



## Gesa Benda

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# CMU and post-trade – the collateral management dimension

As Chair of the Collateral Management Harmonisation Task Force for Europe, my objective is to drive progress towards more efficient management of capital and liquidity in a pan-European financial market.

At times, it feels like an uphill marathon to arrive at a more integrated post-trade environment, but it does not have to be that way.

The Taskforce has already achieved many milestones. Our work is focused on developing an efficient and effective collateral market infrastructure, which is closely linked to Eurosystem projects that aim at improving the integration between cash and collateral.

Our goal in Phase I was to harmonise business processes, workflows and messaging in the areas of triparty collateral management, corporate actions for bonds, and billing processes.

We have created harmonisation standards that will enable the implementation of a single, harmonised triparty model, applicable to commercial banks and central banks across Europe. The work of the Task Force will continue, and we plan to cover not only corporate actions for equities, but also tax processes, and workflows relating to bilateral collateral management.

### So why is this work an up-hill marathon?

Without better alignment between operational efficiencies and necessary legislative revision, growth in Europe will be stifled and we will fall behind other capital markets.

What we need is progress towards the dismantling of the barriers identified by the European Post Trade Forum (EPTF), and in particular the public sector barriers.

It is crucial to have immediate access to collateral in case of a counterparty default. Safeguards in the collateral management ecosystem are a major contribution to the stability and integrity of the European financial market. We need progress in the harmonisation of insolvency frameworks across Europe and need to remove inconsistencies and uncertainties in securities laws, to enable harmonised rules for the liquidation of collateral.

Another severe impediment are the differences in withholding tax rules, and the absence of efficient relief-at-source systems.

Current changes in AIFMD and UCITS rules relating to the books and records of a fund depositary could – if implemented without due care to the specificities of the triparty collateral model – have the effect of preventing funds from participating in collateral management activity.

### So what is the collateral management ecosystem of the future in Europe?

The transformation to a digital market infrastructure has already started. We are seeing a number of collateral tokenization or digital asset initiatives, some aimed at overcoming inefficiencies in the European post-trade settlement environment. Global co-ordination in the development of a harmonised regulatory framework for the treatment of digital assets is required. And a Settlement Finality Directive that dates back to 1998 is clearly not able to stand up to today's market demands.

But having identified the challenges, it is within our reach, for both the public and private sector, to create a more harmonised and integrated post-trade environment. ●