1st meeting of the AMI-SeCo HSG’s Collateral Management Harmonisation Task Force
24 August 2017, Frankfurt am Main
Overview

1. Background on ECMS
2. ECMS and harmonisation
Background: The future of the Eurosystem’s market infrastructure landscape

• The Eurosystem has a keen interest in a safe and efficient infrastructure:
  → Closely related with its responsibilities in the fields of monetary policy and financial stability.
  → Continuous improvement of the core infrastructure services fostering further financial integration.

• The Governing Council agreed in September 2016 to conduct the investigation phase for these projects:
  1) Consolidation of TARGET2 and T2S
  2) Eurosystem Collateral Management System
  3) TARGET Instant Payment Settlement (TIPS)
Background: What is Eurosystem Collateral Management System?

- A single ECMS for managing **eligible assets as collateral** in Eurosystem monetary policy operations.
- The ECMS would include to the largest possible extent **harmonised functions and services**.
Background: Triggers and expected benefits of ECMS

Triggers:

• highly fragmented system landscape of collateral management systems across the Eurozone central banks

• growing importance of collateral

• opportunity for further financial integration within the Eurosystem’s Market Infrastructure landscape

Expected benefits:

• reducing fragmentation and heterogeneity within the Eurosystem

• allowing for efficient mobilisation and management of collateral

• contributing to the European Capital Markets Union
Investigation Phase

- Collect the functional and non-functional user requirements for the project.
- Perform a cost-benefit analysis on a Eurosystem level (i.e. compare the costs of the project with revenues and avoided costs triggered by the project).
- Create a high-level project plan.

Realisation Phase

- ECMS implementation, including specification, development, testing, migration activities.
- Followed by the operational phase.

Ensure that the Governing Council can take an informed decision on whether to approve the realisation of a project in December 2017.

September 2016 / QRG1

December 2017 / QRG2

2022 / QRG3
Overview

1. Background on ECMS
2. ECMS and harmonisation
ECMS and harmonisation: Scope and interaction with the market

- Interfaces
- Reference Data
- Monetary Policy Operations
- Collateral Management
- Global Credit & Collateral Position
  - Credit
  - Collateral
- Support Functionalities
- ECMS Service Desk
- NCB Operators
- Counterparties
- Tri Party Agents
- CSDs/T2S
- RTGS
- Foreign CBs/other NCBs
- ESCB Applications
- Reporting
- Reference data
- Credit Line updates
- Payments
- Standing facilities
- FX Payments
- Emergency foreign collateral
- Collateral Instructions, position details
- Corporate actions
- Settlement instructions
- Autocollat support
ECMS and harmonisation

- **Task Force on Eurosystem Collateral Management System** (2015/16)
  - Formulated **general principles** for an ECMS and identified **high-level user needs (HUNs)** and **16 high-level harmonisation needs (HANs)** for ECMS.

  Principle 2 (harmonisation)
  In principle, the ECMS shall only support harmonised functionalities, services and processes. Functionalities, services and processes related to national specificities shall only be implemented in the ECMS after a detailed analysis, including cost/benefit analysis, reflecting the views of the Eurosystem stakeholders and project risk assessment.

- **Task Force on Eurosystem Collateral Management Harmonisation** (2016-)
  - Focused on the HANs based on which it delivered **harmonisation proposals** translated in the ECMS URD.

- **Task Force on Eurosystem Collateral Management System** (2016-17)
  - Contributed to the creation of the **ECMS User Requirements Document**, which also incorporates the harmonisation proposals.
ECMS and harmonisation

- The ECMS project will benefit from the ongoing and future market harmonisation, notably in the following functional areas:
  - **Usage of ISO 20022** for all communication between ECMS and all market participants (CSDs, Tri-party agents, counterparties);
  - **Tri-party collateral management** services used when mobilising marketable assets in Eurosystem credit operations;
  - **Corporate actions management**.
Conclusion

• **Goal**: Single system for the collateralisation of Eurosystem credit operations with efficient and **harmonised** procedures.

• **Challenge**: Ensure full market support in terms of harmonisation efforts and the potential change stemming from the harmonisation.