A single, unified collateral management system

The Eurosystem Collateral Management System will replace the 19 local collateral management systems of the NCBs in operation today.

Go-live is planned for November 2022.
Before the ECMS:

19 collateral management systems

From November 2022 onwards:

1 unified system
The ECMS – key aspects

The ECMS will work together with the other TARGET services to ensure that cash, securities and collateral flow freely across Europe.

The ECMS keeps track of the individual collateral and credit positions of counterparties belonging to the Eurosystem national central banks.

The ECMS calculates the credit line available to each counterparty and send this information to the central liquidity management tool (CLM).

The ECMS converts counterparties’ (de-) mobilisation instructions into settlement instructions which are sent to and settled in TARGET2-Securities (T2S).
The ECMS interacts with many other services to provide Eurosystem NCBs and their communities with common functionality for managing marketable assets and credit claims used as collateral in Eurosystem credit operations.
## Instruments within the scope of ECMS

<table>
<thead>
<tr>
<th></th>
<th>Provision of liquidity</th>
<th>Absorption of liquidity</th>
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</thead>
<tbody>
<tr>
<td><strong>Open market operations</strong></td>
<td>✓ Reverse transactions (MRO, LTRO, TLTRO, …) Foreign exchange swaps Outright purchases</td>
<td>Reverse transactions Foreign exchange swaps ✓ Collection of fixed-term deposits Issuance of ECB debt certificates Outright sales</td>
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<tr>
<td><strong>Standing Facilities</strong></td>
<td>✓ Marginal lending facility</td>
<td>Deposit facility</td>
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Marketable assets - features

- **ECMS interacts with T2S for the settlement of instructions**
- **Common**
  - Applies to all assets deposited in a CSD
- **A2A and U2A**
- **Timing**
  - Before 17:45 CET for same day processing
- **Different life cycles for marketable asset and settlement instructions**
- **T2S**
- **Interface**
- **Two instructions**
Marketable asset instructions in the ECMS

Instruction contains:
- ISIN code
- Quantity FAMT
- Intended settlement date
- Trade date
- Delivering and receiving CSD
- ECMS account number

Counterparties remain responsible for ensuring that a corresponding settlement instruction is available in T2S for matching.

The T2S securities account to be used is determined by the ECMS on the basis of NCB configuration.
Link to tender process

- Collection of bids is managed in the usual NCB application, which remains outside the ECMS.
- The processing of bids is likewise conducted outside the ECMS.
- The ECMS will receive the results of the process.
Settlement of payments – general principles

- All payments are settled in T2 (CLM)
- Settlement occurs in the Main Cash Account designated by the counterparty
- This may be its own Main Cash Account or that of another CLM participant (subject to the necessary agreements)

Netting of payments

New operations are netted out against any maturing liquidity providing operations (e.g. OMO and marginal lending). Availability depends on the setup in each NCB and of the system.
The ECMS supports multi-pooling functionality. A single pool must however be used for the collateralisation of Eurosystem credit operations. The difference between the total collateral available and the amount of outstanding Eurosystem monetary policy operations determines the over/under-collateralisation of the pool. This is called the suggested credit line in the ECMS.

* When activated for use as collateral
Benefits of the ECMS

Harmonisation of collateral management practices

Integration within the Eurosystem’s market infrastructure landscape (T2 and T2S).

Efficiency

NCBs, their counterparties and other relevant actors to operate on one single system with a single interface.
Indicative numbers on ECMS

- **1,500** credit line updates per day
- **1,200** payments per day
- **2,000** messages per day
- **400** marketable asset instructions per day (mob./demob.)
- **25,000** average marketable asset positions
- **2,700** counterparties expected in the system
- **Around 25,000** eligible collateral marketable assets
- **25,000** average marketable asset positions
Who needs to be ready?

The ECMS Community

- NCBs
- CSDs and Triparty Agents
- Counterparties
What are the main milestones up to Q3 2021?

Q2 2020 – Q3 2021

**PSE**
ECMS project set-up

**IAD1**
Impact assessment on internal applications started

**Q2-2020**

**NSP**
Network service provider procurement completed

**Q3-2020**

**IAD2**
Impact assessment completed

**Q4-2020**

**IAD3**
Drafting of internal applications documentation started

**Q1-2021**

**IAD4**
Drafting of internal applications documentation completed

**Q2-2021**

**IAD5**
Software adaptation changes to ECMS started

**Q3-2021**

**IAD6**
Software adaptation changes to ECMS completed

**IAD7**
Internal testing started
## High level project timeline

<table>
<thead>
<tr>
<th>Phase</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
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<td>Specification phase</td>
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<td>User Testing</td>
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<td>Migration implementation</td>
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<td>Stabilisation and closing of the project</td>
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**Focus:**
- Development and internal testing
- Eurosystem Acceptance Testing
- Stabilisation and closing of the project

**Go-live:** November 2022