Impact of Eurosystem Collateral Management System (ECMS) on market participants

AMI-SeCo meeting
July 2017, Frankfurt am Main
Overview

1 Background

2 Functional Key Aspects
Fundamental drivers of the Eurosystem

- The key function of Eurosystem market infrastructures is to ensure the exchange of securities, collateral and liquidity between financial market counterparties with liquidity being the fuel to effectively facilitate the exchange:
**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**.

![Diagram of Eurosystem Collateral Management System](image)
**Background: Project phases**

**Investigation Phase**
- The Eurosystem is currently investigating the business case for ECMS.
- The main deliverables are:
  - User Requirements Document
  - Eurosystem Cost-Benefit Analysis
  - Testing and Migration Strategy
- Approval of the Governing Council will be sought in December.

**Realisation Phase**
- ECMS implementation
  - Specification
  - Testing
  - Migration
  - ...
- Followed by the operational phase

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**September 2016 / QRG1**

**December 2017 / QRG2**

**2022 / QRG3**

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Overview

1 Project overview

2 Functional Key Aspects
Components and interaction with the market

- ECMS Service Desk
  - System administration
- NCB Operators
  - Support & Monitoring

- Interfaces
- Reference Data
- Monetary Policy Operations
- Collateral Management
- Global Credit & Collateral Position
  - Credit
  - Collateral

- Support Functionalities
  - Credit Position
  - Collateral Position

- RTGS
  - Credit Line updates
  - Payments
  - Standing facilities

- Foreign CBs/other NCBs
  - FX Payments
  - Emergency foreign collateral

- Counterparties
  - Collateral Instructions, position details
- Tri Party Agents
  - Triparty Instructions
  - Corporate actions
  - Settlement instructions

- CSDs/T2S
  - Autocollat support

- ESCB Applications
  - Reporting
  - Reference data

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Eurosysteem Collateral Management System

Functional areas of interest addressed via ECMS

• Usage of ISO 20022 for all communication between ECMS and all market participants (CSDs, Triparty, counterparty)

• Tri-party collateral management services used when mobilising marketable assets in Eurosystem credit operations

• Credit claim management

• Corporate action management

• Collateral management framework implementation
The general principle of harmonisation triggers changes for all involved parties. Benefits for market participants as given below:

- One common approach of interacting with the Eurosystem in terms of systems and operations leading to increased efficiency and reduction in operational risk.
- ISO 20022 standard - one common, state of the art communication standard resulting in more efficient communication channels.
- Single interface for Eurosystem collateral management operations in the course of monetary policy implementation.
- Embedding collateral management operations into the lifecycle of liquidity management for Eurosystem counterparts.

Market updates via AMI-SeCo and other fora to be planned.