SCoREBOARD

Corporate Actions –H1 2024

Lithuanian 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 **S**ingle **Co**llateral Management **R**ulebook for **E**urope (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 2024. 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 that have been established in the markets covered by the AMI-SeCo to support the implementation of the Single Collateral Management Rulebook for Europe (SCoRE).

The Single Collateral Management Rulebook for Europe contains 15 Standards related to the processing of corporate actions (published as the SCoRE Standards for Corporate Actions). Implementation progress is monitored twice per year.

Introduction

This summary report presents the results of the H1 2024 monitoring exercise conducted by the Lithuanian NSG with the involvement among the following stakeholders:

- 1 CSD – Nasdaq CSD

- 4 Custodians

- 5 Issuers

In this monitoring exercise, participants were expected to have achieved all the milestones up to Milestone 11 inclusive "Final external communication on SCoRE" (with a deadline of 22 May 2023) as described in section 3 below.

Section 1 presents the key takeaways per entity type i.e., CSD, TPA, Custodian etc. Section 2 depicts for each entity type their compliance status with the standards. Section 3 focuses on the progress against the individual milestones and Section 4 provides concluding remarks.

1 Key takeaways

While the CSD fully participated in the monitoring exercise, the response rate amongst the custodians and especially issuer communities remain low.

Figure 1

Summary of the monitoring exercise

SCoRE	Response Rate	Implementation Status of the standards	Are all milestones 1 to 11 inclusive achieved?	Will the last milestone 13 be Implemented on time (i.e. by 18 November 2024)?
Custodians	25%	Implemented 4.39% Implementation started 1.01% Analysis started 18.92% Analysis not started 0.34% Replies not submitted 75.34% -------- Non applicable standards 0.45%	Average % of milestones achieved 7%	% of custodians on time 0%
Issuers	0%	Aware of obligations 0% Not aware of obligations 0% Replies not submitted 100%	**NA (milestones irrelevant for issuers)**	**NA**
CSD - NASDAQ	Survey submitted	Implemented 92.89% Implementation started 7.11% Analysis started 0% Analysis not started 0% -------- Non applicable standards 3.43%	**Yes**	**Yes**

CSD – Nasdaq CSD

Almost 93 % of the Standards have already been implemented while the remaining Standards are being implemented. 3.4 % of the Standards are identified to be not applicable.

Custodians

The implementation level among custodians varies – some entities have already implemented certain standards, while other standards are under development or analysis.

Issuers

Only custodians acting as issuer agents are monitored, therefore, the same conclusions as for the custodians could be drawn even though responses are not provided.

NCB

The Bank of Lithuania is on track to implement the SCoRE Standards for Corporate Actions for its collateral management activities by November 2024.

2   Compliance level with the standards

This section provides an overview of the current status of compliance with the corporate actions 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. Custodians are too many to represent individually. Thus the replies of custodians 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.

Figure 2

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

SCoREBOARD
SINGLE COLLATERAL MANAGEMENT RULEBOOK FOR EUROPE

- ■ 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

Table 1

Compliance level with the standards by each entity type

STANDARD	Custodians	Issuers	CSD - NASDAQ
1A: Notification	20%	0%	B
1B: Instruction	0%		B
1C: Advise	0%		B
1D: Confirmation	0%		B
1E: Reversal	0%		B
1F: Meeting Notification	19%	0%	B
1G: Meeting Instruction	25%		B
1H: Meeting Results	25%		B
2: Calculation of Proceeds	0%	0%	G
3: Consistency of Information	0%	0%	G
4: Rounding Rule 1	25%	0%	B
4: Rounding Rule 2	25%	0%	B
4: Rounding Rule 3	25%	0%	B
4: Rounding Rule 4	25%	0%	G
4: Rounding Rule 5	25%	0%	B
5: Negative Cash Flows	0%	0%	B
6: Business Day Rule		0%	B
7: Securities Amount Data Rule 1		0%	B
7: Securities Amount Data Rule 2		0%	N/A
7: Securities Amount Data Rule 3		0%	B
7: Securities Amount Data Rule 4		0%	B
8: Payment Time Rule 1		0%	B
8: Payment Time Rule 2		0%	B
8: Payment Time Rule 3		0%	B
8: Payment Time General Principle 3		0%	B
9: Processing Status	0%	0%	B
10: Rule 1	0%		B
10: Rule 2	0%		B
10: Rule 3	0%		B
11: Default Option	25%	0%	B
12: Handling of Fees	0%		G
13: Reversal	0%	0%	B
14: Foreign Currency			B
15: ISO 20022 Messaging	9%		B

Notes:
- For CSDs and TPAs the colour-code reflects the current implementation status of each Standard in accordance with the methodology outlined in Box 1 above.
- TPAs are using custody services provided by CSDs or Custodians in order to disseminate CA information to Collateral Givers and Collateral Takers. Monitoring of TPAs thus focuses on the implementation of triparty specific workflows described in Standard 1.
- For custodians, the % indicates the percentage of custodians which have implemented the standard or have the standard under development and implementation

3   Progress towards the milestones

This section tracks market stakeholders progress in implementing the Standards on an ongoing basis 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 avoids issues remaining undetected until the deadline to achieve compliance and implementation of the standards.

Table 2

Milestones identified by AMI-SeCo

Milestone	Description	Date
M1	**Analysis Started:** 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?	30/06/2020
M2	**Initial Communication:** Has initial high-level communication with external stakeholders on the changes introduced by SCoRE commenced?	01/03/2021
M3	**Analysis Completed:** Have you completed an in-depth analysis of all applicable SCoRE Standards?	31/07/2021
M4	**Documentation Completed:** Have you documented all the internal processes and procedures which need to be adapted in order to comply with the SCoRE Standards?	31/12/2021
M5	**Detailed External Communication:** 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?	31/12/2021
M6	**SCoRE Adaptation Started:** Have you started to adapt/develop the processes and procedures in order to comply with the SCoRE Standards?	01/01/2022
M7	**SCoRE Adaptation Complete:** Have you completed the necessary adaptations/developments for the processes and procedures in order to comply with the SCoRE Standards?	30/06/2022
M8	**Internal Testing Started for SCoRE:** 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?	01/07/2022
M9	**Internal Testing Complete for SCoRE:** Have you completed the necessary internal testing?	10/03/2023
M10	**External Testing Started for SCoRE:** 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)?	22/05/2023
M11	**Final External Communication on SCoRE:** 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?	22/05/2023
M12	**External Testing Completed for SCoRE:** 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)?	20/09/2024
M13	**SCoRE Standards Implemented:** have the SCoRE Standards been implemented?	18/11/2024

The current H1 2024 monitoring exercise focuses on milestones 1 to 11 given that Milestone 11 "Final external communication on SCoRE" (with a deadline of 22 May 2023) 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.

Table 3
Entities' expectation of achieving the milestones at the set dates

	Custodians	CSD - NASDAQ
Milestone 1 **June 2020**	25%	Yes
Milestone 2 **March 2021**	25%	Yes
Milestone 3 **July 2021**	0%	Yes
Milestone 4 **December 2021**	0%	Yes
Milestone 5 **December 2021**	0%	Yes
Milestone 6 **January 2022**	25%	Yes
Milestone 7 **June 2022**	0%	Yes
Milestone 8 **July 2022**	0%	Yes
Milestone 9 **March 2023**	0%	Yes
Milestone 10 **May 2023**	0%	Yes
Milestone 11 **May 2023**	0%	Yes
Milestone 12 **September 2024**	0%	Yes
Milestone 13 **November 2024**	0%	Yes

4   Concluding remarks

Taking into account that the implementation deadline for the standards has been delayed, the priorities of the related tasks were changed as well. Despite the fact that some milestones are not met, the new dates are set, and Nasdaq expects to implement the AMI-SeCo Standards for Corporate Actions for its collateral management activities by the foreseen deadline.