

Attn: Ms. Daniela Russo  
European Central Bank  
Payment Systems and Market Infrastructure  
Postfach 16 03 19  
D-60066 Frankfurt  
Germany

Brussels, April 30th 2008

Dear Ms. Russo,

**Re: Response on the Collateral Central Bank Management (CCBM2)  
User Requirements - version 3.0 released on February 26<sup>th</sup> 2008**

Dexia welcomes the consultation of the Eurosystem on the CCBM2 User Requirements. This response is sent on behalf of Dexia Group which consists of Dexia Bank Belgium, Dexia Crédit Local Paris, Dexia Bank Luxemburg, Dexia Crediop Rome, Dexia Kommunalbank Deutschland Berlin and Dexia Crédit Local New York.

We welcome the initiative to develop a single platform for collateral management in parallel with the Target2-Securities (T2S) project in order to exploit synergies to a maximum extent.

Please find below the elements which are of particular interest to us. These elements -with the exception of point 5- came also out of the initial consultation round (ECB document dd. October 12<sup>th</sup> 2007):

1. strong push on Eurosystem NCB's to become full participants to CCBM2 in order to maximise the benefits
2. credit freezing facility that allows the use of collateral for other purposes than the collateralisation of Eurosystem credit operations
3. ***interaction with other market systems, in particular triparty collateral management services***
4. ***request that the Eurosystem should consider an additional CCBM2 module for using collateral from other main currency areas***
5. ***provide the functionality that one bank within a multi-country bank group can pledge collateral with its home central bank, collateral which in turn, may be used within CCBM2 through a 'virtual collateral pooling' mechanism (similar to T2) by another bank within the multi-country bank group***
6. ***CCBM2 should be a unique opportunity / a strong driver towards harmonised procedures for collateralisation of the Eurosystem specially for credit operations (legal & operational issues)***
7. web interface (similar to ICM Target2) that integrates information from CCBM2, T2 and T2S
8. de-couple launch of CCBM2 from T2S and implement CCBM2 within a shorter time frame.

Our comments relate to the points 3, 4, 5 and 6.

## **The Credit & Collateral Module**

### ***Interaction with triparty collateral management services (point 3)***

In the first consultation round of CCBM2, the market formulated the recommendation that the triparty collateral management services should be integrated within the CCBM2 platform.

Dexia Group is very pleased that the Eurosystem is willing to investigate this recommendation and has included this functionality in the second round of the user consultation on CCBM2.

Triparty collateral management services are to be considered similar to all existing links with other SSS's, the ICSD's Clearstream International and Euroclear, but also other major market service providers as JP Morgan Chase and Bank of New York.

In order to benefit to a maximum extent from the interoperability and the complementarities of the three major systems offered by the Eurosystem (T2, T2S and CCBM2), we strongly recommend that the triparty collateral management systems that are accepted to interact with CCBM2, would become direct participants of the two other major services of the Eurosystem. This would allow settlement of refinancing operations (MRO, LTRO) in central bank money on a delivery versus payment basis within T2S.

Such integrated solution, where the available collateral with the different triparty collateral management systems can be reused for refinancing operations with the ECB while benefiting from delivery versus payment settlement in T2S in central bank money, will allow the market participants to optimize their liquidity and collateral management.

Especially in emergency situations -i.e. the ECB intraday fine-tuning operations- it is very important that settlements for the different financial transactions can be handled in one integrated financial market infrastructure as offered by the Eurosystem.

### ***Adding a CCBM2 module for using collateral from other main currency areas i.e. USD funding to Eurosystem counterparts in the context of TAF term auction-facility (point 4)***

From the very outset, CCBM2 should take a leading role in pushing / facilitating global collateral management with other non Euro Central Banks. Priority should be given to interaction with the major non EUR Central Banks in complementary time zones: the US and Japan. This would allow global credit institutions to optimise the management / allocation of their collateral (usage of the same collateral in different time zones) to the highest extent; in particular in stress situations (liquidity or currency crisis).

Adding this functionality obviously requires the CCBM2 system to operate within large opening hours and to adapt technically in order to handle non-Euro collateral as well.

Cross currency / country eligibility of assets will in this context be a major issue. We favour the Eurosystem giving priority to T1 assets in the first phase: assets which fulfil, from a credit quality point of view, all criteria of the Federal Reserve, the ECB and the Bank of Japan.

***Provide within CCBM2 a 'virtual collateral pooling' mechanism similar to T2 (point 5)***

The purpose of the 'virtual collateral pooling' is to offer a multi-country bank group the functionality to aggregate intraday (possibly by using the freezing functionality) the collateral available on a set of single accounts (belonging to a group of accounts) held with multiple home Central Banks.

This would allow banks belonging to a multi-country bank group:

- to pledge collateral with their home Central Bank which can consequently be used within CCBM2 through the 'virtual collateral pooling' (similar to T2) by another bank that manages the liquidity & collateral in a centralised way within the group
- to benefit from an optimal usage of collateral which is managed centrally but can be used decentralised for other purposes than the collateralisation of the Eurosystem operations through the credit freezing facility.

**The Credit Claims Module**

***Unique opportunity / a strong driver towards harmonised procedures for collateralisation of credit operations: legal & operational issues (point 6)***

The use of credit claims as collateral within CCBM2 is important for the Dexia group. The heterogeneity of national legal frameworks hampers the establishment of a level playing-field for credit claims. The involvement of the European Commission in driving towards harmonisation could be most helpful in making the market ultimately move towards best practices at an operational level:

- Swift communication for transfer / update of claims
- unique process for assignment of identification number
- no ex ante notification.

We look forward to the further evolution of the CCBM2 system and remain at your disposal should you wish to further discuss any of our comments.

Yours faithfully,

Kristin Claessens  
Head of Operations & Organisation  
Financial Markets DBB

Johan Evenepoel  
Head of TFM Treasury  
Dexia Group

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Cc: Ms. Simone Maskens, Head of Back Office NBB  
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