



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB
DG-MIP/MID
Annemieke Bax / ECMS project

Eurosystem Collateral Management System (ECMS)

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

Overview

1 Background on ECMS

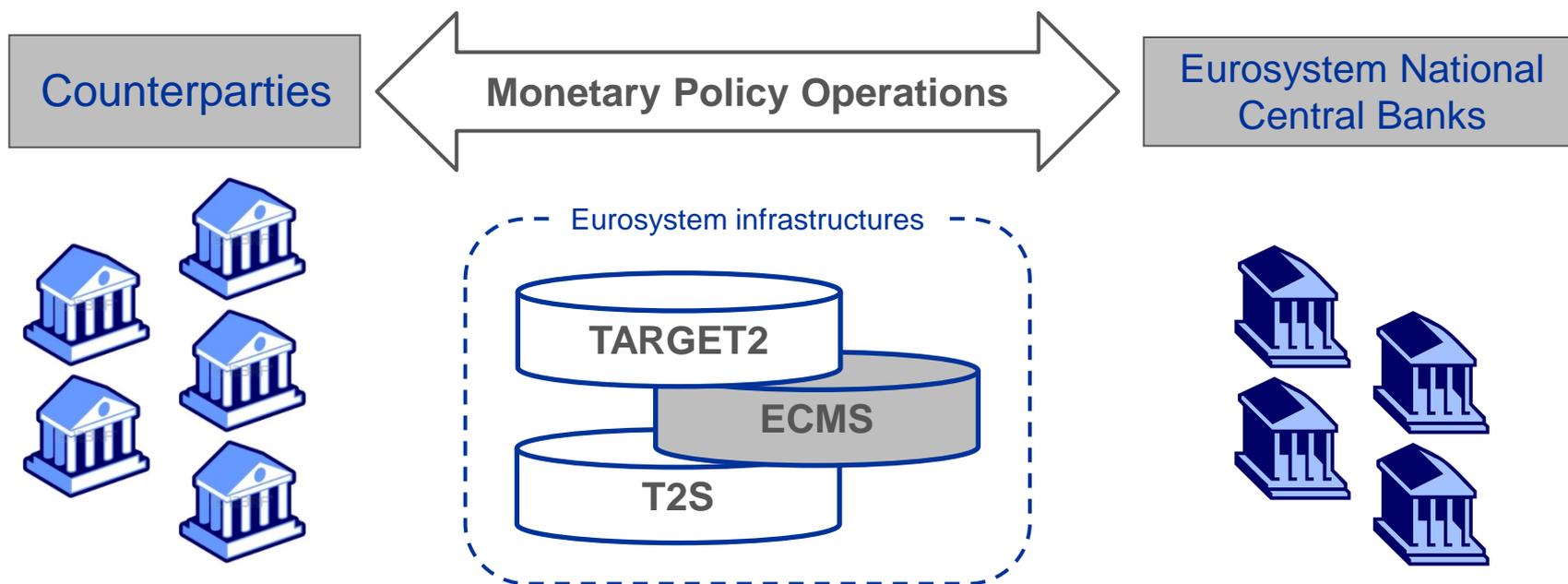
2 ECMS and harmonisation

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

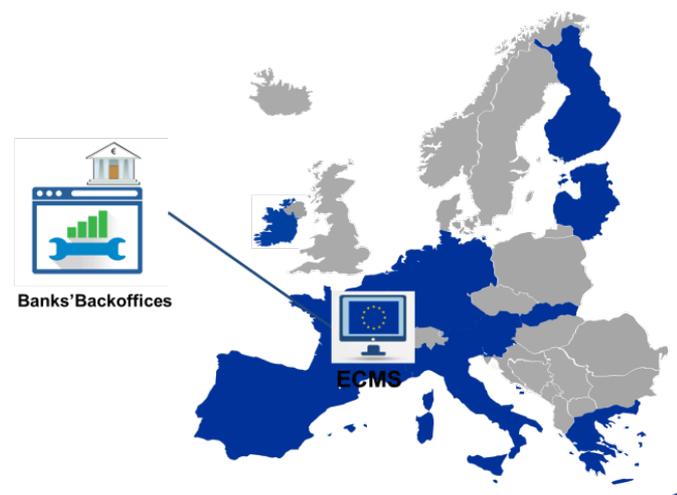


Triggers:

- **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**



Background: ECMS project phases

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**.

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

Realisation Phase

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

September
2016 / QRG1

December
2017 / QRG2

2022 / QRG3

Overview

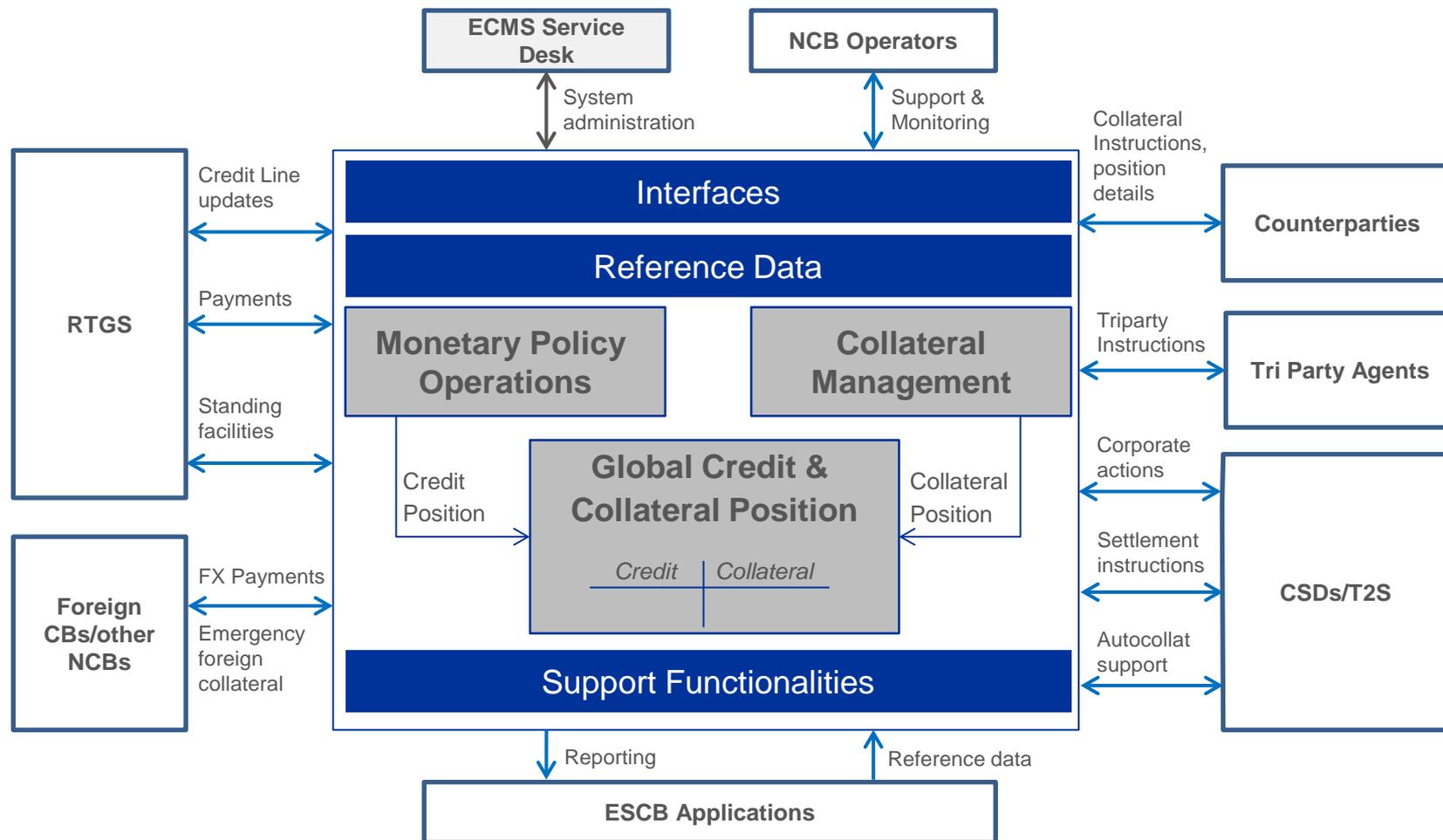
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Background on ECMS

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ECMS and harmonisation

ECMS and harmonisation: Scope and interaction with the market



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.