

# **SCoRE Implementation Monitoring**

## Corporate Actions - H1 2021

#### Polish NSG

The Single Collateral Management Rulebook for Europe (SCoRE) contains 15 Standards related to the processing of corporate actions (published as the AMI-SeCo Standards for Corporate Actions). Implementation progress is monitored twice per year. This summary report presents the results of the H1 2021 monitoring exercise conducted by the Polish NSG with the involvement of the following stakeholders:

35 entities are monitored in the Polish market

- 2 CSD KDPW, SKARBNET4
- 31 Custodians
- 2 issuers

The SCoRE Overview provides a high-level summary of the H1 monitoring exercise.

#### **SCoRE Overview**



Note: Implemented on Time reflects the entity's ability to meet the final reporting milestone prior to the adoption of the Standards.

This NSG summary report is structured as follows: The Executive Summary provides an overview of the responses received per Entity Type i.e. CSD, TPA, Custodian etc. Section 1 presents the compliance status of each entity type. Section 2 provides an overview of the progress against the individual milestones. Section 3 then provides a more detailed overview of the implementation status per Standard for each entity type.

## **Executive Summary**

In the Polish market the CSDs have started the implementation of Corporate Action Standards. Further engagement among custodians and issuers are foreseen in the future.

Concerning the major Polish financial market infrastructure institution, namely the KDPW SA, the implementation of the Corporate Actions Standards (CA Standards) is either completed or subject to analysis or development. The standards are deemed to be met on time. The process of implementation of the standards by SKARBNET4 is also on track although, due to the specific range of activities performed by the system, it is restricted to only few standards as the remaining standards were deemed not applicable. Regarding custodians, only three out of 31 reporting entities responded to the survey. The majority of the custodians did not participate in the monitoring process. The participating entities declared to be compliant with several standards and analysing implementation of the remaining requirements.

Furthermore, the Polish Association of Listed Companies (SEG) and the Ministry of Finance representing Polish issuers did not take part in this round of survey. AMI-SeCo NSG\_PL will endeavour to engage the custodians and issuers in the process at a later stage

#### **CSD -- KDPW**

KDPW is already compliant with 8 CA standards and analysis of the remaining standards is ongoing.

KDPW is already compliant with 8 out of 15 CA Standards. The process of implementation of numerous other Standards has already started. It is worth noting that most of the ISO 20022 messages are already implemented. Some key data elements specified in SCoRE are not used today and shall be implemented. Some of the corporate action events forming part of the Standards are not under development or implementation process basically due to the absence of market use cases. Their implementation will be dependent on the market demand. Only few corporate action events were deemed not applicable and thus will not be subject to implementation process.

Legal barriers have been identified with regards to Standard 4 rounding rule no. 2 and 3 as these may contradict some of the existing issues rounding models. Furthermore, debt securities are by law issued in units not nominal value, which contradicts Standard 7. When it comes to CA communication in ISO20022 KDPW converts amount data in units to nominal value for debt instruments, nonetheless they are issued and safekept in units. The implementation of the abovementioned Standards will involve relevant legal amendments, which may prolong the process of adaptation to SCoRE. Furthermore, should required changes be implemented, these could only apply to new securities issues, whereas already issued securities would maintain legacy legislative requirements.

Although the initial communication has not started yet it is expected that most of the succeeding milestones will be met on time and the implementation date of November 2023 will be met.

#### **CSD - SKARBNET4**

Skarbnet4 has commenced their analysis on most CA standard. Some delays are foreseen but overall, the implementation date of Nov-23 will be met.

SKARBNET4 is a system operated by Narodowy Bank Polski. It serves exclusively T-bills (issued by Ministry of Finance periodically) and NBP-bills (issued by NBP in open market operations which are the main instrument of monetary policy) basically primary market which entails relatively small group of highly expertised institutions (mainly banks). Therefore, there are only two issuers in SKARBNET4 – NBP and Ministry of Finance. The only corporate action in case of NBP-bills and T-bills is redemption. ISO 20022 messages for corporate action processes (redemption) are not currently supported and are the main change to be introduced in order to comply with CA Standards. Due to specificity of the system some of the Standards is not relevant to serve its activities and is thus considered not applicable. Some Standards were deemed implemented (Standards 5, 6, 7, and 8).

The delay in starting the implementation of the abovementioned requirements was due to previously commenced process of implementation of the regulation 2018/1229 (settlement discipline), which turned out to be very demanding. Initial high-level communication with external stakeholders on the changes introduced by SCoRE has not yet commenced. It is however scheduled to start by the end of March 2022. Meeting the milestones no. 3-6 will be slightly delayed. The succeeding milestones are, however, deemed to be met on time and the implementation date of November 2023 will be met.

#### **Custodians**

Low participation among custodians.

Only three out of 31 reporting entities responded to the survey. The majority of custodians did not participate in the monitoring process. After the analysis of the Standards one of the three reporting custodians has withdrawn from the study as it deemed SCoRE not relevant in terms of the scope of its activity.

The reporting entities declared to have implemented a wide range of SCoRE, in particular with regard to events covered by Standards 1-4 and 11 and to a large extent Standard 15. The remaining Standards are either subject to analysis or under development and are deemed to be implemented by the year 2022 or 2024. Some Standards are considered inapplicable mainly due to the absence of market practice. The implementation of the remaining part of Standard 15 is declared to be postponed until the Wave 2, when account servicers will be obliged to offer ISO20022 messaging to clients that have the capability to use the ISO20022 protocol.

#### Issuers

Low participation among issuers.

Neither Polish Association of Listed Companies (SEG), a self-government organization of companies listed on the Stock Exchange, representing around 250 of issuers nor Ministry of Finance the issuer of T-bonds, did not participate in the current round of the monitoring survey.

## 1 SCoREBOARD

This section presents the overall compliance status in the market. CSDs and TPAs are monitored on an individual basis and are assigned a colour-code status in accordance with the methodology outlined in Box 1<sup>1</sup>. Custodians and Issuers are monitored on an aggregated basis and assigned a percentage compliance status.

#### Box 1

SCoREBOARD - Implementation Phase



- 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

For custodians and issuers, progress is monitored and reported as a percentage; for example the % of custodians in a given market who have started internal adaptation of IT systems.

<sup>&</sup>lt;sup>1</sup> For further details please refer to the AMI-SeCo Monitoring Framework

Table A **SCoREBOARD** 

STANDARD	Custodians	Issuers	CSD - KDPW	CSD - SKARBNET4
1A: Notification	6%	0%	G	G
1B: Instruction	6%		G	G
1C: Advise	6%		G	G
1D: Confirmation	6%		G	G
1E: Reversal	3%		G	G
1F: Meeting Notification	6%	0%	G	G
1G: Meeting Instruction	6%		G	G
1H: Meeting Results	6%		G	G
2: Calculation of Proceeds	4%	0%	G	G
3: Consistency of Information	4%	0%	G	Υ
4: Rounding Rule 1	3%	0%	G	N/A
4: Rounding Rule 2	3%	0%	G	N/A
4: Rounding Rule 3	3%	0%	G	N/A
4: Rounding Rule 4	6%	0%	В	N/A
5: Negative Cash Flows	6%	0%	В	В
6: Business Day Rule		0%	В	В
7: Securities Amount Data		0%	G	В
8: Payment Time Rule 1		0%	G	В
8: Payment Time Rule 2		0%	В	В
8: Payment Time Rule 3		0%	В	В
9: Processing Status	6%	0%	G	N/A
10: Blocking	6%		G	G
11: Default Option	6%	0%	В	N/A
12: Handling of Fees	6%		В	N/A
13: Reversal	3%	0%	G	N/A
14: Foreign Currency			В	N/A
15: ISO 20022 Messaging	5%		G	Υ

### 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

## 2 Implementation Milestones

This section tracks an entity's progress in implementing the Standards on an ongoing basis. 13 milestones have been defined as listed in the box below.

Box 2 SCoRE Milestones

Milestone	Description	Date
<b>/</b> 11	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?	
12	Initial Communication: Has initial high-level communication with external stakeholders on the changes introduced by SCoRE commenced?	01/03/202
13	Analysis Completed: Have you completed an in-depth analysis of all applicable SCoRE Standards?	31/07/202
14	<b>Documentation Completed:</b> Have you documented all the internal processes and procedures which need to be adapted in order to comply with the SCoRE Standards?	31/12/202
15	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?	
16	SCORE Adaptation Started: Have you started to adapt/develop the processes and procedures in order to comply with the SCORE Standards?	01/01/20
17	SCORE Adaptation Complete: Have you completed the necessary adaptations/developments for the processes and procedures in order to comply with the SCORE Standards?	30/06/202
18	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?	01/07/202
19	Internal Testing Complete for SCoRE: Have you completed the necessary internal testing?	02/12/202
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)?	
<b>/</b> 111	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?	01/04/202
112	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)?	13/10/202
113	SCORE Standards Implemented: have the SCORE Standards been implemented?	20/11/202

Notes: N/A

Milestones expected to be achieved in the current reporting period are highlighted in blue in the header of Table B below. The blue colour-code is then assigned to those milestones which have been successfully achieved to date for each respective entity. Milestones which will only be achieved later are assigned a yellow status, while milestones which will only be achieved with significant delays / where work has not yet commenced are marked in red.

For the remaining milestones (i.e. milestones due to be achieved only after the current reporting cycle) the colour-code indicates an entity's expected ability to achieve a future milestone on time. The expected date of achievement is also indicated in the table if it is different to the milestone date defined by AMI-SeCo.

**Table B**Implementation Milestones

	Custodians	CSD - KDPW	CSD - SKARBNET4
Milestone 1 June 2020	3%	10/20	07/21
Milestone 2 March 2021	3%	06/21	03/22
Milestone 3 July 2021	6%	Yes	12/21
Milestone 4 December 2021	6%	Yes	03/22
Milestone 5 December 2021	6%	Yes	03/22
Milestone 6 January 2022	3%	Yes	03/22
Milestone 7 June 2022	3%	Yes	Yes
Milestone 8 July 2022	3%	Yes	Yes
Milestone 9 December 2022	3%	Yes	Yes
Milestone 10 December 2022	3%	02/23	Yes
Milestone 11 April 2023	6%	Yes	Yes
Milestone 12 October 2023	6%	Yes	Yes
Milestone 13 November 2023	6%	Yes	Yes

Notes: Actors were asked to report for all milestones, i.e. whether they meet the current milestones and whether they expect to meet the dates for future milestones

## **Summary**

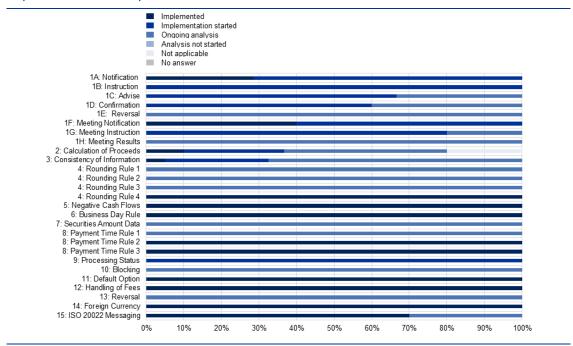
Although there are some delays with regards to the initial milestones most of the later milestones will be met on time and the implementation date of November 2023 will be met for both CSDs.

## 3 Implementation Status per AMI-SeCo Standard

This section presents the implementation status of each Standard per entity type.

CSD - KDPW

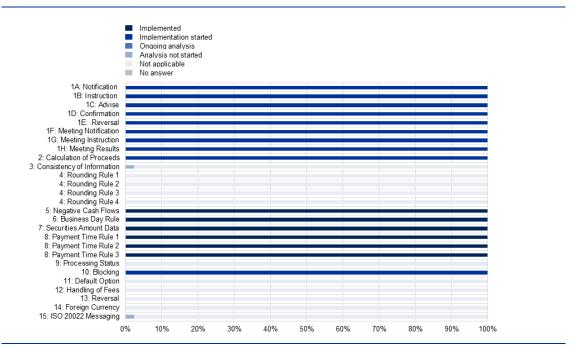
#### Implementation Status per AMI-SeCo Standard



Notes N/A

#### **CSD - SKARBNET4**

## Implementation Status per AMI-SeCo Standard

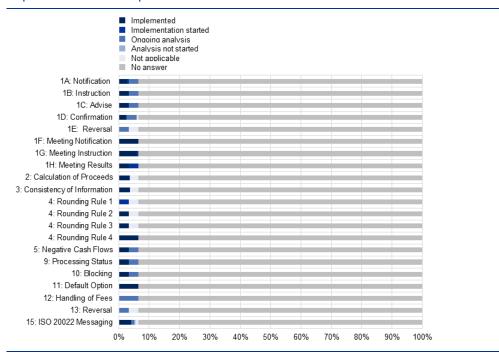


Notes

A plausibility check was performed by the CMH-TF secretariat.

#### **Custodians**

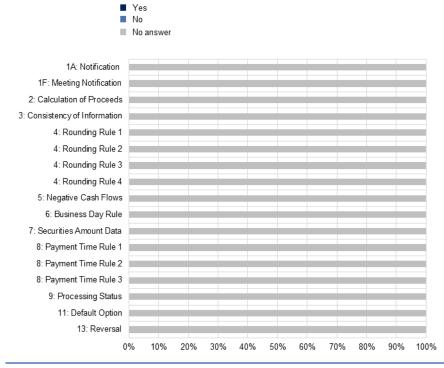
## Implementation Status per AMI-SeCo Standard



Notes N/A

## Issuers

## Fulfilment of obligations per AMI-SeCo Standard



Notes

No reply received in H1-21.

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Postal address 60640 Frankfurt am Main, Germany

Telephone +49 69 1344 0 Website www.ecb.europa.eu

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The cut-off date for the data included in this report was 21 May 2021.

For specific terminology please refer to the ECB glossary (available in English only).