Global Technical Committee and CME Group
Collateral Management Enhancements

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Revision 0.3

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Document History

Revision	Date	Author	Revision Comments
r0.1	1/13/2015	Dean Kauffman for CME Group	Initial draft based on internal gap analysis.
r0.2	1/13/2015	Dean Kauffman for CME Group	Minor changes based on feedback. Removed references to CME in body and examples.
0.3	Jan 15 2015	Dean Kauffman for CME Group	Modified elaboration for proposed new CollAsgnReason enumeration based on GTC review call feedback.
	Jan 15, 2015	Rich Shriver	Pre-assigned enum value for CollAsgnReason(895) = 10 (Pledge).
	March 3, 2015	R. Shriver	ASBUILT created.

1 Introduction

In CME Group's implementation to meet Collateral Management requirements, it has identified a further group of gaps needed to the FIX standard in order to complete its work. This proposal attempts to close those gaps.

2 Business Requirements

2.1 Collateral Management

2.1.1 Multi-Party Collateral Pledge

CCPs provide programs whereby collateral assets that they have access to are held by the customer's custodian. No cash or actual asset movement is involved at the CCP. Each day the FCM notifies the CCP of the "lockup amount", also called "flow amount", for a given customer through a CollateralAssignment message. This is the total target amount of assets being pledged as collateral and may be less than or greater than the current amount pledged. The CCP in turn communicates the target collateral value of assets pledged to the custodian who manages that account. The CCP responds to the FCM current status through a CollateralResponse message. If the value has not yet reached the "lockup amount" CollRespType(903) will be 4 "Pending". When the value matches or exceeds the "lockup amount" the CollRespType(903) will be 1 "Accepted".

Note that the proposed "Pledge" assignment reason is different from "Margin deficiency [deposit]" and "Margin excess [withdrawal]" in that neither the FCM nor the CCP (if a custodian holds the assets) can know in advance whether a deposit or withdrawal is needed in order to satisfy the required value in the portfolio. "Pledge" causes the holder of the assets to lock up that monetary equivalent for the customer, and submission of CollateralAssignment "Pledge" on a daily basis triggers the appropriate adjustment.

Each CollateralResponse message in response reports the pledged amount prior to the request, the current amount "locked up" as reported by the custodian and the credit value given by the CCP for the amount "locked up". These amounts are reported in extensions to the CollateralAmountGrp component which was added to the CollateralResponse message in a previous proposal.

Key elements in CollateralAssignment message:
- CollAsgnReason(895)=<tbd>10 [Pledge]
- Quantity(53)=<pledge or lockup amount>
- PartyID(448)=<custodian BIC>
- PartyIDSrc(447)=B [BIC]
- PartyRole(452)=28 [Custodian]
- SecurityType(167)=COLLBSKT

Key elements in CollateralResponse message – all elements in CollateralAssignment plus:
- CollAsgnRespType(905)=4 [Pending if incomplete] or 1 [Accepted if complete]
- Repeating CollateralAmountGrp
  - CurrentCollateralAmount(1704)=<amount>
  - CollateralAmountType(tbd2632)=<type>
    - 1 = Portfolio value before processing pPledge request
    - 2 = Value confirmed as "locked up" for processing pPledge request

> ▪ 3 = Credit value of collateral assigned by CCP processing Pledge request

3 Issues and Discussion Points

Issue	Date	Status	Discussion

4 Proposed Message Flow

4.1 Collateral Management

4.1.1 Multi-Party Collateral Pledge

Example:

- FCM requests collateral pledge of 10,000,000 to CCP from its assets at custodian.
- CCP accepts request and communicates to custodian.
- Custodian accepts request and communicates a working interim pledge of 8,500,000; CCP assigns credit value of pledge at 8,500,000 and reports to FCM including previous pledge value of 5,000,000.
- Custodian completes request and communicates a final pledge of 10,000,000; CCP assigns credit value of pledge at 10,000,000 and reports to FCM including previous pledge of 5,000,000.

Figure 1: Multi-Party Collateral Pledge

5 FIX Message Tables

N/A.

6 FIX Component Blocks

6.1 Component CollateralAmountGrp

To be completed at the time of the proposal – all information provided will be included in the repository	
Component Name	CollateralAmountGrp
Component Abbreviated Name (for FIXML)	CollAmt
Component Type	_X__ Block Repeating ___ Block
Category	*(no change)*
Action	__New _X_Change
Component Synopsis	*(no change)*
Component Elaboration	*(no change)*
To be finalized by FPL Technical Office	
Repository Component ID	2191

Component FIXML Abbreviation: *<Alloc>*						
Tag	Field Name	Req'd	ICR	Action	*Mappings and Usage Comments*	*FIX Spec Comments*
1703	NoCollateralAmounts	N				
→	*1704*	*CurrentCollateralAmount*	N		CHANGE	Required if NoCollateralAmounts(1703) > 0.	
→	*1705*	*CollateralCurrency*	N			Can be used to specify the currency of CollateralAmount(1704) if Currency(15) is not specified or is not the same.	
→	~~<tbd>~~2632	*CollateralAmountType*	N		ADD		
→	*2090*	*CollateralFXRate*	N				
(…truncated…)						
</Alloc>						

7 Category Changes

None.

Appendix A - Data Dictionary

Tag	FieldName	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
tbd26 32	CollateralAmountType	NEW	int	The type of value in CurrentCollateralAmount(1704). Values: 0 = Market valuation (the default) 1 = Portfolio value before processing a Pledge pledge request 2 = Value confirmed as "locked up" for processing a Pledge pledge request 3 = Credit value of collateral at CCP processing a Pledge pledge request	AmtTyp	Add to CollateralAmountGrp component
167	SecurityType	CHANGE		*Additional value under **Financing**:* COLLBSKT = Collateral bBasket [Elaboration: A collection of securities held as collateral in the customer's collateral fund. The collateral fund is usually managed by a custodian.]		
895	CollAsgnReason	CHANGE		*Additional value:* 10<tbd> = Pledge [Elaboration: The purpose of the collateral assignment is to pledge or "lock up" a value of a basket of securities, individual security or fund as collateral.]		

Appendix B - Glossary Entries

Term	Definition	Field where used

Appendix C - Abbreviations

Term	Proposed Abbreviation	Proposed Messages, Components, Fields where used

Appendix D - Usage Examples

7.1 Mutli-Party Collateral Pledge for Fund

Figure 2: Multi-Party Collateral Pledge for Fund

```
<FIXML v="5.0 SP2" xv="162" cv="CCP.0001">
<CollAsgn
        ID="ABC1234"                            ID of this transaction
        BizDt="2014-06-24"                      Business date
        TxnTm="2014-06-24T18:40:43-06:00"        Transaction timestamp
        FirmTxnID="87654"                       Client's transaction ID
        TransTyp="0"                            New request
        AsgnRsn="<tbd>10"                          Pledge
        Qty="10000000">                         Lockup amount
        <Hdr SID="TARGET" SSub="User123" TID="CCP" TSub="CCPBAMS" Snt="2014-07-23T18:40:43-06:00"/>
        <Pty ID="CCP" R="21" Src="D"/>          Clearing organization
        <Pty ID="111" R="4" Src="H"/>           Clearing member firm ID
        <Pty ID="111S" R="101" Src="H">         Asset account
                <Sub ID="SECR" Typ="26"/>       Position account type
                <Sub ID="COTC" Typ="43"/>       Funds segregation type
                <Sub ID="CDS" Typ="44"/>        Guarantee fund
                <Sub ID="CLR" Typ="4"/>         Collateral to cover normal clearing IM requirement
                <Sub ID="DFLT" Typ="11"/>       Transaction profile (standing settlement instructions)
        </Pty>
        <Pty ID="IRVTUS3N" Src="B" R="28"/>
        <Instrmt
                SecTyp="COLLBSKT">              Collateral basket
        </Instrmt>
</CollAsgn>
</FIXML>
```

7.2 Response to Multi-Party Collateral Pledge for Fund – Partial/Pending

Figure 3: Response to Multi-Party Collateral Pledge for Fund – Partial/Pending

```
<FIXML v="5.0 SP2" xv="162" cv="CCP.0001">
<CollRsp
        ID="ABC1234"                              ID of the transaction as sent by the firm
        BizDt="2014-06-24"                        Business date
        RespID="12345668"                         Report ID for this response
        TxnTm="2014-06-24T18:40:43-06:00"         Transaction timestamp
        TxnID="765432"                            CCP's transaction ID
        FirmTxnID="87654"                         Client's transaction ID
        AsgnRsn="<tbd>10"                               Pledge
        RespTyp="4"                               Pending
        SettlDt="2014-06-26"                      Value date of the transaction
        Qty="10000000">                           Amount of pledge
        <Hdr SID="CCP" SSub="CCPBAMS" TID="TARGET" TSub="User123" Snt="2014-07-23T18:40:43-06:00"/>
        <Pty ID="CCP" R="21" Src="D"/>            Clearing organization
        <Pty ID="111" R="4" Src="H"/>             Clearing member firm ID
        <Pty ID="111S" R="101" Src="H">           Asset account
                <Sub ID="SECR" Typ="26"/>         Position account type
                <Sub ID="COTC" Typ="43"/>         Funds segregation type
                <Sub ID="CDS" Typ="44"/>          Guarantee fund
                <Sub ID="CLR" Typ="4"/>           Collateral to cover normal clearing IM requirement
                <Sub ID="DFLT" Typ="11"/>         Transaction profile (standing settlement instructions)
        </Pty>
        <Pty ID="IRVTUS3N" Src="B" R="28"/>
        <Instrmt
                SecTyp="COLLBSKT">                Collateral basket
        </Instrmt>
        <CollAmt Amt="5000000" Ccy="USD" AmtTyp="1"/> CCP's pledge value prior to request
        <CollAmt Amt="8500000" Ccy="USD" AmtTyp="2"/> Amount confirmed locked up
        <CollAmt Amt="8500000" Ccy="USD" AmtTyp="3"/> Credit value given by CCP
</CollRsp>
</FIXML>
```

7.3 Response to Multi-Party Collateral Pledge for Fund – Final/Confirmed

Figure 4: Response to Multi-Party Collateral Pledge for Fund – Final/Confirmed

```
<FIXML v="5.0 SP2" xv="162" cv="CCP.0001">
<CollRsp
        ID="ABC1234"                              ID of the transaction as sent by the firm
        BizDt="2014-06-24"                        Business date
        RespID="12345669"                         Report ID for this response
        TxnTm="2014-06-24T18:40:43-06:00"         Transaction timestamp
        TxnID="765432"                            CCP's transaction ID
        FirmTxnID="87654"                         Client's transaction ID
        AsgnRsn="<tbd>10"                               Pledge
```

```
            RespTyp="1"                          Accepted
            SettlDt="2014-06-26"                 Value date of the transaction
            Qty="10000000">                      Amount of pledge
            <Hdr SID="CCP" SSub="CCPBAMS" TID="TARGET" TSub="User123" Snt="2014-07-23T18:40:43-06:00"/>
            <Pty ID="CCP" R="21" Src="D"/>       Clearing organization
            <Pty ID="111" R="4" Src="H"/>        Clearing member firm ID
            <Pty ID="111S" R="101" Src="H">      Asset account
                    <Sub ID="SECR" Typ="26"/>    Position account type
                    <Sub ID="COTC" Typ="43"/>    Funds segregation type
                    <Sub ID="CDS" Typ="44"/>     Guarantee fund
                    <Sub ID="CLR" Typ="4"/>      Collateral to cover normal clearing IM requirement
                    <Sub ID="DFLT" Typ="11"/>    Transaction profile (standing settlement instructions)
            </Pty>
            <Pty ID="IRVTUS3N" Src="B" R="28"/>
            <Instrmt
                    SecTyp="COLLBSKT">           Collateral basket
            </Instrmt>
            <CollAmt Amt="5000000" Ccy="USD" AmtTyp="1"/> CCP's pledge value prior to request
            <CollAmt Amt="10000000" Ccy="USD" AmtTyp="2"/>       Amount confirmed locked up
            <CollAmt Amt="10000000" Ccy="USD" AmtTyp="3"/>       Credit value given by CCP
    </CollRsp>
    </FIXML>
```