

Implementation of SCoRE Standards and readiness for ECMS

Impact on issuers and issuer agents

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Particular questions regarding the ECMS Programme can be addressed to ECMS.Programme@clearstream.com and will then be routed to the corresponding experts.

Additional information

[Triparty Collateral Management - Single Collateral Management Rulebook for Europe](#)

[Corporate Actions - Single Collateral Management Rulebook for Europe](#)

[Billing Processes - Single Collateral Management Rulebook for Europe](#)

[ECMS website](#)

[ECB website](#)

[Bundesbank website](#)

[AMI-SeCo website](#)

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1 Introduction

1.1 SCoRE overview

The Collateral Management Harmonisation Task Force (CMH-TF) of the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) has identified ten areas for harmonisation within Collateral Management.

The ten Collateral Management Harmonisation Activities (CMHAs) are as follows:

- Triparty collateral management;
- Corporate actions;
- Taxation processes;
- Bilateral collateral management;
- Margin calls;
- Billing processes;
- Cut-off times;
- Collateral dynamic and static data;
- Sourcing of collateral;
- Non-Euro collateral.

To establish this harmonisation process, four dedicated Expert Groups (EG) were created, which are:

- Bilateral Collateral Management EG: The group has analysed activities on bilateral collateral management, margin calls, cut-off times and sourcing of collateral.
- Triparty Collateral Management EG: The group has analysed any questions related to the development of the single triparty model with a focus on messaging.
- Asset Servicing EG: The group has analysed issues related to corporate actions (focus on equities). Questions on billing processes have also been analysed as required.
- Taxation Processes EG: The group is responsible for reviewing taxation processes (relevant to collateral management and asset servicing).

The output of these Expert Groups is consolidated into the AMI-SeCo Single Collateral Management Rulebook for Europe (SCoRE), made up of various standard documents (standards) which are published on the ECB website. Further technical implementation documentation may also be produced.

The standards have been already agreed for the three CMHAs:

- Triparty collateral management;
- Corporate actions;
- Billing processes.

Clearstream Banking is a Member of the Collateral Management Harmonisation Task Force (CMH-TF), that formulates and monitors the implementation of the SCoRE standards and is also a key contributor within each of the Expert Groups.

SCoRE standards apply to stakeholders operating in Europe. The scope of the SCoRE standards is also understood to apply to all securities issued in (I)CSDs in Europe. This includes all securities for the AMI-SeCo markets in scope, that is, the EEA (European, Norwegian, Islandic and Liechtenstein), Swiss and UK markets. It also includes Eurobonds as well as foreign currency denominated (paying) securities issued on those markets. It does not include, however, securities originally issued in other markets or funds originally issued via transfer agents. Please refer to the AMI-SeCo documentation for further information.

1.2 ECMS overview

ECMS is the ECB's Eurosystem Collateral Management System that will be implemented by the 19 National Central Banks of the countries which have adopted the Euro, to replace their current local collateral management systems. This project is part of ECB's Eurosystem market integration and harmonisation initiatives, which aim to develop common platforms and systems, that work across the Eurosystem for consolidation and simplification of market infrastructure services.

The main purpose is to harmonise the functionalities and the capacity of managing the assets that are used as collateral in Eurosystem credit operations for all Eurosystem jurisdictions.

- ECMS has a direct connection to T2S using the Eurosystem Shared Applications Platform (ESAP) for the settlement of marketable assets and supports auto-collateralisation.
- ECMS is based on standardised messages (ISO 20022) for the mobilisation and demobilisation of marketable assets, irrespective of the mobilisation channel used or the location of the assets.
- ECMS allows for repurposing of excess collateral to automatically increase the credit line and automatically handle Corporate Action (CA) events pertaining to Eurosystem eligible marketable assets.

Implementing ECMS leads to the following major benefits:

- A single collateral management system for Eurosystem credit operations with closer integration of securities and cash operations;
- Counterparties will no longer need to interact with different local collateral management systems;
- Harmonised collateral management and billing processes and increased re-use solutions across triparty agents;
- Harmonised corporate action events handling across Europe facilitating the exercise of shareholders' rights, with a decommissioning of the legacy system in the German market;
- Markets will have a single system for managing the pools of assets used as a collateral in Eurosystem credit operations;
- Next generation communication standards for increased functionalities.

1.3 Clearstream Banking's ECMS Programme

The implementation of the first wave of AMI-SeCo SCoRE Standards by the Triparty Agents (TPA) and (International) Central Securities Depositories ((I)CSD) provides harmonised workflows and business processes with interoperable market infrastructures based on a common set of data and messaging standards (ISO 20022).

Clearstream Banking's ECMS Programme will implement the collateral management harmonisation standards set by AMI-SeCo CMH-TF Single Collateral Management Rulebook for Europe ("SCoRE") and facilitate triparty collateral management with Central Banks via the ECB's ECMS platform.

1.4 Target audience

This document is intended to be considered by all issuers and issuer agents of Clearstream Banking S.A. (CBL), Clearstream Banking AG (CBF).

1.5 Impact on issuers and issuer agents

An overview of the impact of the SCoRE Corporate Actions Standards on issuers and issuer agents is provided in the table below:

Standard name	Impact on issuers ¹
SCoRE CA Standard 1: Harmonised business processes and workflows for corporate actions	<p>Issuers, in their role as provider of necessary information to Issuer CSDs, are identified as one of the key implementing actors to whom this standard applies.</p> <p>All Corporate Actions and General Meeting events processes and workflows should be compliant with SCoRE Standards.</p>
SCoRE CA Standard 2: Provision of data necessary for calculating proceeds	<p>Issuers, in their role as provider of necessary information to Issuer CSDs, are identified as one of the key implementing actors to whom this standard applies.</p> <p>For the events/options newly implemented by (I)CSDs as part of their adaptations for Standard 3, issuers must include the necessary data elements required to calculate the cash and/or securities movements, as required by the SCoRE Standards.</p>
SCoRE CA Standard 3: Consistency of information provided by issuer (I)CSDs, investor (I)CSDs and custodians	<p>Issuers, in their role as provider of necessary information to Issuer CSDs, are identified as one of the key implementing actors to whom this standard applies.</p> <p>All Corporate Actions and General Meeting events should be announced in compliance with SCoRE Standards.</p>
SCoRE CA Standard 4: Rounding rules	<p>Issuers, in their role as provider of necessary information to Issuer CSDs, are identified as one of the key implementing actors to whom this standard applies.</p> <p>Rounding down will now be applied on the gross amount resulting from a corporate actions cash payment (versus commercial rounding). This is without prejudice to the potential application of other rounding rules when Clearstream Banking acts as the last intermediary in the holding chain (for example, as tax agent for DE ISINs). In cases where Clearstream Banking acts as the tax agent, Clearstream Banking will continue to apply the current rounding rules required by the respective tax authorities, that is, there is no change for these rules as they depend on the current guidance of the tax authorities – for example, for some elements of the German withholding tax calculations will continue to be rounded up (KESt.), while solidarity tax (SolZ) will be rounded down.</p>
SCoRE CA Standard 5: Negative cash flows	<p>Issuers, in their role as provider of necessary information to Issuer CSDs, are identified as one of the key implementing actors to whom this standard applies.</p> <p>For both Issuer CSD and Investor CSD business:</p> <ul style="list-style-type: none"> - Securities with a fixed negative interest rate are not eligible in Clearstream Banking, and this condition is already part of the current acceptance process. If such security is accepted by error, its acceptance will be revoked, and the security

¹ The issuer of an underlying security including the agent mandated by the issuer or appointed by Clearstream Banking for asset services purposes.

Standard name	Impact on issuers ¹
	<p>should be removed.</p> <ul style="list-style-type: none"> - Securities with floating interest rate resulting in a negative coupon amount cannot be identified during the acceptance phase. In the case of occurrence, the payment will be floored at zero. - The only negative coupons that will be processed are those of Danish Securities, paid simultaneously with PCAL events (that is, INTR/PCAL linked events), and resulting in no net negative cash flow. This applies to both fixed interest rate instruments and floating interest rate instruments.
<p>SCoRE CA Standard 6: Business Day rule</p>	<p>Issuers, in their role as the party responsible for defining the business day rule in the terms and conditions of a security, are identified as the only implementing actors to whom this standard applies.</p> <p>SCoRE compliant business day conventions:</p> <ul style="list-style-type: none"> - Following Unadjusted; - Following Adjusted; - Modified Following Adjusted. <p>CBF-issued securities:</p> <ul style="list-style-type: none"> - For newly issued securities, only those compliant with SCoRE business day conventions will be eligible in CBF. - For existing securities, there is no change compared to today. Securities will remain eligible in CBF in line with SCoRE business day conventions. <p>There is no change to CBF acceptance rules for investor CSD securities. The compliance to this standard should be ensured by the domestic Issuer CSD.</p> <p>CBL-issued securities:</p> <ul style="list-style-type: none"> - As business day convention is not part of today's eligibility criteria in CBL, CBL will continue to accept securities with any business day convention. <p>Please be reminded that for international securities held in T2S, Corporate Actions cash proceeds will be paid in central bank money, and therefore cannot be processed under the Modified Unadjusted convention if the payment date falls in the next calendar month. In such case, proceeds will always be paid on the following business day.</p> <p>In addition, if no business day convention is specified in the Terms and Conditions of the issue, Clearstream Banking will apply the following rules by default:</p> <ul style="list-style-type: none"> - Following Unadjusted for fixed rate notes; - Following Adjusted for floating rate notes. <p>Only securities issued with one of the three SCoRE compliant business day conventions will be eligible for ECMS collateral management activity.</p> <p>Any change in the business day convention should be triggered by the issuer by changing the Terms and Conditions of the securities (for example, to align with this Standard) and handled via the relevant</p>

Standard name	Impact on issuers ¹
	<p>Corporate Action event (CHAN).</p> <p>Any case of non-compliance with this standard will be closely monitored at the market level by the Corporate Event Group (CEG).</p>
<p>SCoRE CA Standard 7: Securities amount data</p>	<p>Issuers, in their role as the party responsible for defining the securities amount data in the Terms and Conditions of a security, are identified as one of key implementing actors to whom this standard applies.</p> <p>New securities will be issued in line with the SCoRE Standards:</p> <ul style="list-style-type: none"> - Debt instruments with nominal value should be denominated in FAMT. This mainly includes bonds, medium term notes and money market instruments. - Other instruments should be denominated in UNITS. This mainly includes debt instruments with no nominal value, equities and investment funds. - These common rules should be implemented consistently between trading and settlement. <p>Please note that securities denominated in UNITS will not be eligible for ECMS collateral management activity.</p> <p>If the issuer wants to change the denomination of an existing security, this will require a change of Terms and Conditions that should be handled via the relevant Corporate Action event (CHAN).</p> <p>Any case of non-compliance with this standard will be closely monitored at the market level by the Corporate Event Group (CEG).</p>
<p>SCoRE CA Standards 8 and 9: Payment time and Notification of event processing status</p>	<p>Issuers, in their role as party responsible for payment and as providers of necessary information to Issuer CSDs, are identified as one of the key implementing actors to whom this standard applies.</p> <p>Cash proceeds of a corporate action should be distributed by Issuer CSDs according to the following schedule:</p> <ul style="list-style-type: none"> - For Eastern time zone currencies, as early as possible, but no later than 09:00 on payment date (Issuer CSD time) - For European currencies: as early as possible, but no later than 12:00 on payment date (Issuer CSD time). - For non-European currencies other than Eastern time zone, as early as possible, but no later than 16:30 on payment date (Issuer CSD time). <p>If a corporate action cannot be processed on the previously announced payment date in accordance with the timelines specified in Standard 8, issuers and their respective agents are responsible for informing the Issuer CSD about the reasons for the delay in processing the corporate action (via a CA Event Processing Status Advice message (seev.032), for those having migrated to ISO 20022). Upon receipt of the information from the issuers and their agents, Clearstream Banking must send a CA Event Processing Status Advice (seev.032) containing this information to its participants according to the following schedule:</p> <ul style="list-style-type: none"> - For Eastern time zone currencies, as early as possible, but no later than 09:15 on payment date (Issuer CSD time) - For European currencies: as early as possible, but no later than 12:15 on payment date (Issuer CSD time)

Standard name	Impact on issuers ¹
	<ul style="list-style-type: none"> - For non-European currencies other than Eastern time zone, as early as possible, but no later than 16:45 on payment date (Issuer CSD time). <p>Any cases of non-compliance with this standard will be closely monitored at the market level by Corporate Event Group (CEG).</p>
<p>ScoRE CA Standard 10: Elective events (blocking of securities)</p>	<p>Issuers, in their role as providers of necessary information to Issuer CSDs, are identified as one of the key implementing actors to whom this standard applies.</p> <p>Record Date will be required for the Corporate Action and Meeting events as defined by the SCoRE CA Standards.</p> <p>In line with the ScoRE Standard, the elective events involving a debit of basis securities will be subject to a blocking of investors' positions by Clearstream Banking and therefore these event notifications will include the end of blocking period date (that is, payment date for a debit of securities).</p> <p>If the Corporate Action or a Meeting event is announced without a Record date or the issuers wish to apply a blocking, such event notification will include the end of the blocking period date (for example, meeting date + 1).</p>
<p>ScoRE CA Standard 11: Availability of default options</p>	<p>Issuers, in their role as the party responsible for defining the default option for all CA events containing more than one option, are identified as one of the key implementing actors to whom this standard is applied.</p> <p>Issuers should continue to comply with this standard.</p>
<p>ScoRE CA Standard 12: Handling of fees for meeting events</p>	<p>Issuers, in their role as providers of necessary information to Issuer CSDs, are identified as one of the key implementing actors to whom this standard applies.</p> <p>The SMPG market practice is to be followed. The Meeting event with fees would be announced via a Meeting notification, while the payment of fees will be announced and confirmed via a mandatory Corporate Action "Consent".</p>
<p>ScoRE CA Standard 13: Reversal of Corporate Action</p>	<p>Issuers, in their role as providers of reversal information to Issuer CSDs (applicable in instances where the reversal is triggered by the issuer), are identified as one of the key implementing actors to whom this standard applies.</p> <p>The pre-advice reversal notice (with reason) will be provided by the issuers and their respective agents (via a Corporate Action Movement Reversal Advice message (seev.037), for those having migrated to ISO 20022) to the Issuer CSDs in advance of any reversal.</p> <p>Reasons (reason codes):</p> <ul style="list-style-type: none"> - Day Count Basis Difference (DCBD) - Incorrect Value Date (IVAD) - Incorrect Record Date (IRED) - Incorrect Price (IRPI) - Undue Payment (UPAY) - Incorrect Event Level Tax Rate (IETR) - Incorrect Payment Currency (IPCU)
<p>ScoRE CA Standard 14: Processing of foreign</p>	<p>There is no impact for issuers.</p>

Standard name	Impact on issuers ¹
currency payments (non-EUR and non-DKK)	The current procedure for paying the non-T2S cash proceeds to Clearstream Banking will remain unchanged.
ScoRE CA Standard 15: ISO 20022 messages for CA and meetings	There is no impact for issuers. The asset servicing flows between issuers and Clearstream Banking will continue to take place in ISO 15022.

2 Glossary

Acronym or abbreviation	Description
AMI-SeCo	Advisory Group on Market Infrastructures for Securities and Collateral
BBK	Deutsche Bundesbank
BCL	Banque Centrale du Luxembourg
CA	Corporate Action
CBF	Clearstream Banking AG
CBL	Clearstream Banking S.A.
CLM	Central Liquidity Management
CMHA	Collateral Management Harmonisation Area
CMH-TF	Collateral Management Harmonisation Task Force
CMSA	Collateral Management Service Agreement
CRA	Claim and Reversal Advice
CUG	Closed User Group
ECB	European Central Bank
ECMS	Eurosystem Collateral Management System
EG	Expert Group
NCB	National Central Bank
POA	Power of Attorney
PSC	Participant Short Code
SCoRE	Single Collateral Management Rulebook for Europe
TCM	Triparty Collateral Management
TCMS	Triparty Collateral Management Service
TPA	Triparty Agent
T2S	TARGET2-Securities
T&C	Terms and Conditions