

# Integrated central bank collateral management services

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**Cogesi, 22 November 2010**

# What's coming up

- Move towards integrated collateral management services
- A closer look into CCBM2 features
- Project Status



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- **Move towards integrated collateral management services**
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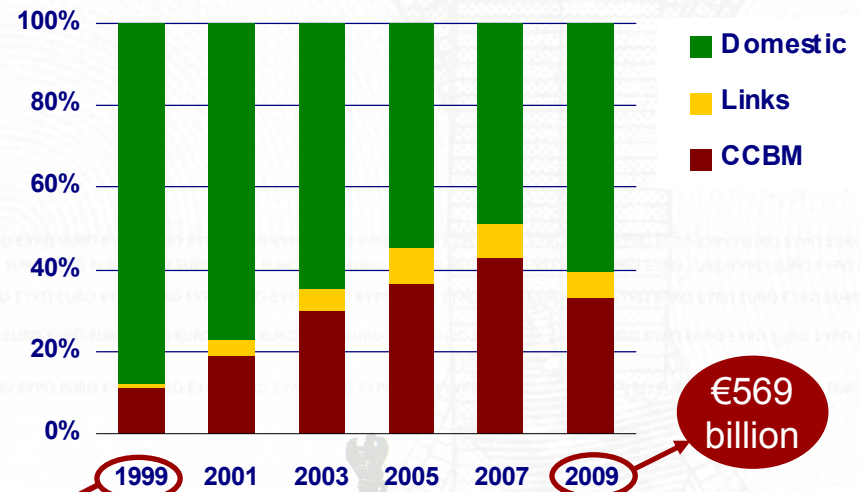
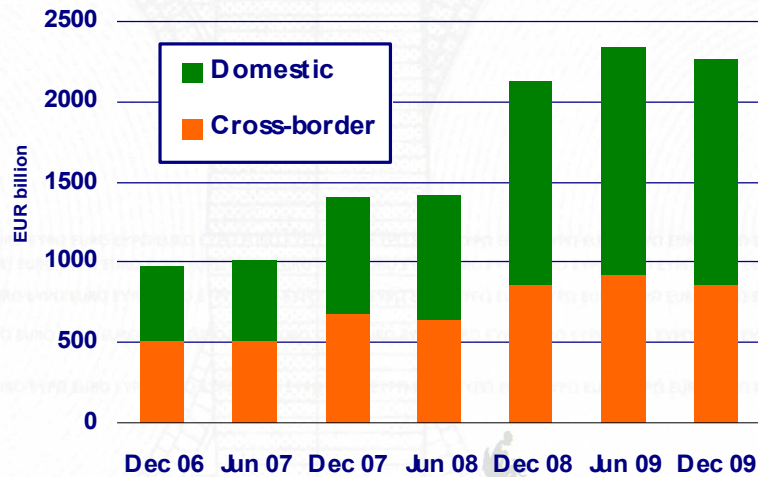
# Mobilising Collateral

With the introduction of the euro, mechanisms were needed to mobilise collateral cross-border

- Market Solution - eligible links between SSS
- Eurosystem Solution - Correspondent Central Bank Model

Limited number of eligible links

Set of procedures for NCBs



€163 billion

€569 billion

Strong increase in use of CCBM

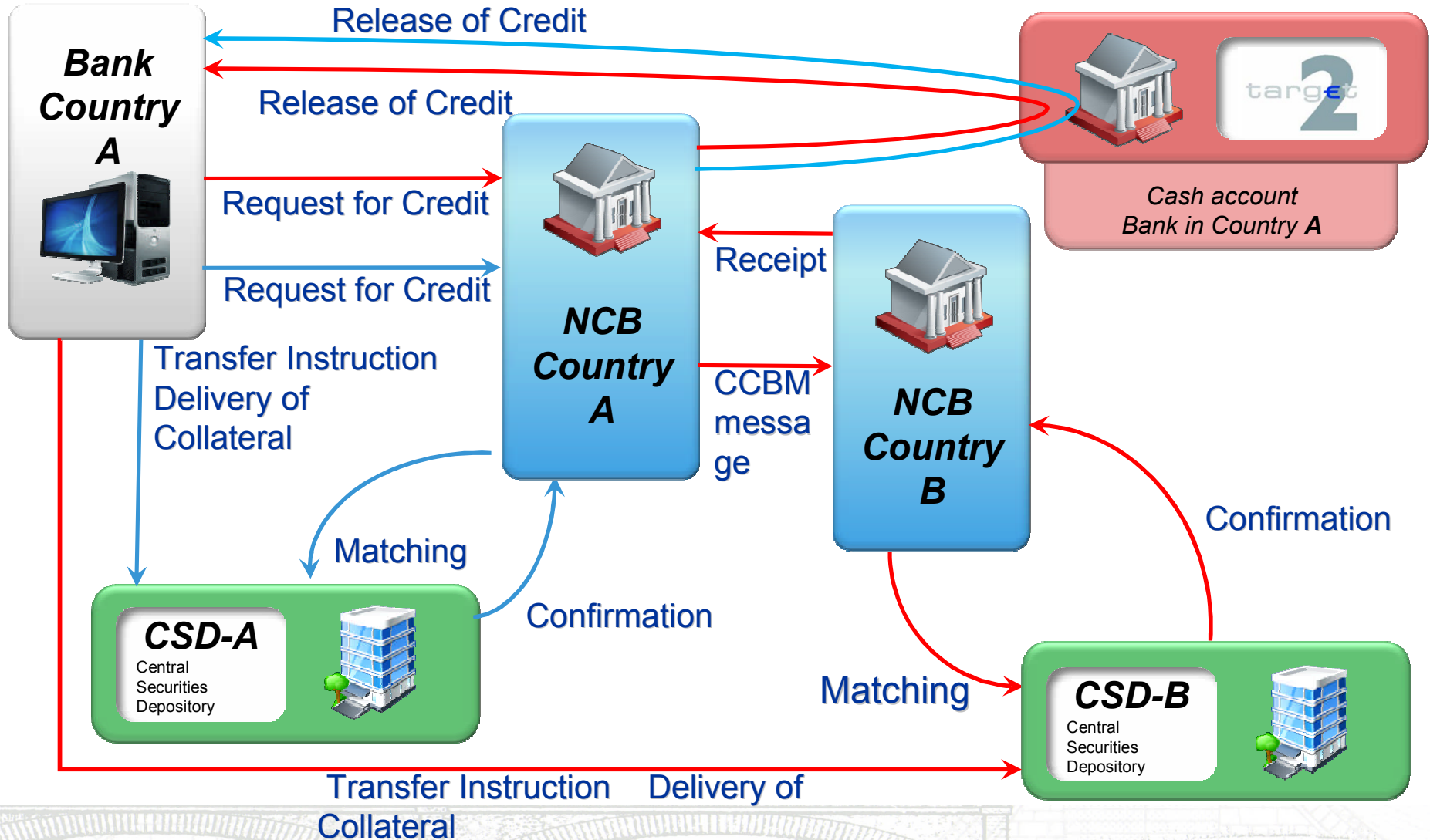


# Existing solutions: main channels

CCBM is the main channel for transferring cross-border collateral

<b>Collateral mobilised:</b>	<b>1999</b>	<b>2006</b>	<b>2009</b>
<b>Domestically</b>	<b>88%</b>	<b>49%</b>	<b>61%</b>
<b>Cross-border</b>	<b>12%</b>	<b>51%</b>	<b>39%</b>
<i>of which:</i>			
<b>– CCBM</b>	<b>11%</b>	<b>40%</b>	<b>26%</b>
<b>– Links</b>	<b>1%</b>	<b>11%</b>	<b>6%</b>
<b>– Direct access (to a non-domestic SSS)</b>			<b>7%</b>

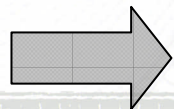
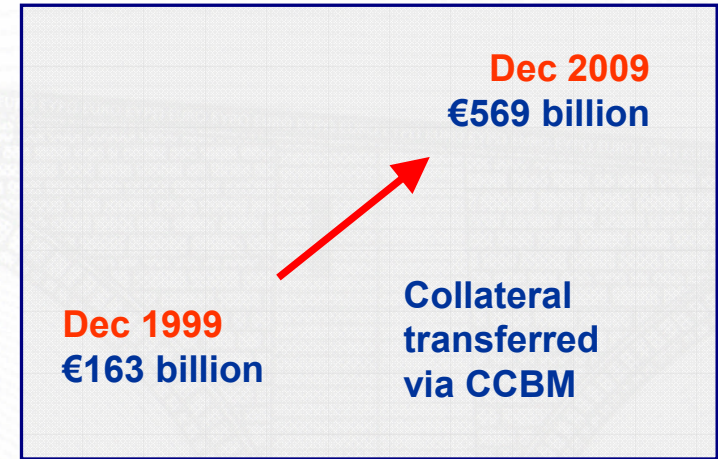
# Current framework for collateral delivery



# Existing solutions: current shortcomings

## Increased cross-border use emphasises drawbacks

- facilities for mobilising collateral differ across euro-area
- CCBM involves different players which follow varying procedures, complexity impacts on efficiency, e.g. processing time
- collateral management in Eurosystem technically decentralised
- inconvenient for multi-country banks



Therefore: **CCBM2** (Collateral Central Bank Management)



# The CCBM2 project

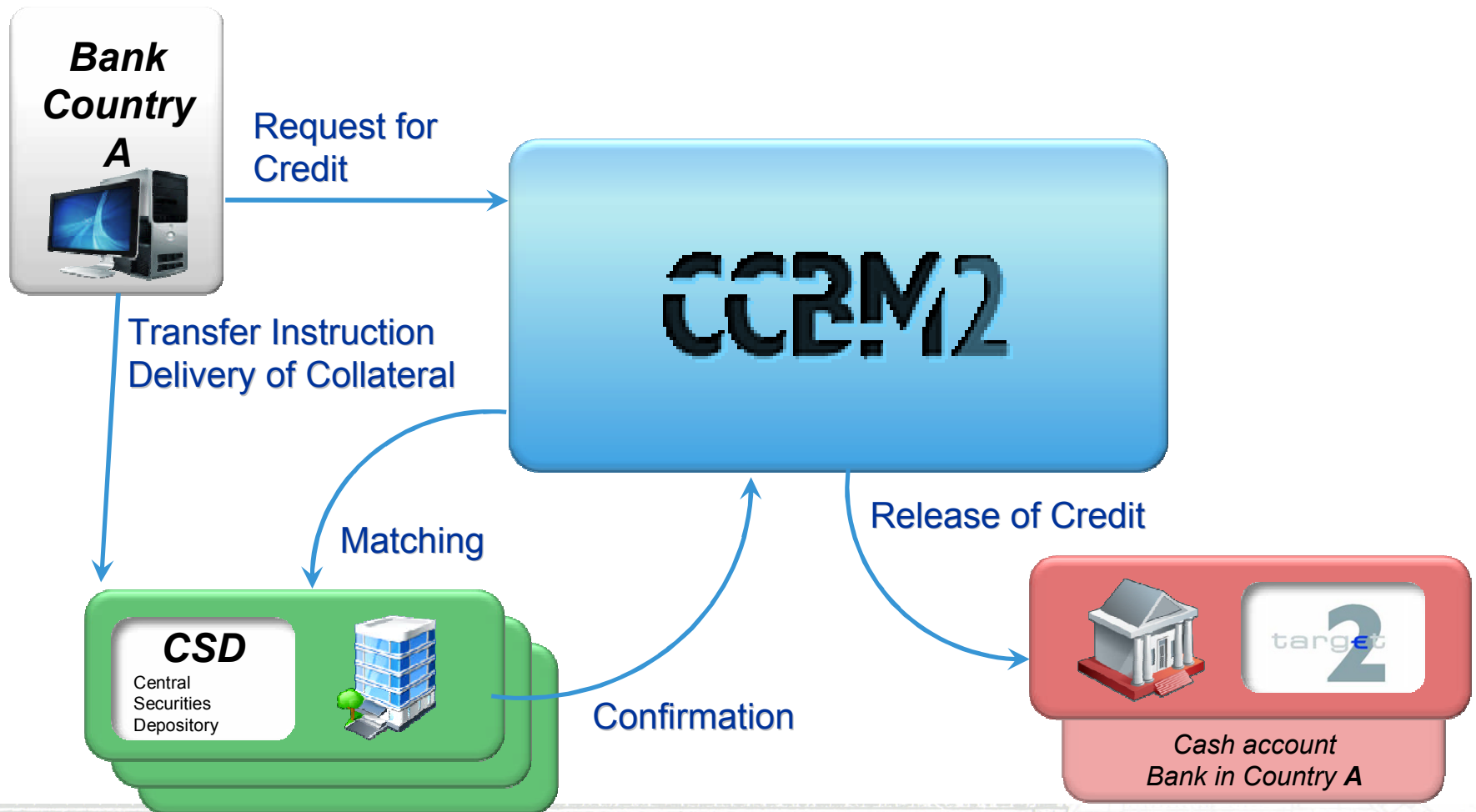
## CCBM2 will bring

- a joint collateral management system for the NCBs
- technical consolidation one technical platform
- harmonisation
- efficiency gains faster processing
- a single procedure for banks mobilising domestic and cross-border collateral



# Introducing CCBM2

Harmonised procedure for domestic and cross-border use of collateral





# What's coming up

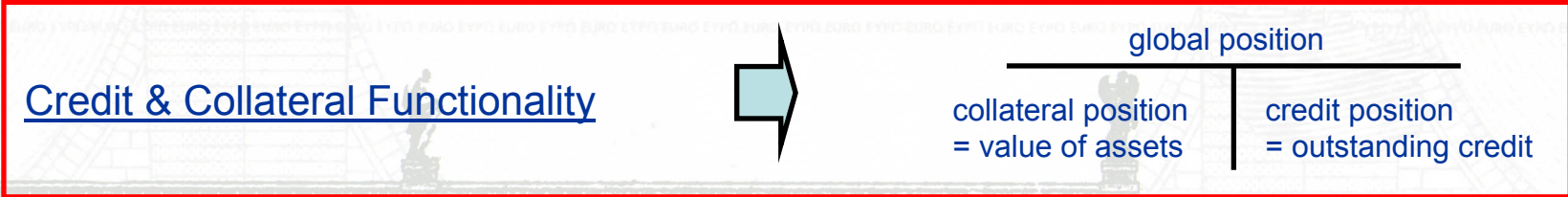
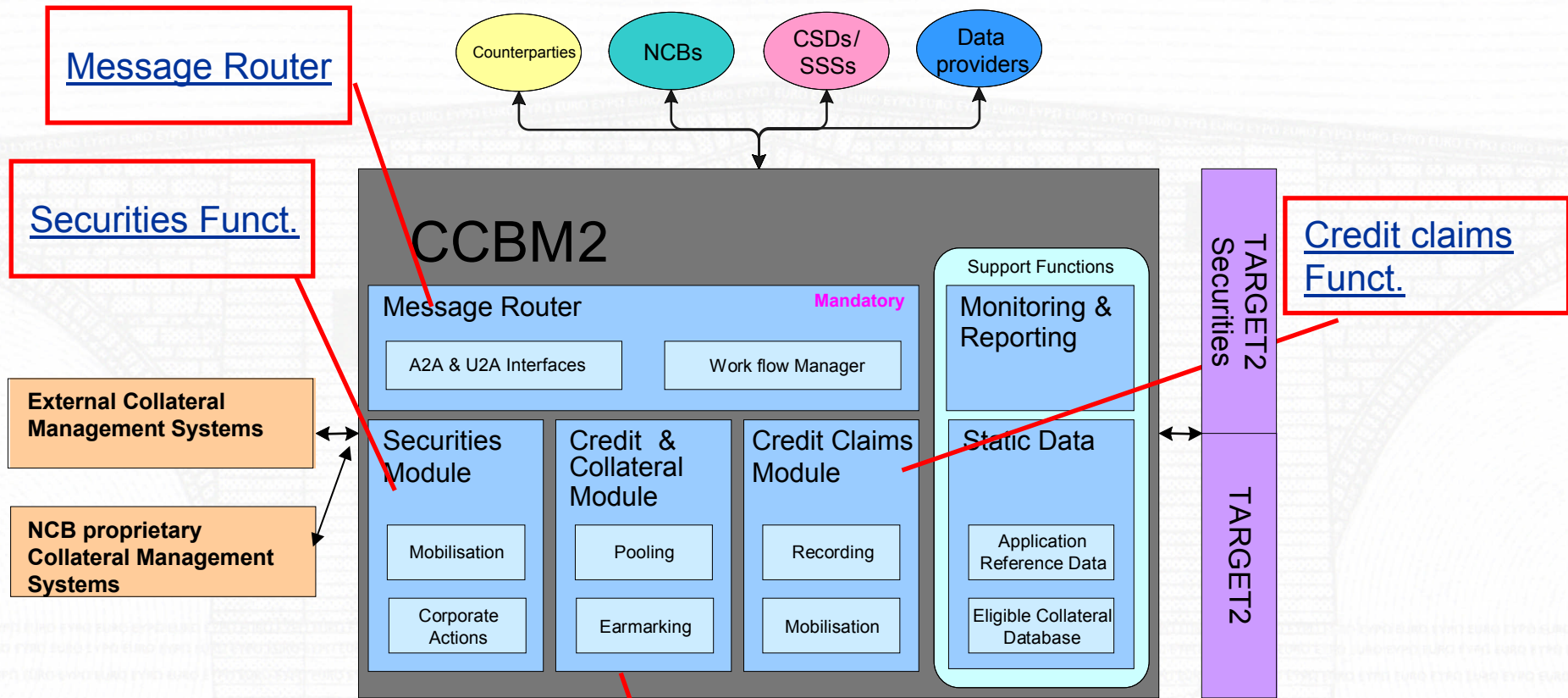
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# The CCBM2 principles

- **central bank IT platform** for the **collateral** management for Eurosystem **credit operations**, complying with the decentralised access to credit
- fully compatible with T2 and T2S 
- **domestic & cross-border, pooling & earmarking, repo & pledge**
- for all **eligible collateral**
- **real-time straight-through processing** 
- able to use **all eligible SSS** and **eligible links** between SSS

# A closer look at CCBM2





# What does CCBM2 contain?

## Message router functionality

Handles communication: internally and with external parties  
 Supports different communication networks (SWIFT, secure internet)

## Securities functionality

Mobilisation/de-mobilisation of marketable assets, domestic/cross-border and related custody services

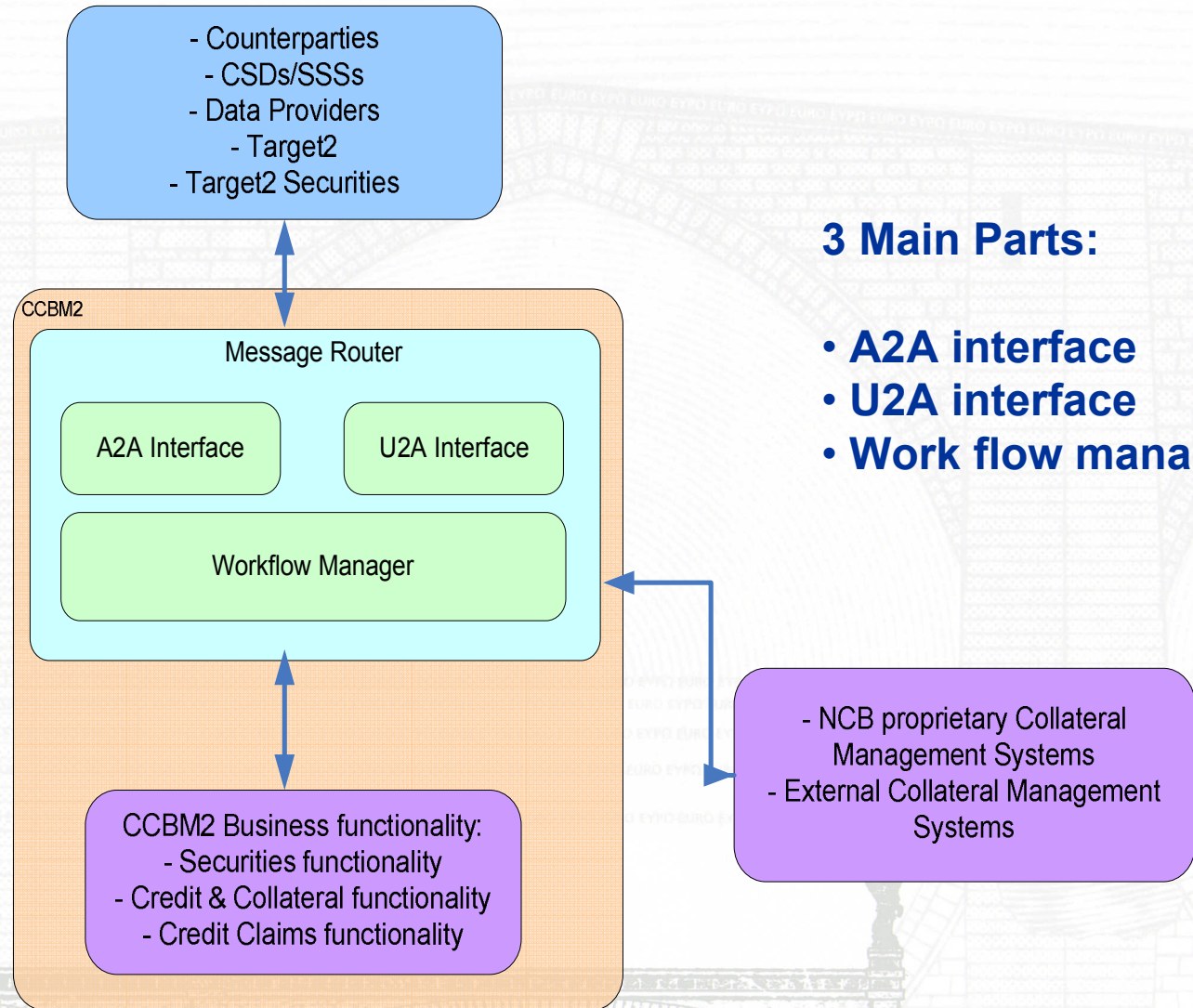
## Credit claims functionality

Recording and mobilisation of credit claims

## Credit and collateral functionality

Management of counterparty's collateral positions  
 Assigns each counterparty a global position Optional functionalities

# CCBM2 message router



## 3 Main Parts:

- **A2A interface**
- **U2A interface**
- **Work flow manager**



- **one system** for all collateralisation techniques

pooling and earmarking      repo and pledge

- **harmonised** SWIFT messages for counterparties respecting required (I)CSD formats
- **improved** monitoring and reporting possibilities for NCBs and counterparties

# CCBM2 credit claims functionality

- Non-marketable assets data management
- Credit claims (de-)mobilisation
- Custody related activities
- Legal requirements



## Global position per counterparty View on global collateral & credit position

Bank A

Collateral	Credit
<ul style="list-style-type: none"><li>• Collateral Position<ul style="list-style-type: none"><li>• Securities</li><li>• Credit Claims</li><li>• Other collateral (e.g. tri-party)</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Credit Position<ul style="list-style-type: none"><li>• Open Market Operations</li><li>• Marginal Lending</li><li>• Other Credit (e.g.</li></ul></li></ul>
<b>TOTAL COLLATERAL</b>	<b>TOTAL CREDIT</b>

Remaining Credit Line = COLLATERAL – CREDIT = available intraday credit

# Special features in CCBM2

- use of collateral for joint purposes

e.g. guarantees

- collateral pooling – global view on global positions of entities of the same group

- integration with existing market solutions

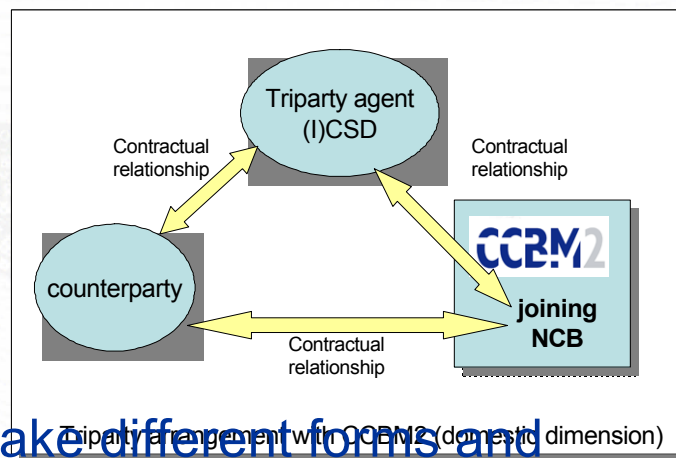
Tri-party collateral management services, including cross-border

- support of auto-collateralisation procedures in current CSD/SSS infrastructures and in T2S



# CCBM2 and tri-party collateral management services

- Third party (ICSD) acting as an agent for both collateral taker (Eurosystem) and collateral provider (counterparty). Collateral taker and provider enter into an agreement with triparty agent on the



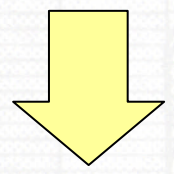
- Delegation of tasks to third party could take different forms and include
  - e.g. eligibility checks/screening, valuation, margin and haircut facilities,
  - automatic collateral allocation and substitution, monitoring and reporting
- The three existing variations in the euro area will be facilitated by CCBM2, including the cross-border use.

CBF/XEMAC, CBL/CmaX and Euroclear Group/Autoselect

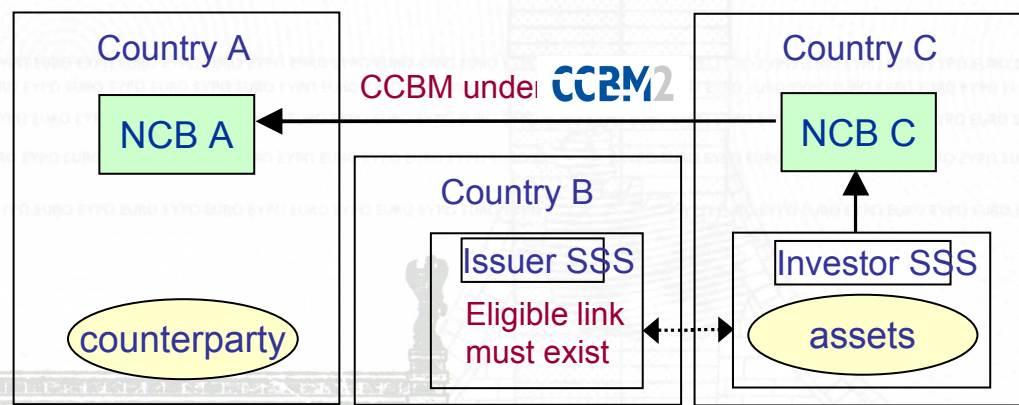
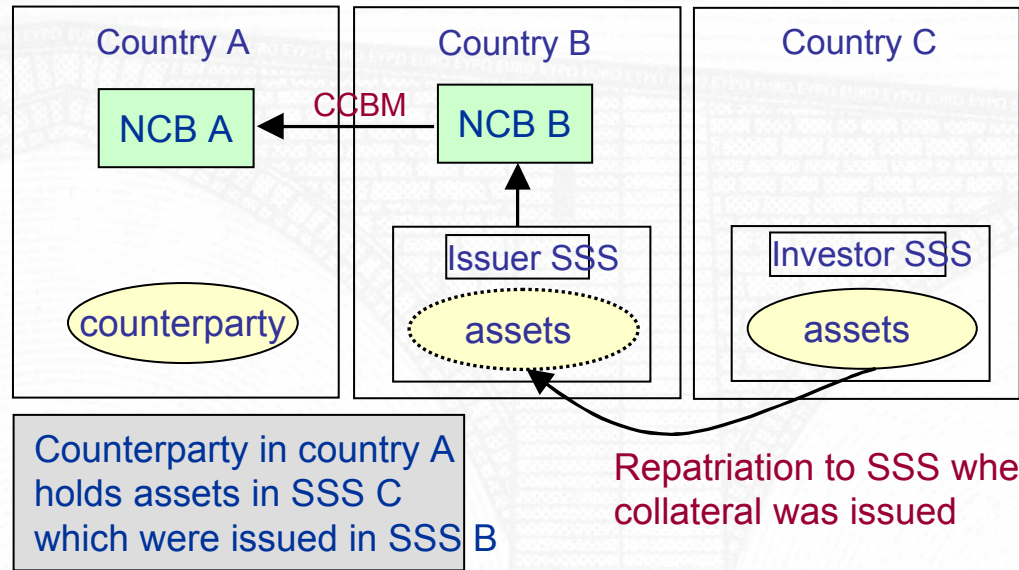
# Removal of Repatriation Requirement

## Combination of CCBM and Links will be accommodated for in CCBM2

With the **removal** of the **repatriation requirement** it will no longer be necessary to move assets from the investor SSS to the issuer SSS to get Eurosystem credit



- Keep collateral in the (I)CSD of the counterparties' choice
- Facilitate same-day settlement in a cross-border context
- Cost efficiency gains for counterparties





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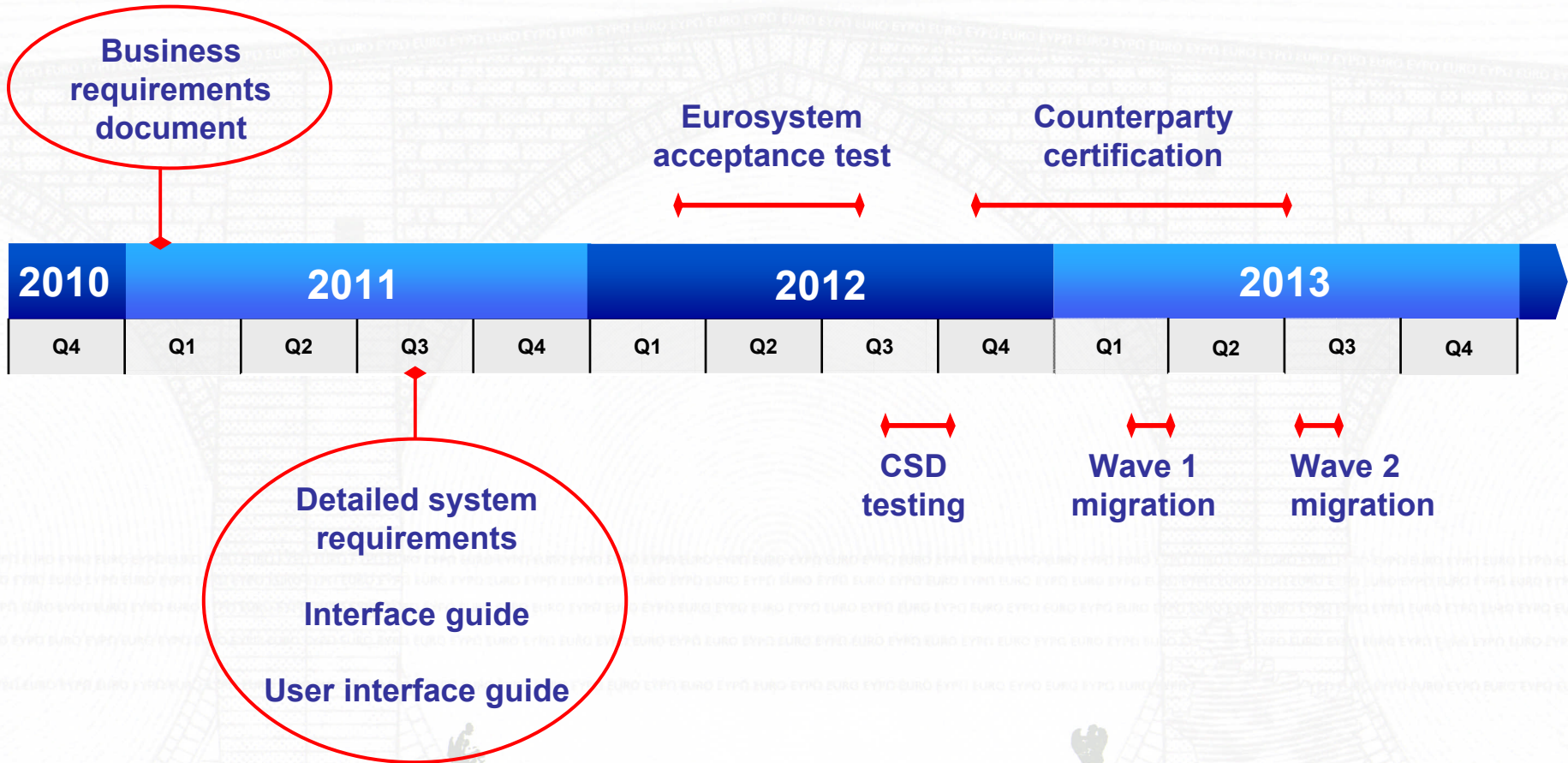
# Project status

Governing Council 15/09/2010 approved **2 CBs** offer and committed participation

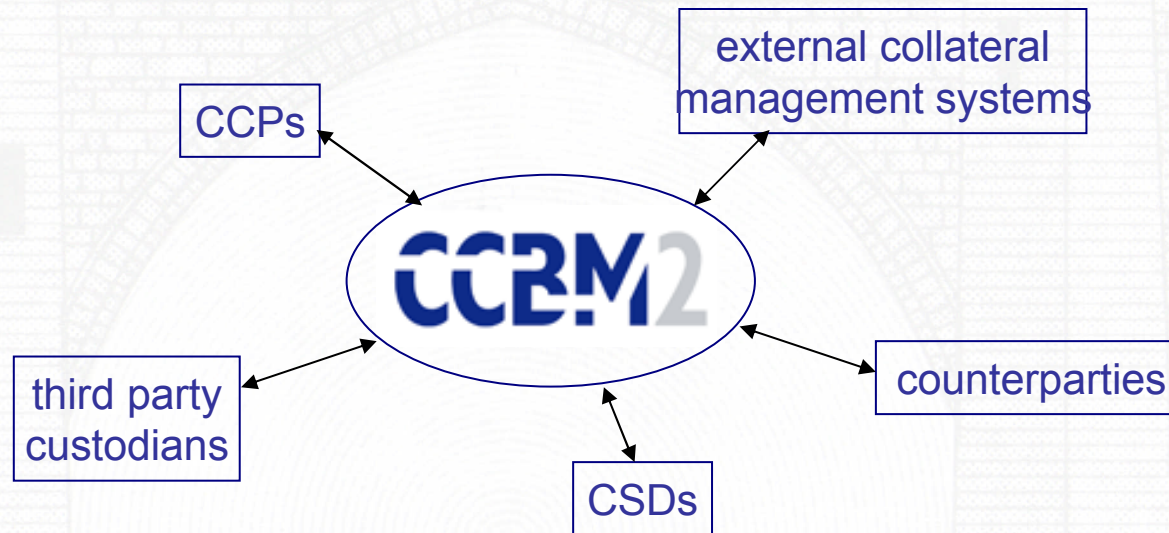
NCB	Yes/ No	Message Router	Securities	Credit and Collateral	Credit Claims
Národná Banka Slovenska	Yes	X			
Banca d'Italia	Yes	X	X	X	
Banco de Portugal	Yes	X	X	X	X
Banco de España	Yes	X	X	X	X
Bank Centrali ta' Malta	Yes	X	X	X	X
Banque de France	Yes	X	X	X	X
Central Bank of Cyprus	Yes	X	X	X	X
Banka Slovenije	Yes	X	X	X	X
Bank of Greece	Yes	X	X	X	
De Nederlandsche Bank	Yes	X	X	X	X
Banque centrale du Luxembourg	Yes	X	X	X	X
Central Bank of Ireland	Yes	X	X	X	X
Suomen Pankki	Yes	X	X	X	X
Deutsche Bundesbank	Yes	X	X	X	
Nationale Bank van België	Yes	X	X	X	X
Oesterreichische Nationalbank	Yes	X	X	X	X



# CCBM2 Milestones



- description of messages and files to be exchanged between CCBM2 and external parties



- harmonising SWIFT messages for counterparties, respecting required (I)CSD-formats



# CCBM2 functions - Interface guide

## What will it contain?

- messages related to mobilisation/demobilisation of (non-)marketable assets
- messages related to corporate actions
- messages and files related to triparty collateral management
- monitoring and reporting

# How will stakeholders receive information?

## Main Communication Channel is decentralised to the NCBs

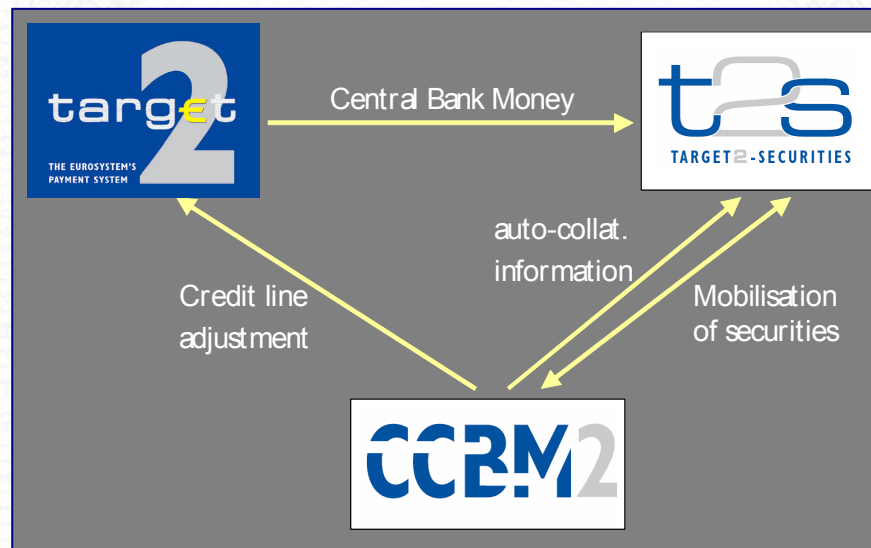
- business relationships with CSDs and counterparties
- local practise of national Information Desks or creation of User Groups
- organise and co-ordinate national activities of testing and migration

## General information sessions for market participants

- organised to introduce deliverables of general interest, and/or at key project milestones
- revamp the CCBM2 website (in the coming weeks)



- The move towards integrated collateral management services
- The Eurosystem “magic triangle”



**Thank you for your attention !**

**Questions?**

**CCBM2**