

# **Triparty repo in CCBM2**

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**COGESI meeting**  
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# Integration of triparty repo in CCBM2

## OUTLINE

1. **CCBM2 and its synergies with other Eurosystem projects**
2. **CCBM2 main principles applied to triparty**
3. **CCBM2 milestones**
4. **Conclusions**

# Integration of triparty repo in CCBM2

## I. CCBM2 and its synergies with other Eurosystem projects

## Current CCBM arrangement

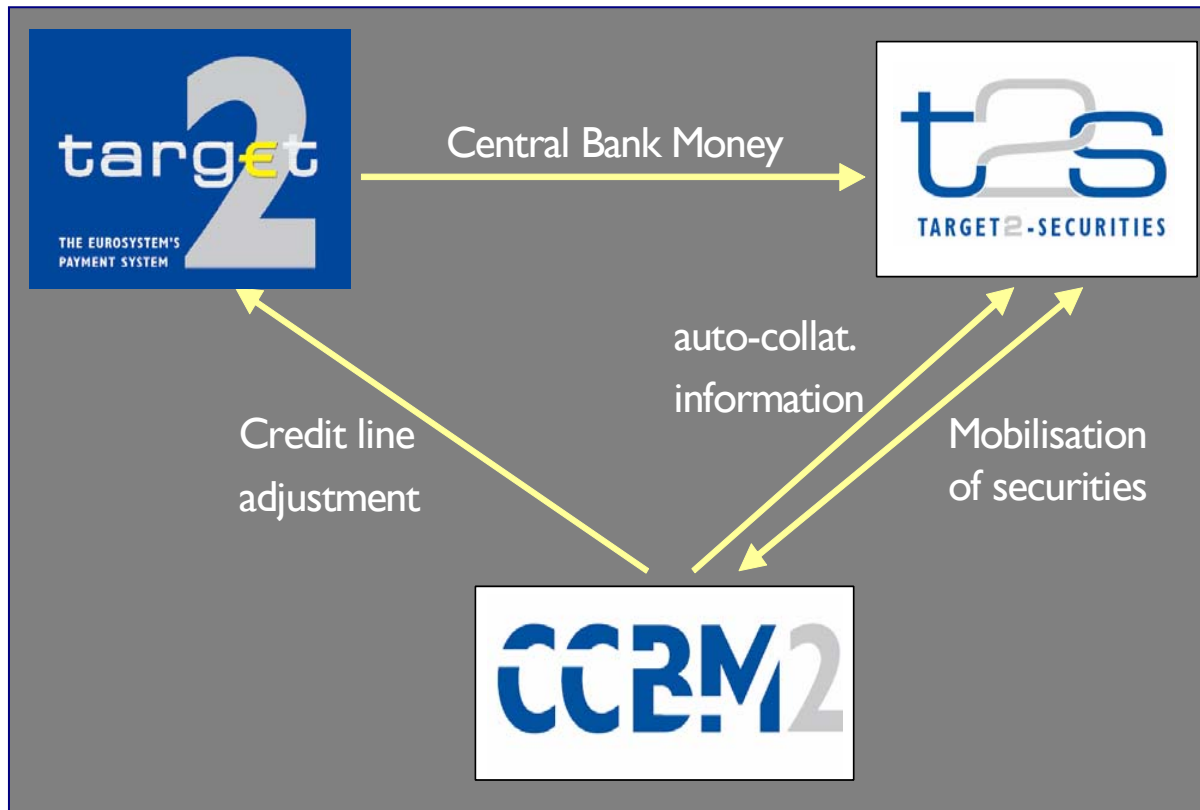
- CCBM = Correspondent Central Banking Model
- Started with the introduction of euro in 1999
- Set of agreed procedures between national central banks (NCBs) for mobilising cross-border collateral
- NCBs operate securities accounts at their local CSDs on behalf of each other:
  - **Correspondent Central Bank (CCB)** operates a collateral account on behalf of **Home Central Bank (HCB)**, which grants credit to its counterparty

# Challenges of the CCBM arrangement

- Technical challenges
  - technical decentralisation
  - high complexity
  - functional development and testing burdensome
- Operational challenges
  - differing national procedures and arrangements
  - varying processing times
- Use of cross-border collateral has increased sharply from **EUR 163bn** (1999) to **EUR 569bn** (2009)

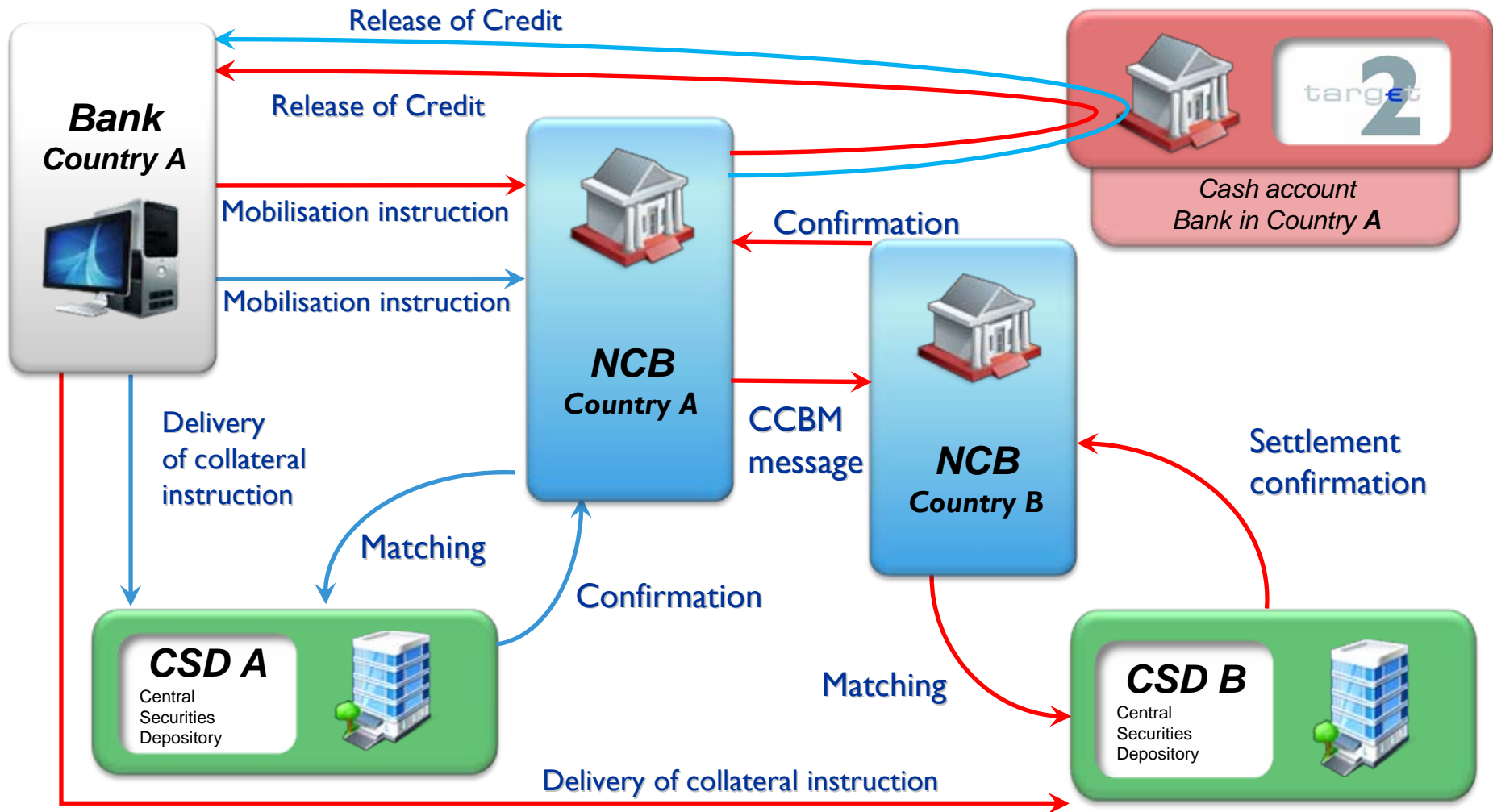
→ **Development of a common technical platform: CCBM2**

# Synergies among Eurosystem projects



# Collateral mobilisation flow today

(domestic and cross-border)



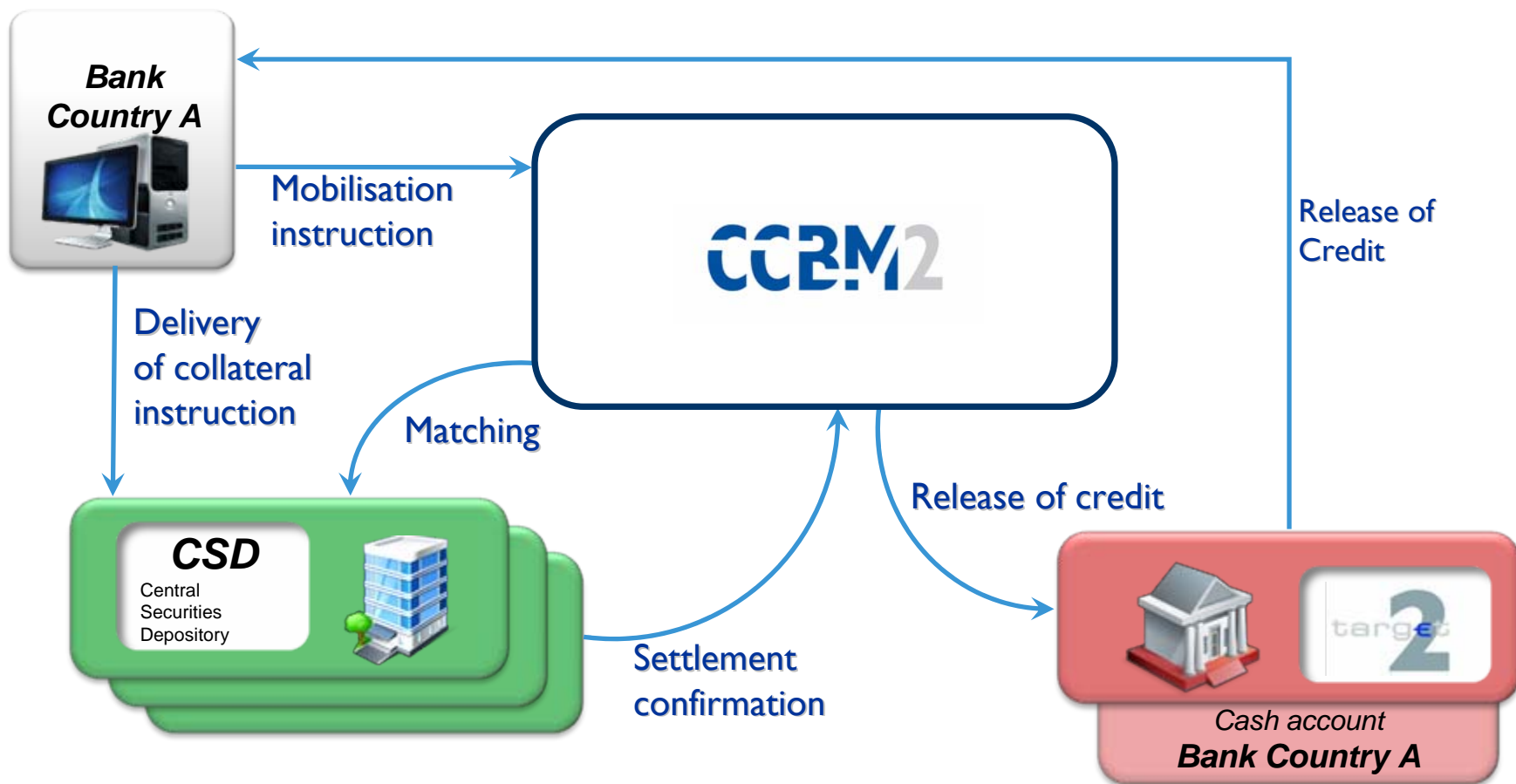
## CCBM2 features

- Collateral Central Bank Management (CCBM2)
- centralised collateral management platform complying with the decentralised access to credit
- fully compatible with T2 and T2S
- domestic & cross-border, pooling & earmarking, repo & pledge
- real-time straight-through processing
- able to use all eligible SSS and eligible links between SSS



# Collateral mobilisation flow in CCBM2

Harmonised procedures for domestic and cross-border mobilisation



# Major changes with CCBM2

- Removal of the repatriation requirement
- Re-introduction of out-collateral
- Cross-border tri-party collateral management services

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## 2. CCBM2 main principles applied to triparty

# Cross-border tri-party collateral management services in CCBM2

## Business case

- Secured Money Market Operations are increasing and require settlement solutions that **optimize the use of collateral**
- Importance of secure and efficient solutions for settlement of repo transactions (*CPSS report on “Strengthening repo clearing and settlement arrangements” Sept. 2010*)

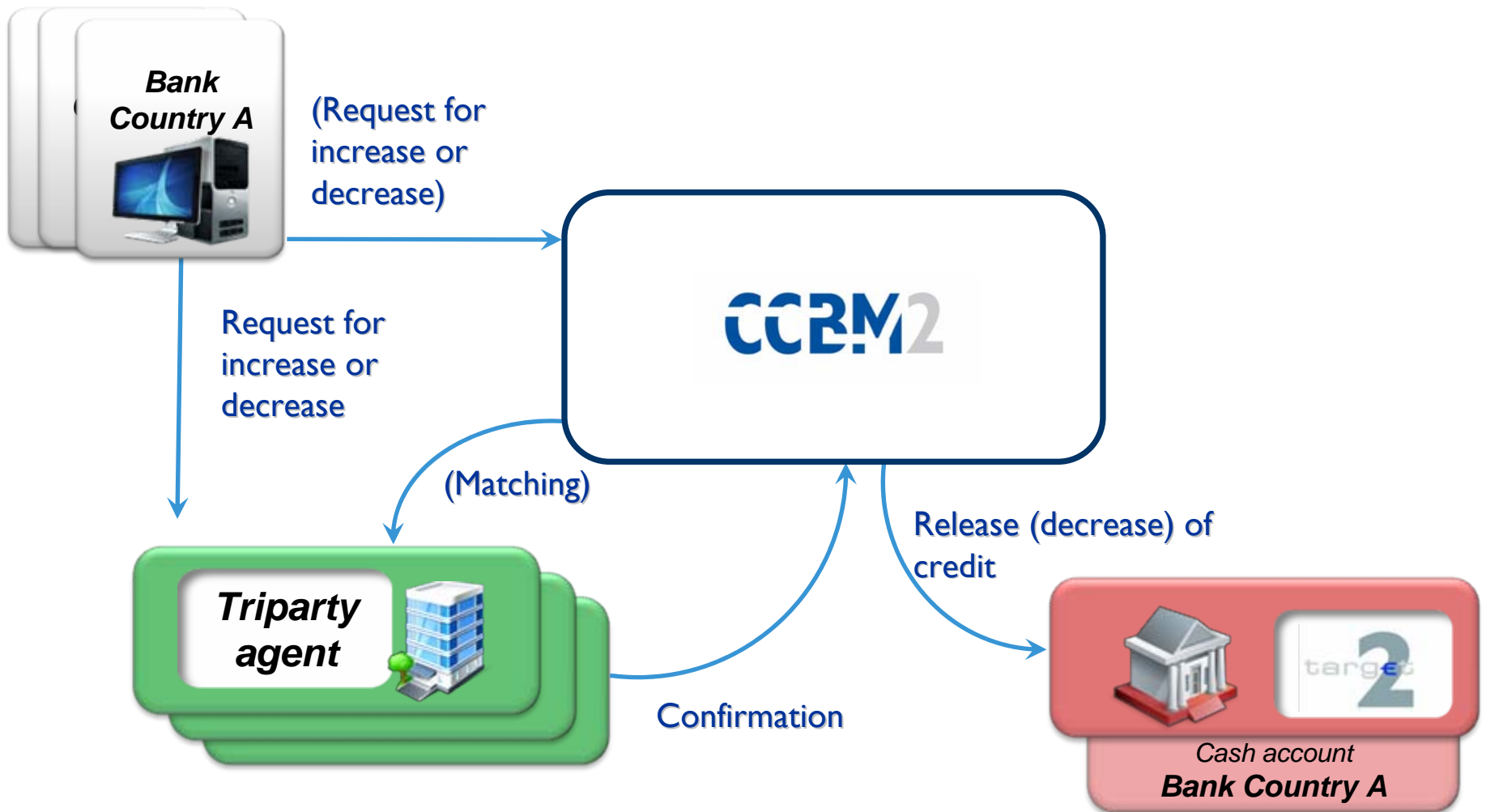
# Tri-party collateral management services

- Third party acting as an agent for collateral taker (Eurosystem) and collateral provider (counterparty)
- 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

# Tri-party collateral management services

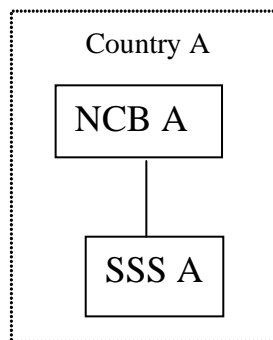
- Requested by the market
- Level playing field: allowing for cross-border use in order to make tri-party collateral services available to all Eurosystem counterparties
- Three models outlined in CCBM2 specifications
  - support for CBF, CBL, Euroclear Group variations
- Neutrality

# Triparty flows in CCBM2



# Eligible collateral routes today: 3 alternatives

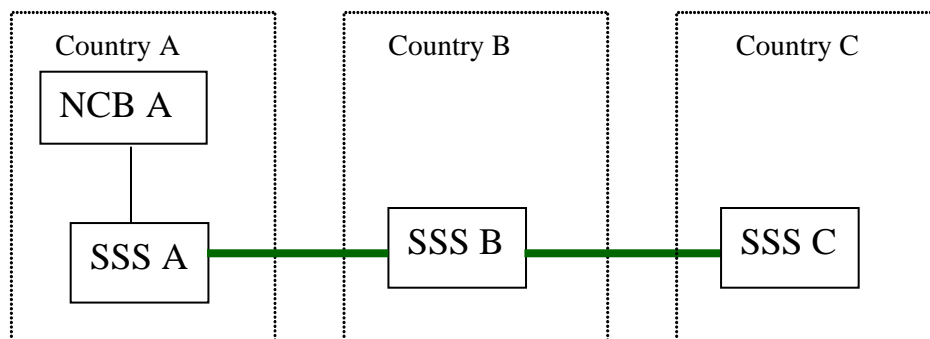
domestic



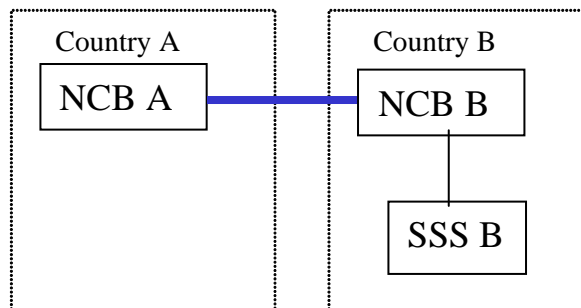
relayed link

direct link

market route

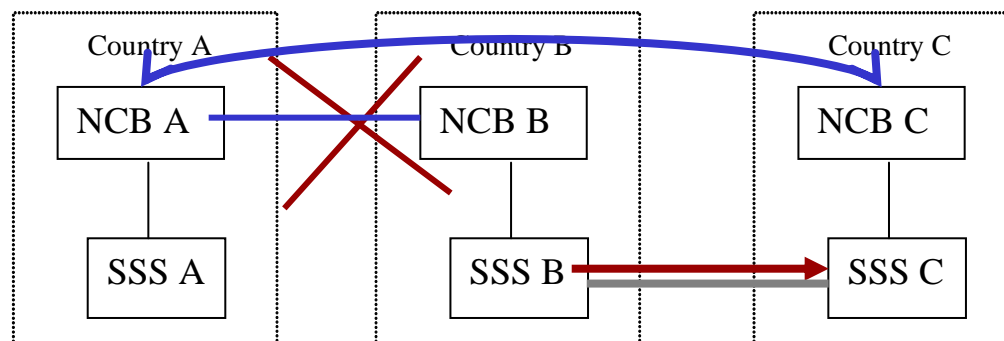


ccbm route



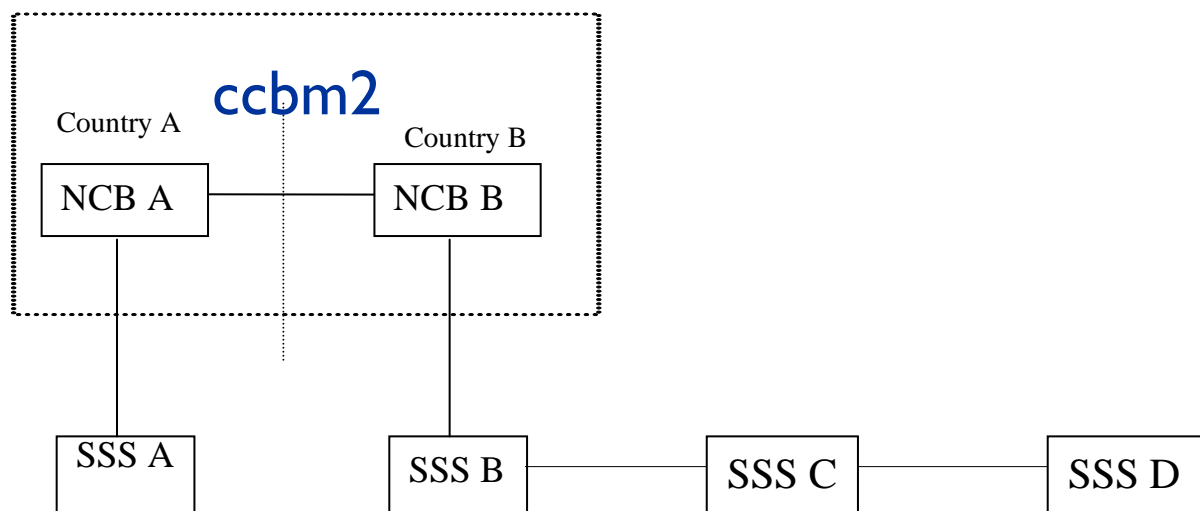


# Repatriation requirement



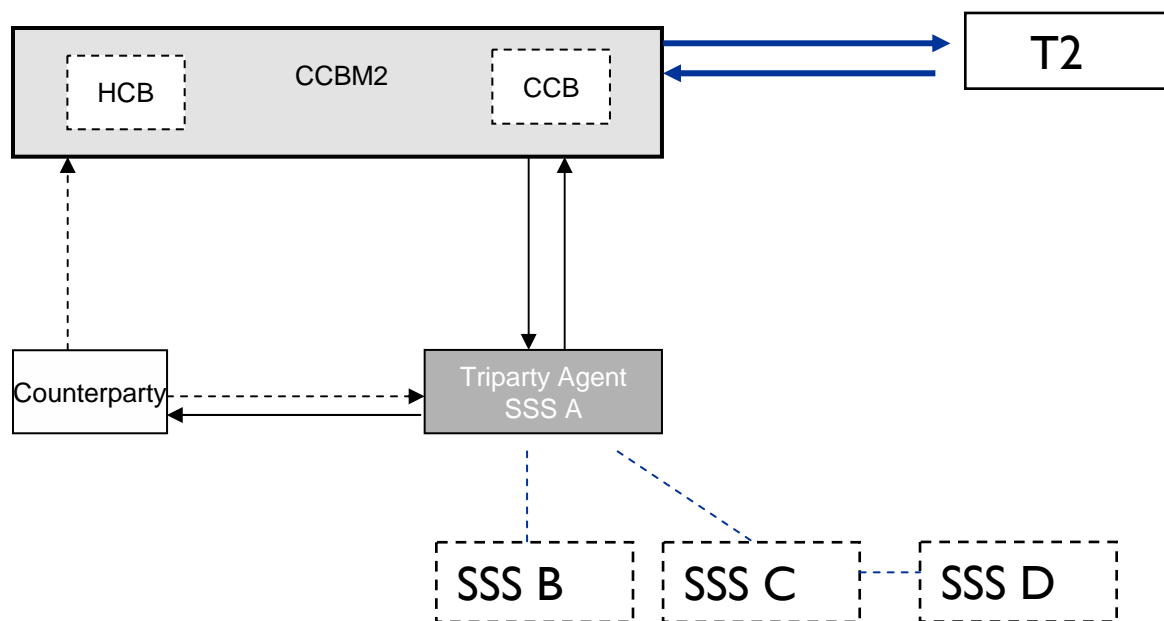
Assets issued in country C and held in SSS B need first to be repatriated from the investor SSS B to the Issuer SSS C before they can be delivered to the Eurosystem via CCBM

# Eligible collateral routes with CCBM2



- Harmonised procedures for domestic and cross-border
- ccbm2 will accommodate for the combination of ccbm and eligible links
- the removal of the repatriation requirement will make it possible to leave collateral in the (I)CSD of the counterparties choice

# Eligible Collateral routes with CCBM2

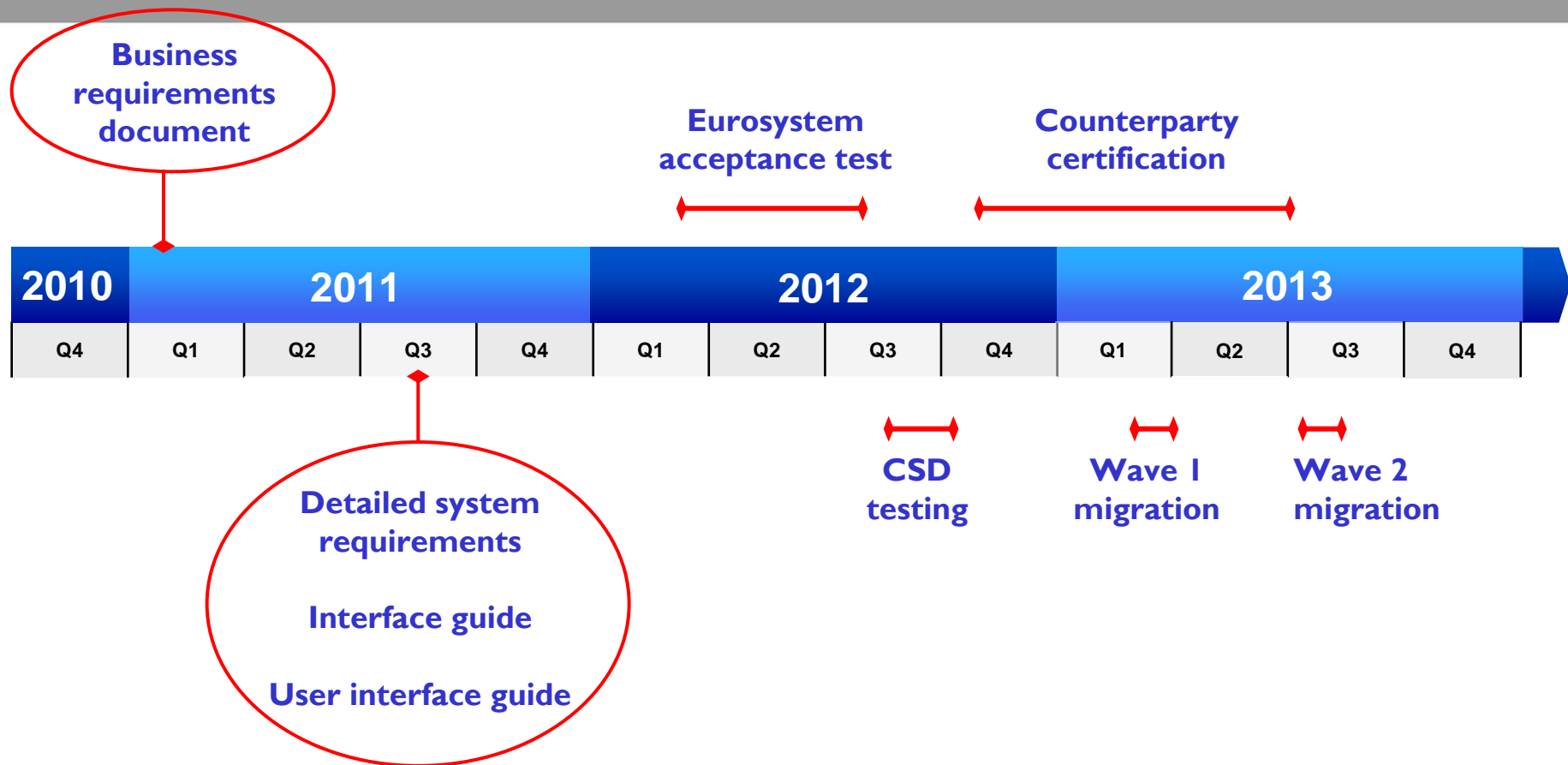


- Mobilisation of collateral issued in the (I)CSD acting as triparty agent and held there via eligible links
- Available to all Eurosystem counterparties, irrespective of their location in the euro area and location of triparty agent
- Supports efficient collateral management/re-use by Eurosystem counterparties

# Integration of triparty repo in CCBM2

## 3. CCBM2 milestones

# CCBM2 Milestones



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## 4. Conclusions