023. (I)CSDs should reach out to the issuer community to increase awareness of these rules in order to ensure that issuers are compliant with S6 for all new issuances as of November 2023.
- CSDs will be invited to report on the number of new issuances bearing these conventions as part of the regular SCoRE monitoring exercises (snapshot of a specific day or month).

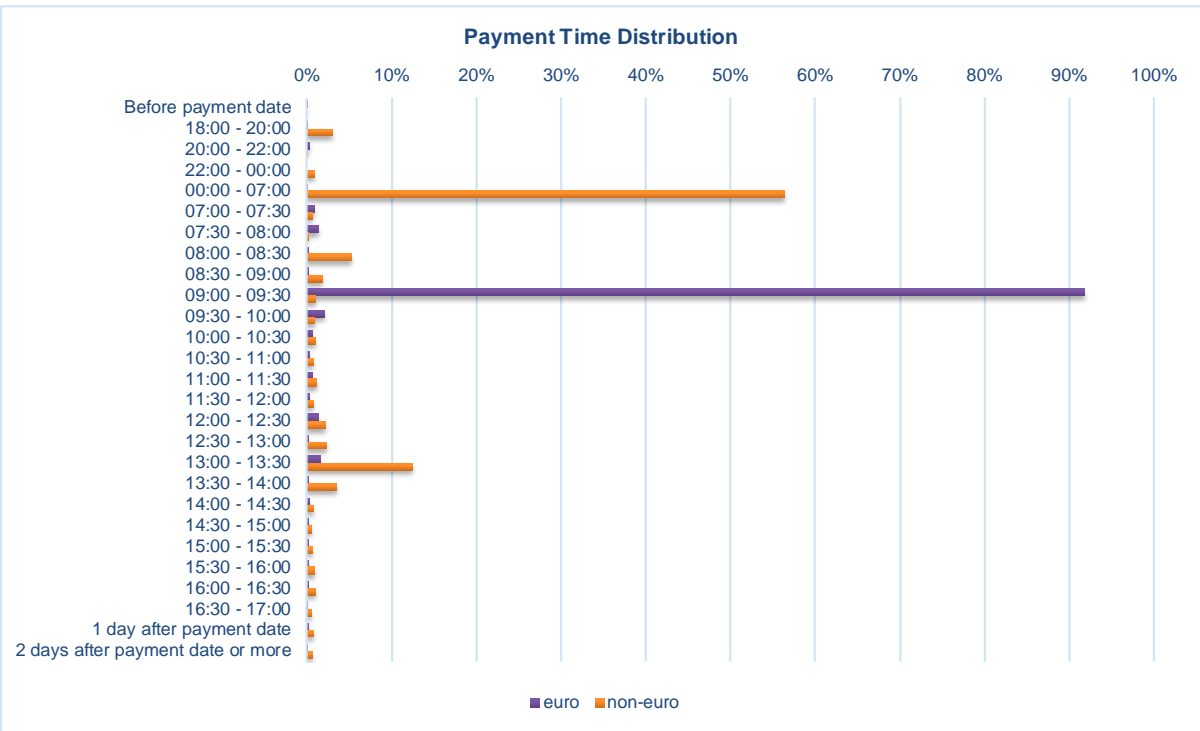
Payment time

AMI-SeCo requested in its last meeting to present further background information.

A survey was sent to ECSDA on current CA payment procedures/times, covering the period from September to November 2020. Information provided by 17 markets. In addition, feedback on S8 was requested from paying agents via AMI-SeCo and international associations (AFME, EBF, ICMA, CAJWG and ICMSA).

- Feedback on usage of Payment times
 - **National market**
 - In most markets, funds were made available to the issuer CSD by 09:30 CET on payment date (BG, CZ, DE, DK, EE, ES, HU, LT, LV, PT, RO and SI).
 - In a minority of markets, funds are available after 09:30 and often also only available after 12:00 noon
 - **International market**
 - ICMSA explained that the original proposal of 8:45 a.m. is currently not feasible as in the current Paying Agency Agreement, the issuer is required to have funds available at the Principal Paying Agent (the "PPA") by 10.00 a.m. local time.
 - The statistics show that this deadline is not respected today in any case as 51% of ICSD euro payments and 25% of ICSD non-euro payments made available after 12 noon.

Payment time



Observations:

- By 9:30h vast majority for euro and also majority for non-euro.

Explanations

- International market rules and non-European currencies (such as USD, etc)
- Organisation (e.g. batch processing in ICSD around Midnight + 5 intraday 5:00AM, 8:00AM, 1:00PM, 4:00PM and 7:00PM).
- Other (structured activity in international market).

Payment time

- Proposal for improvements - way forward
 - A deadline of 09:30 would already result in a large compliance rate for European currency payments based on the survey results.
 - A deadline of 09:30 would provide a renewed impetus to tackle non-compliance cases in existing markets.
 - Status notifications for pending payments would be issued at 10:00 CET.
- Until the next AMI-SeCo meeting in June 2021, the CMH Secretariat will collect further information in particular regarding the international market in view of current rules/organisation/structures.

SCoRE update

- The SCoRE Corporate Actions Rulebook has been updated to reflect the outcome of the discussions in the Expert Group since the first version of the Rulebook was published in December 2019 and from stakeholders (CAJWG, AFME, EBF, ECSDA, Issuers/ Issuer agents and Paying agents)
- Written consultation: 15 March 2021 until 16 April 2021.