

# Outcome of the initial consultation on CCBM2



CCBM2

Towards a consolidated  
collateral management  
within the Eurosystem

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## **Part I - Presentation on the outcome of consultation**

### **Introduction**

#### **1. CCBM2 principles**

**Proposed amendments**

**Issues emerged from the responses**

#### **2. Input for the CCBM2 User Requirements**

#### **3. Organization of the dialogue with market participants**

### **Next steps**

## **Part II – Questions for clarification**

- **Use of collateral for other purposes**
- **Integration with other market systems**
- **Pooling facilities**

In April 2007, the Eurosystem launched an Initial Consultation on CCBM2 - the next generation of collateral management

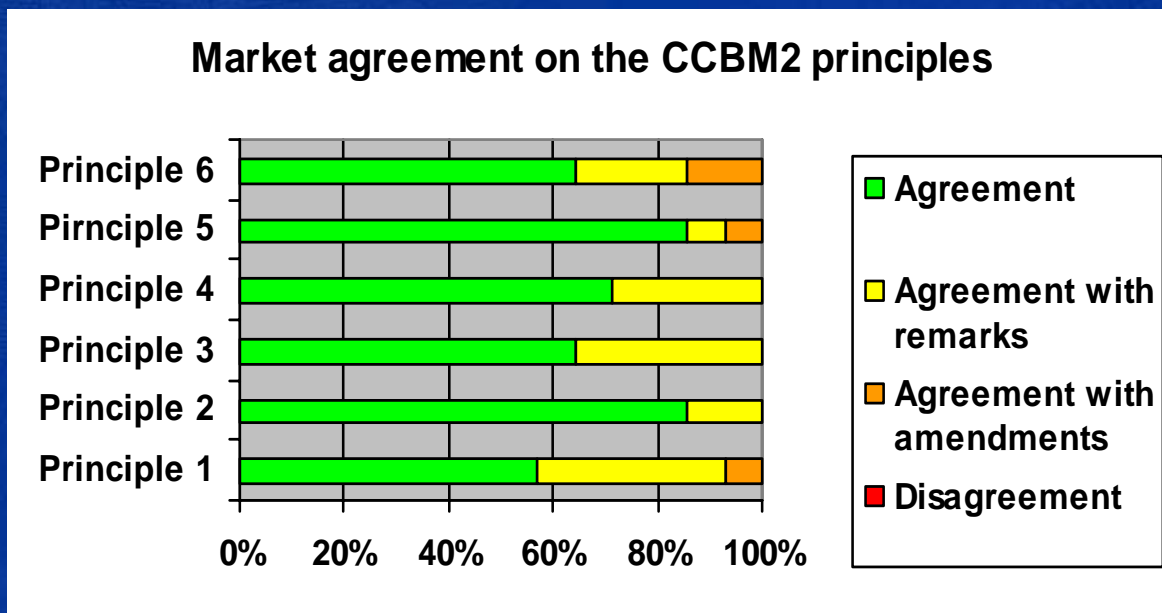
- 1) Six guiding principles for CCBM2
- 2) Input for the CCBM2 UR
- 3) Views on the organization of the dialogue between Eurosystem and market participants

By 26 July, the ECB received 14 replies

- 7 common replies by European and national credit institution associations or market groups;
- 2 individual replies by credit institutions;
- 3 individual replies by (I)CSDs; and
- 2 replies by other interested parties (a central counterparty and SWIFT).

All respondents welcomed the Eurosystem initiative to develop CCBM2

There is large agreement on the six guiding principles for CCBM2



## Proposed amendments

- Principle 1  
to include that the CCBM2 should provide fully harmonised procedures for collateralisation of Eurosystem credit operations, including the harmonisation of country practices regarding cut-off times, order execution, handling of corporate actions, etc.
- Principle 5  
to extend the principle from the delivery of collateral to all movements of collateral, including delivery and withdrawal of collateral.

## Proposed amendments

- Principle 6
  - (i) to add that with the CCBM2 repatriation in the issuer-CSD should no longer be necessary
  - (ii) to include that the necessary approval processes for the establishment of links should be reasonable and acceptable from a duration point of view

From the market remarks some issues, not addressed by the CCBM2 principles, emerged:

- Use of collateral for purposes other than Eurosystem credit operations (e.g. guarantees to CCP, repo market operations)
- Pooling of collateral provided by entities belonging to a group
- Integration with other existing market solutions (e.g. ICSDs' collateral management systems)
- Harmonization of collateralisation procedures
- Inclusion of a contingency module dealing with non-euro collateral
- Removal of the repatriation requirement

## Other remarks concerned:

- Full Eurosystem participation
- Timing of CCBM2 implementation
- Disintermediation in cross-border transaction

The market responses included user requirements with regard to:

- Use of standard messages
- Interface with counterparties
- Interface with SSSs
- Interface with T2S
- Interface with triparty service providers
- Integration of the Eurosystem's systems
- Integration with TARGET2 contingency module
- Opening hours/days
- Access to information
- Customer support
- Service level

Respondents request the dialogue to take place at both the domestic and Eurosystem levels

Two main views on the organisation at the Eurosystem level:

- to report to the T2S Advisory Group
- to set up a separate coordination group

CCBM2 User Requirements are being drafted taking into account the input provided by the market.

CCBM2 User Requirements will be submitted to a second market consultation (early 2008)

## **Part I - Presentation of the consultation outcome**

### **Introduction and general overview**

#### **1. CCBM2 principles**

**Proposed amendments**

**Issues emerged from the responses**

#### **2. Input for the CCBM2 User Requirements**

#### **3. Organization of the dialogue between**

**Eurosystem and market participants**

## **Part II – Questions for clarification**

- Use of collateral for other purposes**
- Integration with other market systems**
- Pooling facilities**

## Use of collateral for other purposes (other than collateralisation of Eurosystem credit operations)

*“CCBM2 should enable counterparties to use the collateral transferred and managed within the CCBM2 also for purposes other than the collateralisation of Eurosystem credit operations, such as the provision of guarantees to other systems (e.g. CCPs, CSDs for night-time settlement) and transactions on secured markets (e.g. the repo market).”*

- What are the other market transactions to be considered in the scope of CCBM2?
- What are the services the CCBM2 is requested to provide? What is the expected role of CCBM2?
- What is the business case for such service(s)? Are users ready to pay a market-level fee (higher than a cost-recovering fee) for such services?
- What are the user requirements for such service(s)?

## Collateral pooling

*“CCBM2 should provide collateral pooling capabilities.”*

*“It should be possible to maintain collateral sub-accounts to enable the administration of several collateral providers within one group (e.g. different business units, but also indirect participants which in this way can provide collateral to support their business).”*

- What is intended with collateral pooling capabilities?
- What is the need for segregation within CCBM2/NCBs?
- What is the business case for such a facility? Are users ready to pay, at least, a cost-recovering fee for such a facility?
- What are the user requirements for such a facility?

## Integration with other market systems

*“Integration and compatibility with other existing market solutions (e.g. Clearstream’s XEMAC system, triparty service providers’ systems, etc.) should be achieved...”*

*“The recourse to triparty services or collateral management agents should also be possible, even for credit claims.”*

- What are the market systems to be considered for integration with CCBM2?
- What is the expected role of CCBM2?
- What is the business case for integrating such system(s)? Are users ready to pay an additional (cost-recovering) fee for using such systems?
- What are the user requirements for such a facility?

## Six guiding principles for CCBM2

- Centralised IT platform for the NCBs collateral management, complying with the decentralisation principle
- Full compatibility with TARGET2 and T2S
- Coverage of both domestic and cross-border use of collateral, and all collateralisation legal techniques (pledge and repo)
- Handling all eligible collateral, i.e. both securities and credit claims.
- Adoption of real time and STP procedures
- Use of all eligible SSSs and eligible links