

CCBM2

## Project update

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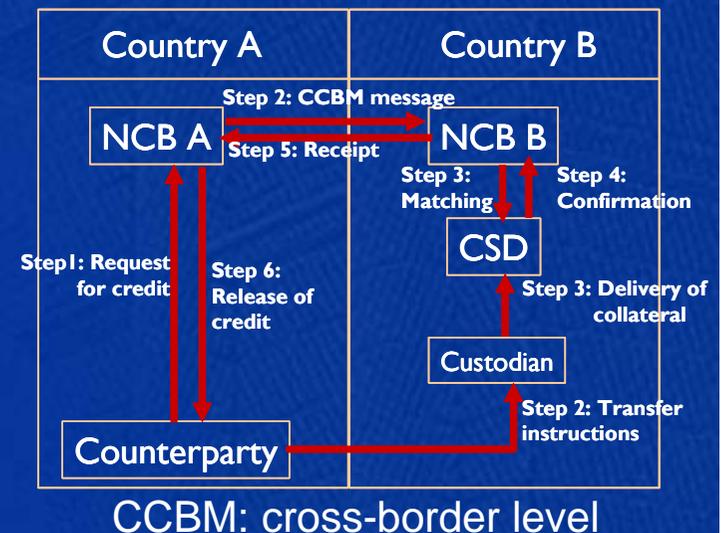
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# I. CCBM2: Objectives and principles

## Today's situation in the field of Eurosystem collateral management:

Eurosystem collateral management is technically decentralised with the specific CCBM arrangement at Eurosystem level for cross-border use.

- Domestic level: Across the euro area there exist different conditions (procedures, communication interfaces, level of automation)
- Cross-border level: In CCBM, there are up to five players (and related procedures) involved
- Domestic/cross-border level: Different conditions for cross-border (CCBM) and domestic transfers (in terms of execution time, timing and costs)



- ▶ The current CCBM is the main channel for cross-border use of collateral in Eurosystem credit operations



- ▶ Given the drawbacks in terms of harmonization and efficiency, the Governing Council of the ECB decided in March 2007 to review existing collateral management procedures and to create a new collateral management system for the Eurosystem, called CCBM2
- ▶ CCBM2 will offer a harmonised and efficient solution facilitating the interaction of counterparties acting as collateral providers with the Eurosystem

### ► Consolidation:

- Single platform for domestic and cross-border use of collateral (while CCBM covers cross-border only); Eurosystem participation is of voluntary nature
- Centralised IT solution while preserving decentralised business relations between NCBs and counterparties (access to credit)

### ► Harmonisation:

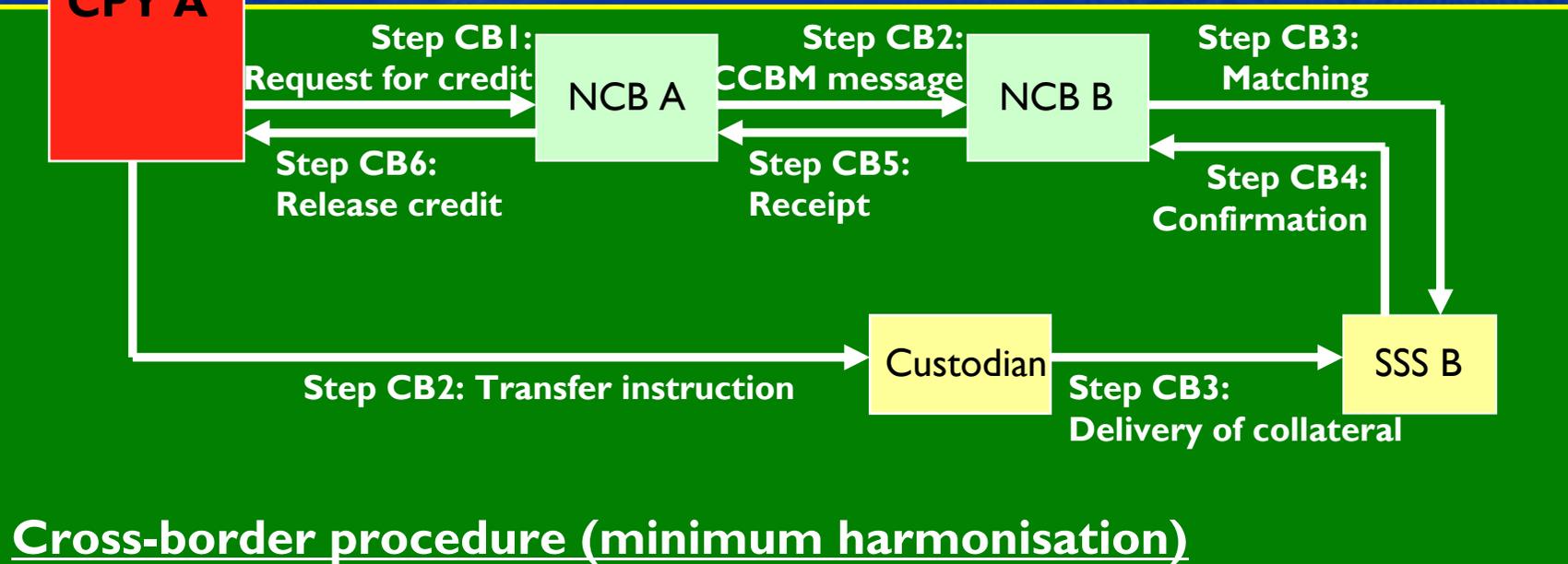
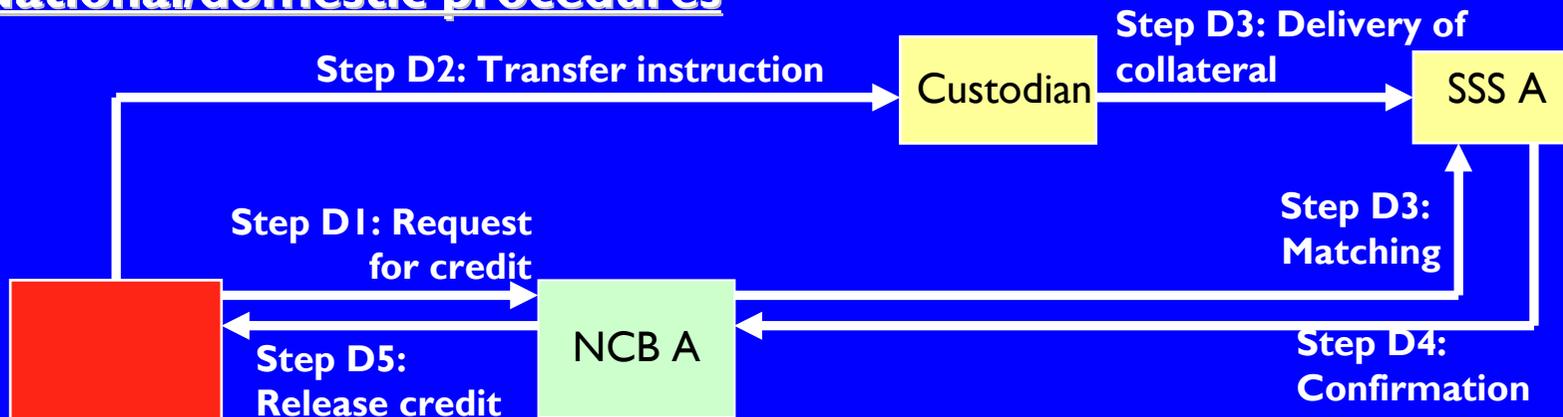
- Harmonised service level for all eligible assets (marketable assets and credit claims), covering existing collateral legal techniques (pledge and repo)
- Harmonised interface with counterparties
- Harmonised fee structure for CCBM2 services

### ► Efficiency:

- Lower costs for consolidated solution which will be based on existing central bank systems (such as the one jointly operated by NBB/DNB)
- Adoption of real-time and straight-through-processing
- Interfaced with TARGET2 and TARGET2-Securities (CCBM2 project is being conducted in parallel with the TARGET2-Securities project)

## How it could work\* The current framework

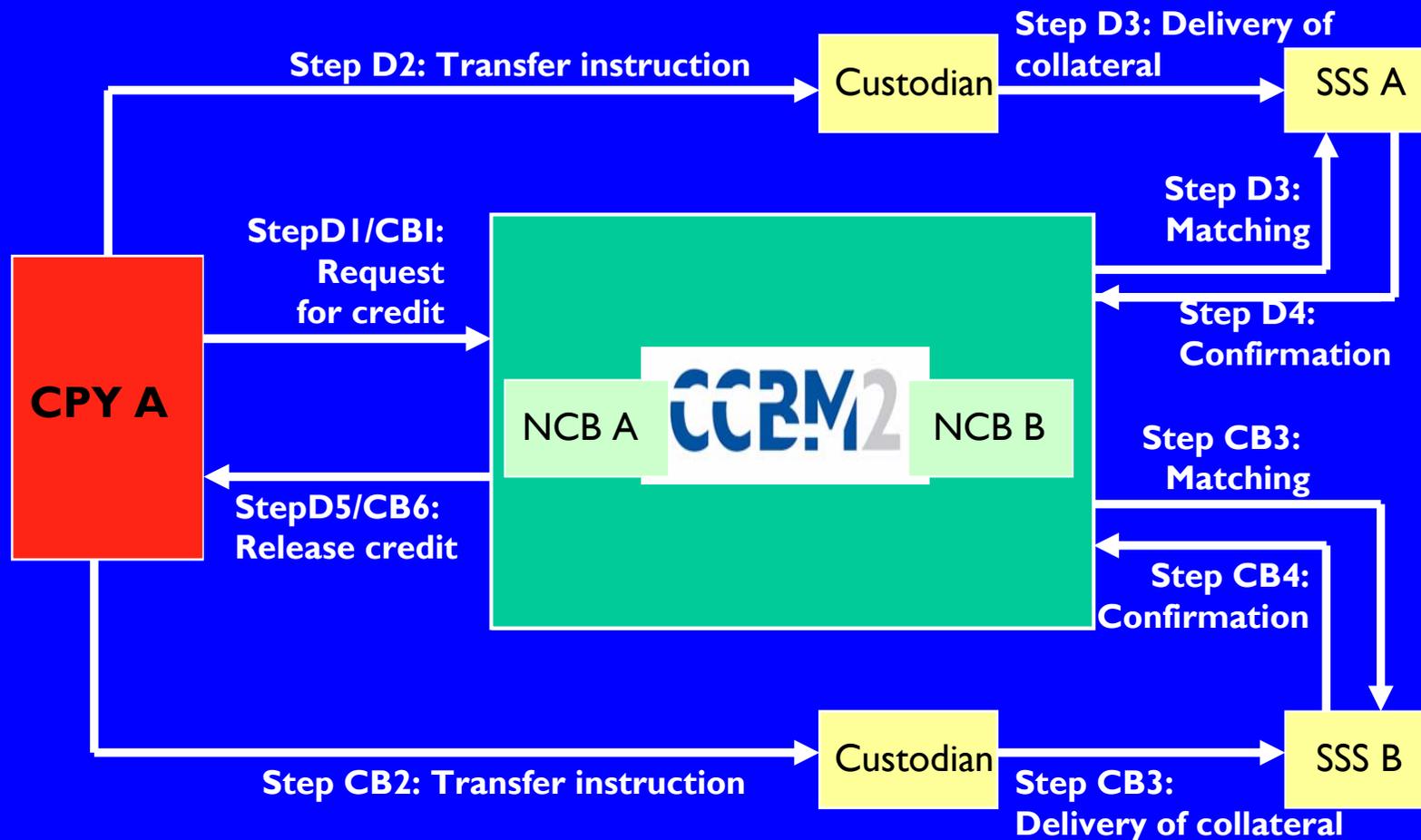
### National/domestic procedures



### Cross-border procedure (minimum harmonisation)

\*schematic overview; detailed flows are described in CCBM2 User Requirements

## How it could work\* Single procedure domestic and cross-border



Single procedure for domestic and cross-border  
Harmonised procedure for counterparties

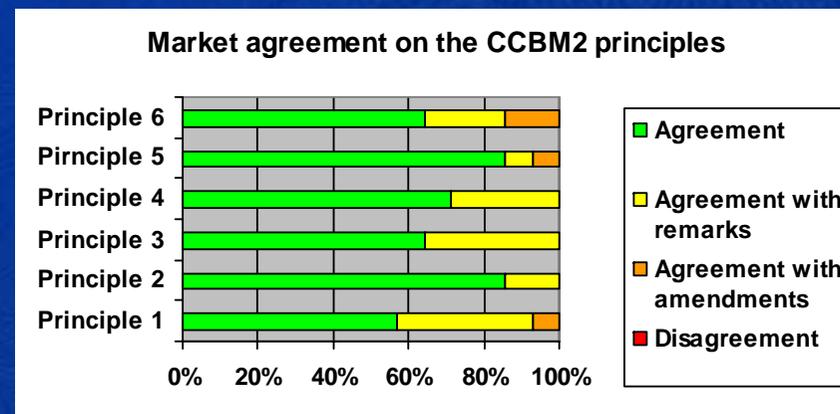
\*schematic overview; detailed flows are described in CCBM2 User Requirements

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## **II. The market expectations**

- In order to optimally integrate market needs, CCBM2 is developed in close cooperation with market participants
- In April 2007, the Eurosystem launched an initial market consultation on the CCBM2 principles; the feedback received from the market would contribute to the definition of the CCBM2 User Requirements

➤ All respondents welcomed the Eurosystem initiative to develop CCBM2; feedback received was very positive



➤ Valuable additional remarks/requests were voiced through the market consultation

From the market remarks some specific issues emerged:

- Use of collateral for purposes other than Eurosystem credit operations (e.g. guarantees to CCPs)
- Pooling of collateral provided by entities belonging to a group
- Integration with other existing market solutions:
  - ICSDs' collateral management systems in particular
  - Triparty collateral management services in general
- Harmonization of collateralisation techniques
- Inclusion of a contingency module dealing with non-euro collateral
- Removal of the repatriation requirement

Other market remarks concerned:

- ▶ Full Eurosystem participation
- ▶ Timing of CCBM2 implementation
  
- ▶ Also some specific input for the User Requirements document was provided, e.g. on opening hours/days, customer support and the use of standard messages

Details on the first market consultation and the feedback received can be found here:

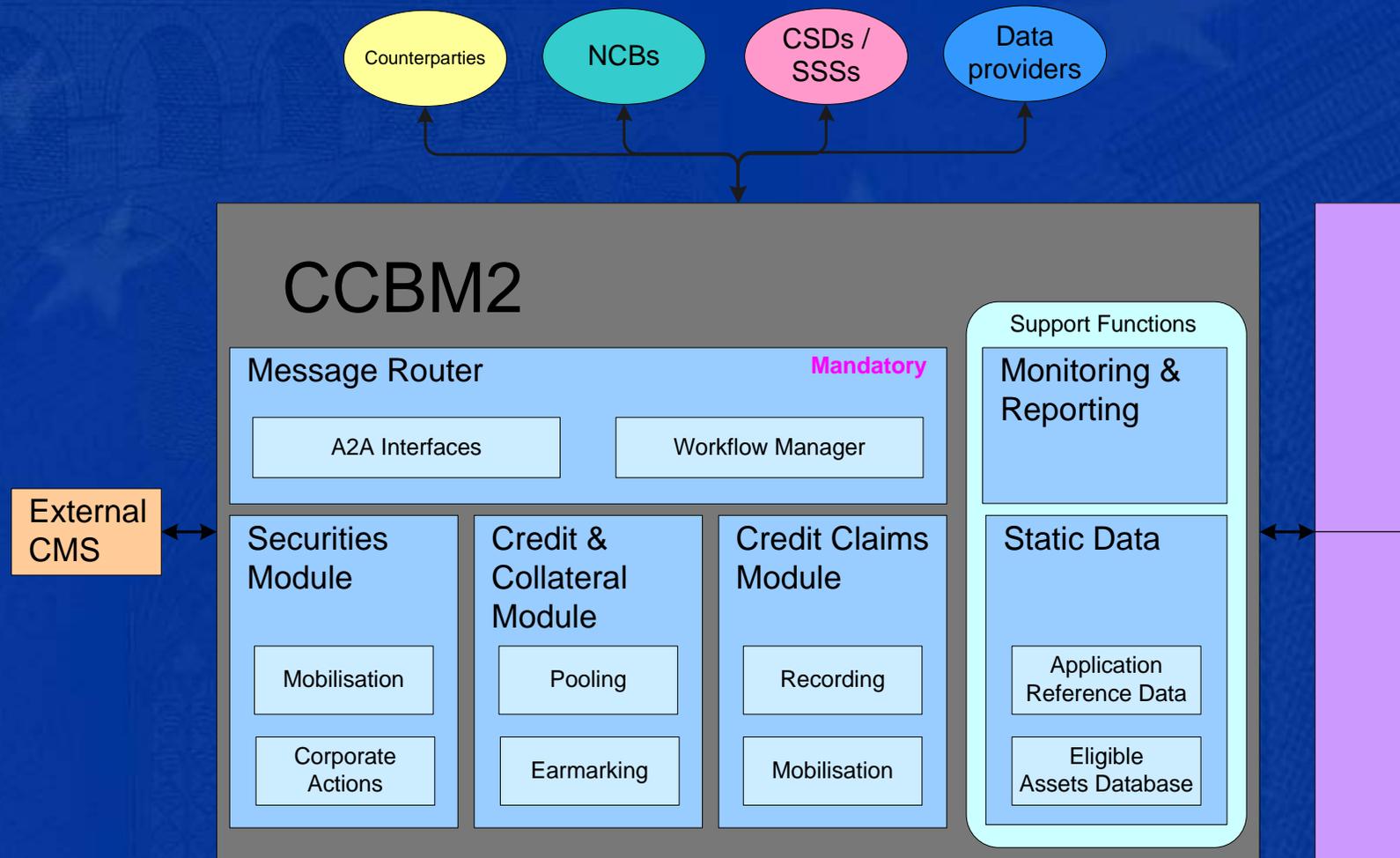
<http://www.ecb.europa.eu/ecb/cons/html/ccbm2.en.html>

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### **III. The consultation process on the CCBM2 User Requirements**

- ▶ The CCBM2 User Requirements have been drafted on the basis of:
  - ▶ the guiding principles of CCBM2 (on which the first market consultation took place)
  - ▶ the feedback received from the market
- ▶ On 25 February, the draft CCBM2 User Requirements were submitted for market consultation:  
*<http://www.ecb.europa.eu/ecb/cons/html/ccbm2-2.en.html>*
- ▶ You are invited to comment, make suggestions and raise queries. Closing date for this second consultation phase is 5 May 2008.
- ▶ The User Requirements will then be reviewed where appropriate and finalized by summer 2008

CCBM2 is based on a modular approach



Most of the specific issues raised by the market in the initial consultation have been addressed in the User Requirements:

- Use of collateral for purposes other than Eurosystem credit operations (e.g. guarantees to CCPs)
- Pooling of collateral provided by entities belonging to a group
- Integration with other existing market solutions:
  - ICSDs' collateral management systems in particular
    - ▶ Triparty collateral management services in general  
(Issue is currently analysed further based on joint letter from ERC, Euroclear and Clearstream: [see \*http://www.ecb.europa.eu/paym/coll/collccbm2/pdf/CCBM2\\_Letter\\_18Dec2007.pdf\*](http://www.ecb.europa.eu/paym/coll/collccbm2/pdf/CCBM2_Letter_18Dec2007.pdf))
  - ▶ Harmonization of collateralisation techniques  
(Eurosystem strongly supports work led by the European Commission on the harmonisation of national market practices)
- Inclusion of a contingency module dealing with non-euro collateral
- ▶ Removal of the repatriation requirement  
(Issue is currently analysed further outside CCBM2 scope)

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**IV. Triangle for efficient liquidity management: TARGET2, T2S and CCBM2**

# Triangle for efficient liquidity management

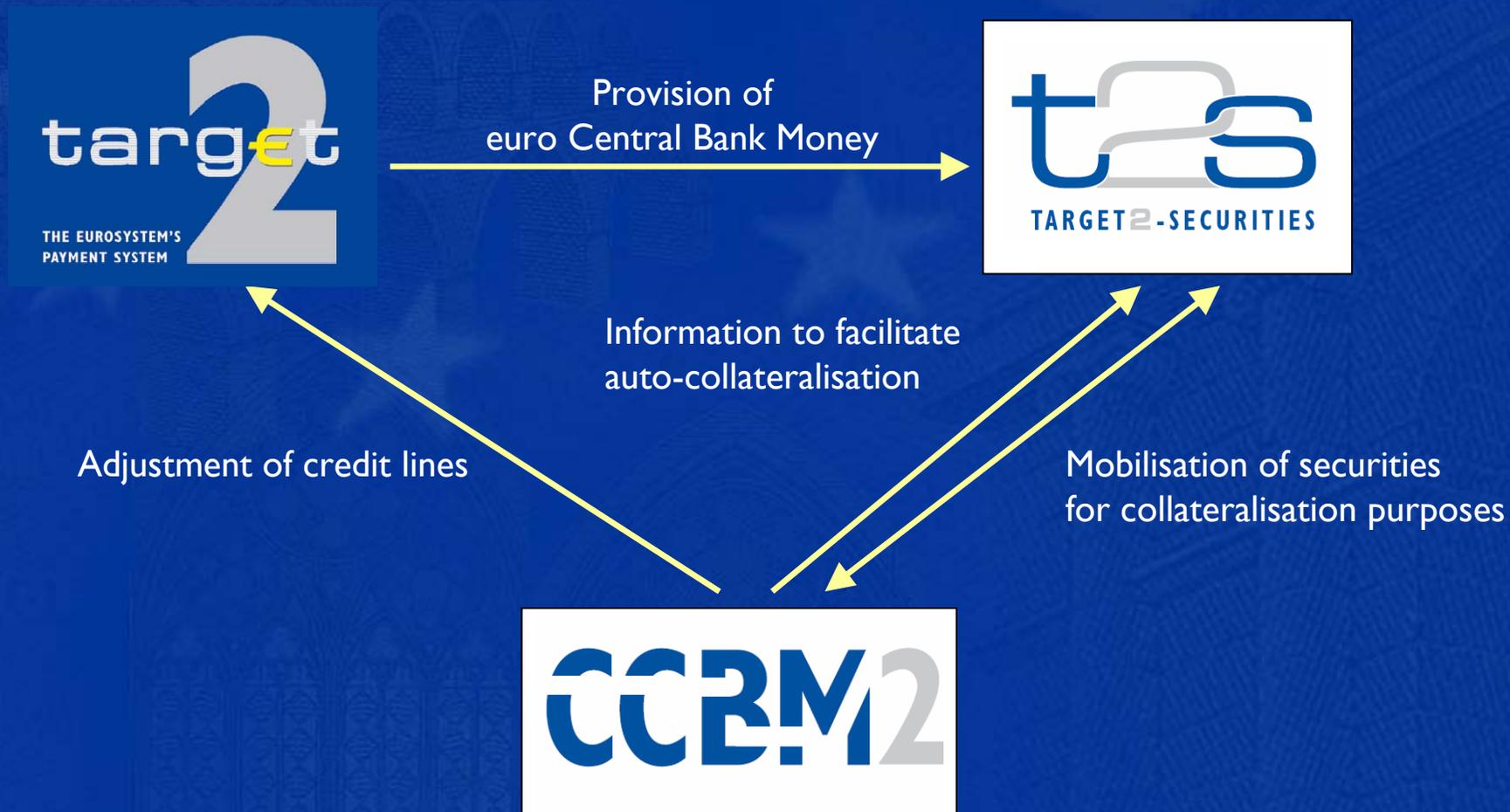
Consolidation of IT infrastructure...

		
<p>RTGS Minimum reserve management, Standing facilities, etc</p>	<p>Central banks' collateral management</p>	<p>Securities settlement</p>

... while preserving the business relationships of central banks and CSDs with their counterparts and customers

## Triangle for efficient liquidity management

Interaction of the services provided by the Eurosystem

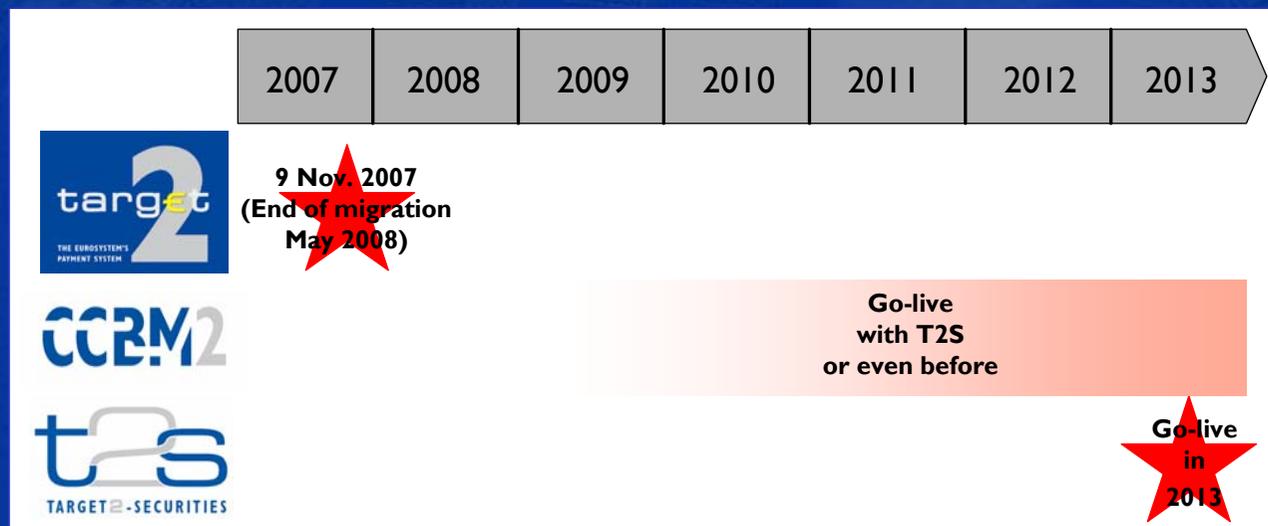


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**V. CCBM2  
project time table**

# CCBM2 Moving forward

- ▶ Work on the User Requirements will be finalized by summer 2008, based on which the User Detailed Functional Specifications will be established.
- ▶ In 2008, also the CCBM2 project time table will have to be finalised



- ▶ The Eurosystem will continue the fruitful dialogue with the market on the CCBM2 project

**Thank you!**

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