EUROPEAN CENTRAL BANK
EUROSYSTEM

Eurosystem Collateral Management System

Information pack

Using credit claims in the ECMS

January 2020

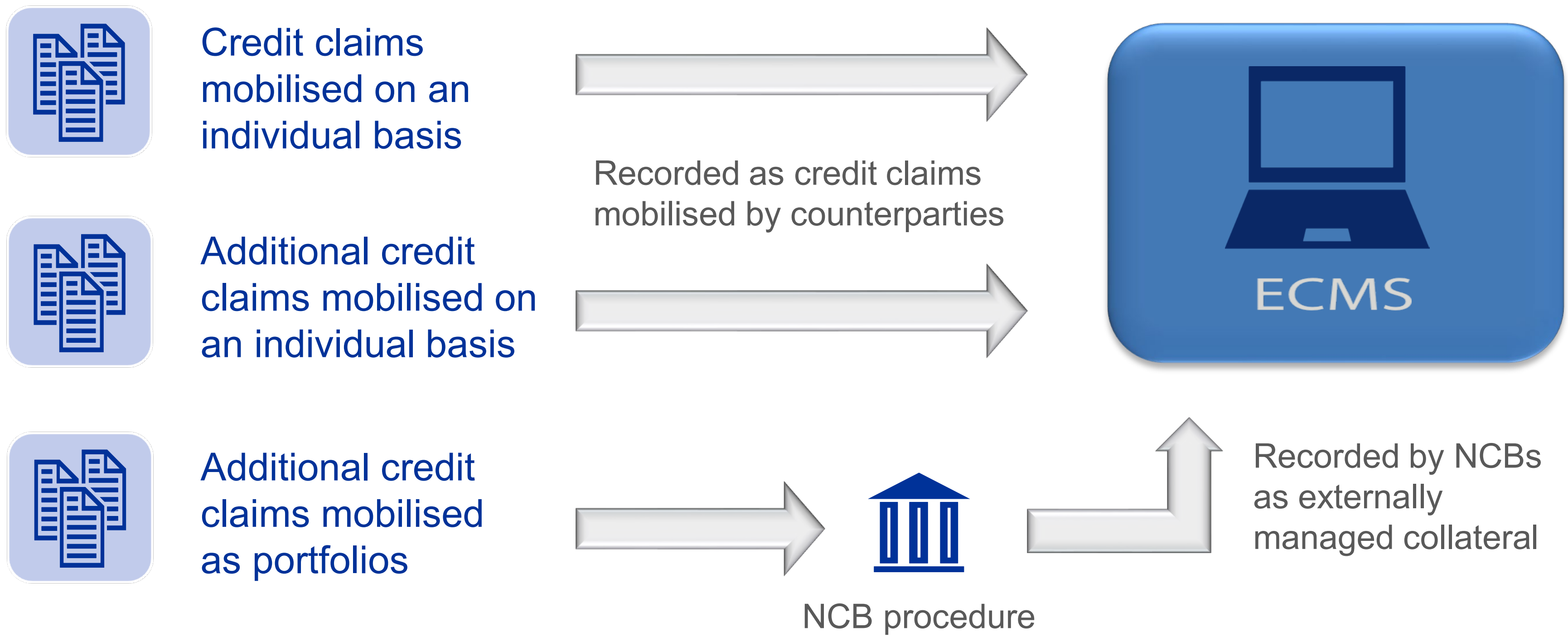
target services | ECMS

What credit claims can be managed in the ECMS?

Credit Claims

✓	Credit claims mobilised on an individual basis	**General framework**
✓	Additional credit claims mobilised on an individual basis	**Temporary framework (if applicable)**
✗	Additional credit claims mobilised as portfolios of credit claims	**Temporary framework (if applicable)**

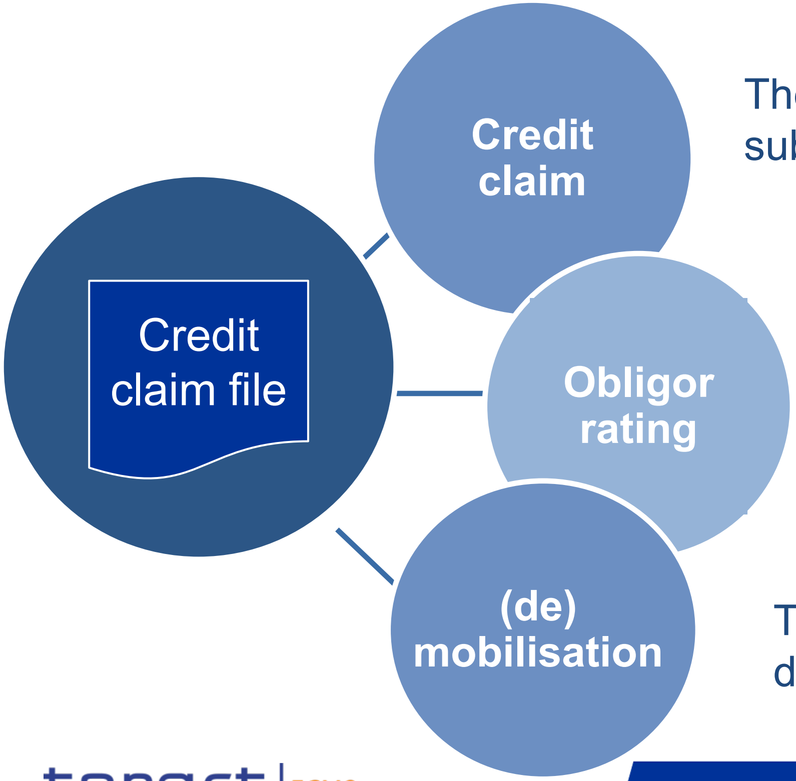
Recording of credit claims in the ECMS



Key principles related to credit claims

- **Up-to-date credit claim and IRB data:** Maintained by counterparties
- **Processing mode:** Delta updates for credit claims
- **Interface:** A2A and U2A
- **Daily cut-off for processing:** A2A - 17:30 CET; U2A - 17:45 CET
- **Loan documentation:** Outside the ECMS

Credit claim file content

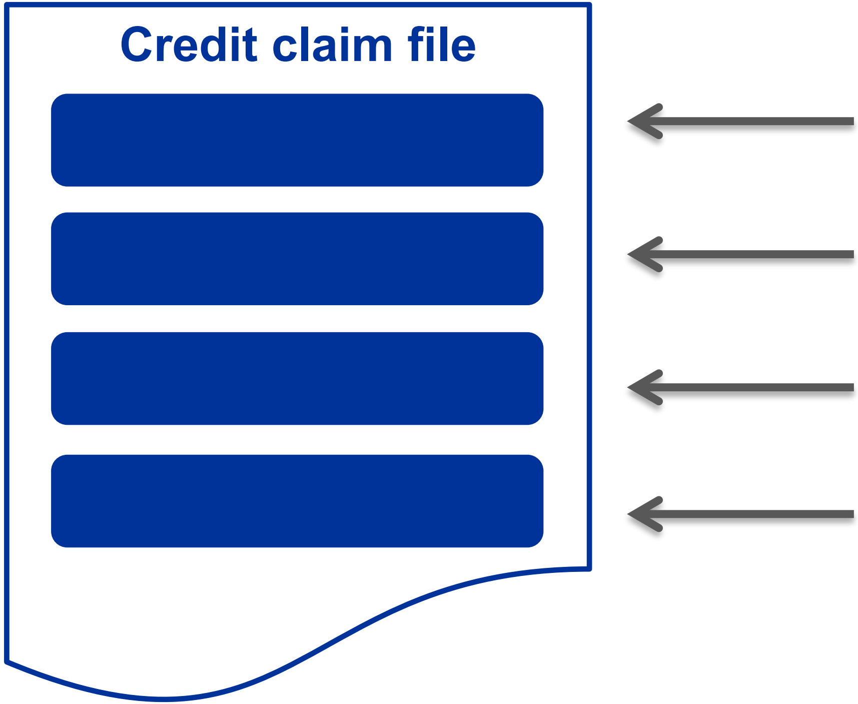


The registration and update of the credit claim via the submission of detailed information to the ECMS.

The registration and update of an associated probability of default if the credit quality requirements of a credit claim are to be fulfilled using IRB.

The request to mobilise a registered credit claim or demobilise a credit claim mobilised as collateral.

Example of credit claim file



Registration of **CreditClaim x** with **Debtor y**

Update of the outstanding amount of **CreditClaim w**

Registration of the IRB probability of default for **Debtor y**

Mobilisation of **CreditClaim x**

Credit claim life cycle

Credit claim file submission

- Contains one or more instructions

ECMS processing

- Performs checks, with NCB user intervention if required
- Determines if the credit claims fall under the general or temporary framework
- Updates collateral positions depending on the instructions

Processing report

- Indicates the status of all instructions for a particular credit claim file
- Additional report during the day shows status changes of pending instructions

Credit claim information (1)

CREDITOR

- The creditor of the credit claim does not always have to be the counterparty
- The code of the creditor should be indicated when the counterparty makes the registration

DEBTOR

- The debtor code and code type used (as designated by the NCB of the debtor residence country).
- The debtor name

GUARANTOR

- The guarantor code and code type used (as designated by the NCB of the guarantor residence country).
- The guarantor name
- The guarantee's reference

Credit claim information (2)

CREDIT CLAIM

- Counterparty’s credit claim reference
- Eurosystem’s credit claim reference
- Contract number as known by the debtor
- Guarantee reference if any
- Credit claim governing law
- Loan type (ECMS code list)
- Subordination indicator
- Set-off risk indicator
- Outstanding amount
- Currency
- Origination date
- Maturity date
- Interest rate type (fixed or variable)
- Changing interest rate indicator
- Resetting period < 1 year indicator
- Changing interest rate date
- Negative cashflow indicator
- Cap indicator
- Referenced Eurosystem index (ECMS Code list)
- Agent bank
- Observed Agent Identifier
- Contract Identifier
- Instrument Identifier
- Update date

Rating information

OBLIGOR

- The debtor or guarantor and code type used (as designated by the NCB of the obligor residence country).
- The debtor or guarantor name

RATING

- Rating type (IRB)
- Credit Assessment system code (ECMS code list)
- Probability of default
- Rating date
- Rating last day of validity

Mobilisation and demobilisation

- The simple registration of a credit claim does not necessarily mean that it can be used as collateral, as eligibility checks are only conducted upon mobilisation.
- If a credit claim becomes ineligible, it should be demobilised.
- If a credit claim matures, there is no need for demobilisation.

(de)mobilisation

Counterparty’s credit claim reference

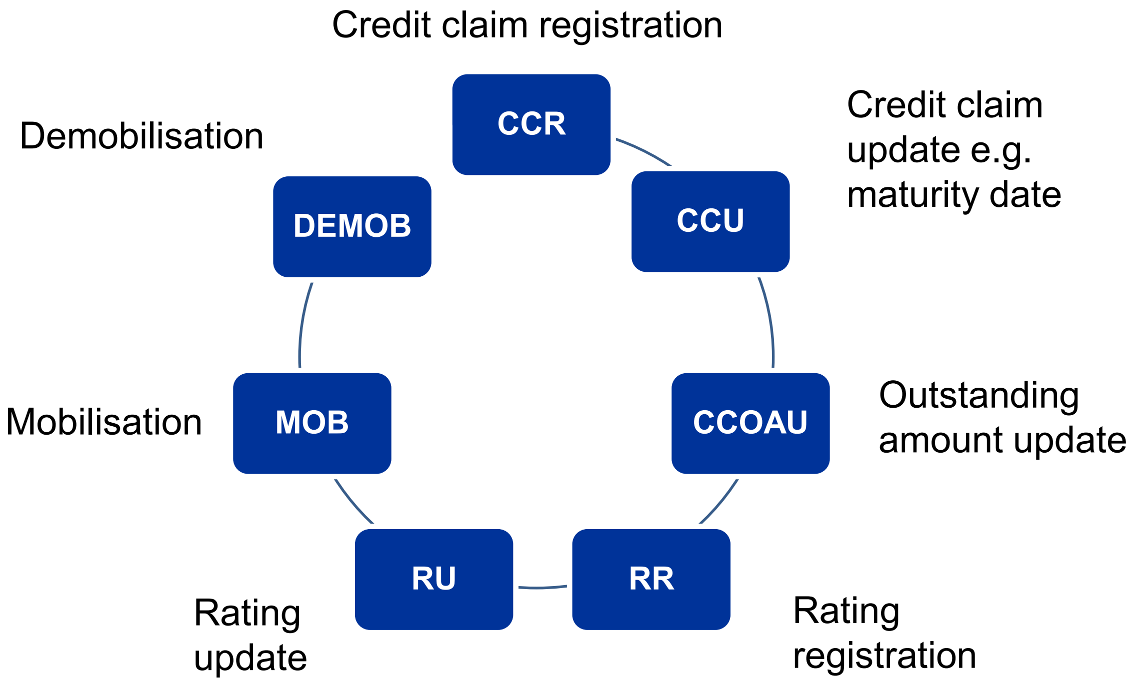
ECMS asset account

Eurosystem’s credit claim reference

Due to legal obligations, in some countries the registration has to be fully processed before the mobilisation of the credit claim using the Eurosystem’s credit claim reference.

Credit claim file and instructions

- Each file and each instruction is identified via a unique reference per counterparty.
- A credit claims file may contain multiple instructions of different types (in a defined order), but with the same intended settlement date (which may be in the future if the file only contains credit claim updates and/or mobilisations).



Status of instructions and credit claims

Status of an instruction

- Waiting Manual Intervention
- CC Waiting for NCB Validation
- Waiting Global Collateral Position Update
- Confirmed
- Rejected

Status of a credit claim

- Registered
- Mobilised
- Demobilised

Credit claim lifecycle – Scenario 1

Step 1 A credit claim registration is sent

Step 2 A credit claim mobilisation is sent

Registered

CCR confirmed

CC is registered

Mobilised

MOB confirmed, eligibility criteria are met

CC added to the pool of collateral

Credit claim lifecycle – Scenario 2

Step 1 A credit claim registration is sent

Step 2 A credit claim mobilisation is sent, but for an ineligible credit claim. The mobilisation instruction is automatically rejected without need for NCB intervention.

Registered	**Registered (ineligible)**
CCR confirmed	MOB rejected
CC is registered	CC is ineligible if an eligibility criterion is not met

Credit claim lifecycle – Scenario 3

Step 1 A credit claim registration is sent

Step 2 A credit claim mobilisation is sent but the NCB has to take action

Step 3 The NCB has confirmed the mobilisation

Registered	**Registered (pending eligibility)**	**Mobilised**
CCR confirmed	MOB waiting for NCB validation	MOB confirmed, eligibility criteria met
CC is registered	Information to be checked by NCB to ensure eligibility criteria are met	CC has been added to the pool of collateral

Credit claim lifecycle – Scenario 4

Step 1 A credit claim registration is sent

Step 2 A credit claim mobilisation is sent but the NCB has to take action

Step 3 The NCB has rejected the mobilisation

Registered	Registered (pending eligibility)	Registered (ineligible)
CCR confirmed	MOB waiting for NCB validation	MOB rejected
CC is registered	Information to be checked by NCB to ensure eligibility criteria are met	CC is ineligible if an eligibility criterion is not met

Credit claim lifecycle – Scenario 5

Step 1 A credit claim registration is sent

Step 2 A credit claim mobilisation is sent

Step 3 A credit claim demobilisation is sent

Registered	**Mobilised**	**Demobilised**
CCR confirmed	MOB confirmed, eligibility criteria are met	DEMOB confirmed
CC is registered	CC added to the pool of collateral	CC removed from the pool of collateral

Credit claim lifecycle – Scenario 6

Step 1 A credit claim registration is sent

Step 2 A credit claim mobilisation is sent

Step 3 Debtor rating has been updated

Step 4 A credit claim demobilisation is sent

Registered

- CCR confirmed
- CC is registered

Mobilised

- MOB confirmed, eligibility criteria are met
- CC added to the pool of collateral

Mobilised (ineligible)

- CC becomes ineligible upon daily check
- CC value set to zero

Demobilised

- DEMOB confirmed
- CC removed from the pool of collateral

Credit claim lifecycle – Scenario 7

Step 1 A credit claim registration is sent

Step 2 A credit claim mobilisation is sent

Step 3 When the maturity date is reached, the credit claim is automatically demobilised

Registered	Mobilised	Demobilised
CCR confirmed	MOB confirmed, eligibility criteria are met	Maturity date is reached
CC is registered	CC added to the pool of collateral	CC removed from the pool of collateral

Cross border credit claims

- The same process applies to cross-border credit claims as for all credit claims.
- The only difference is that the two NCBs involved will have access to different sets of information and are responsible for different actions.
- Some NCBs may not use the ECMS to manage credit claims. However, as soon as one of the NCBs involved in a cross-border credit claim is in the ECMS, the related instructions will be processed in the ECMS.
- Even if one of the NCBs involved does not use the credit claim functionality of the ECMS, credit claim instructions must still be entered into the ECMS (either by the counterparty, or by the NCB on behalf of the counterparty).