Workshop

- CTP 2c: Settlement of Marketable Assets

ECMS project

6 December 2023

DeNederlandscheBank

EUROSYSTEEM

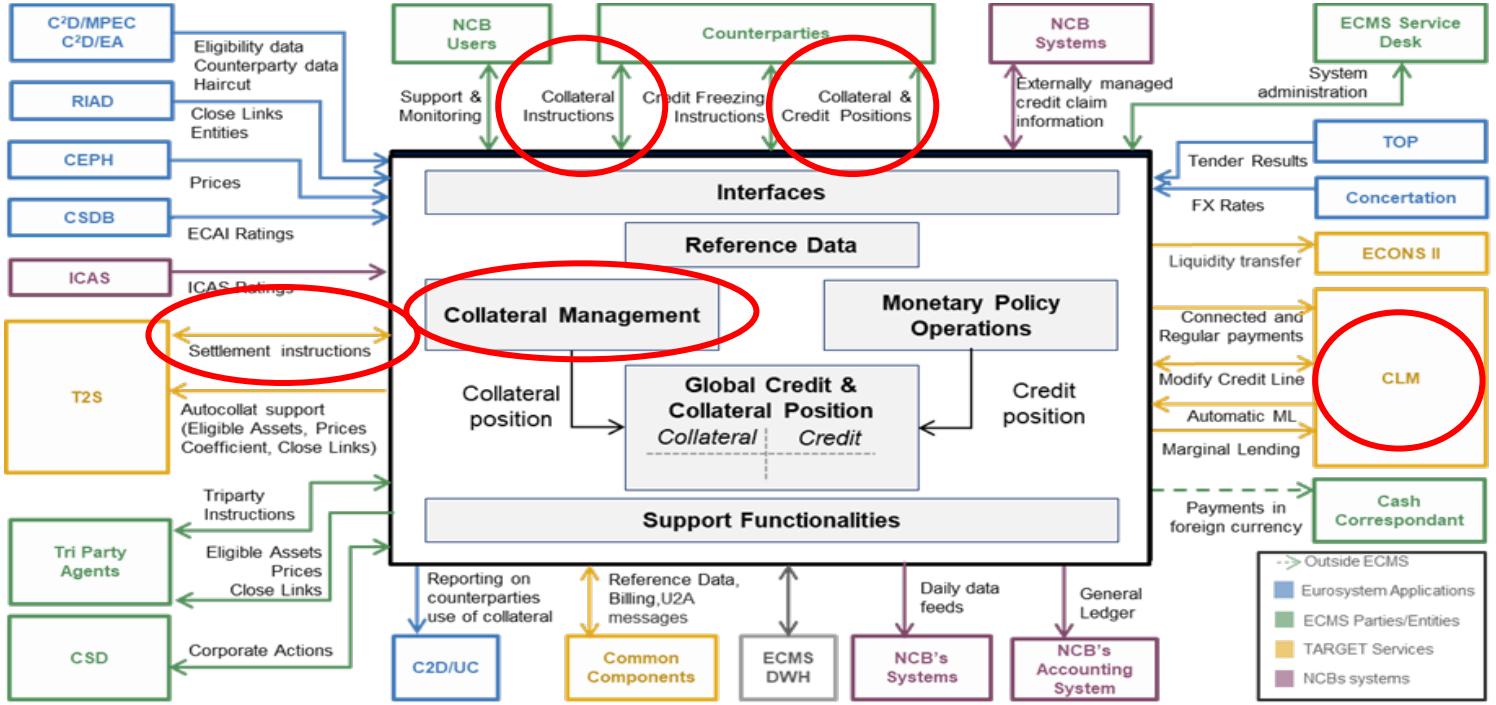
Agenda 6 December 2023

1. **Introduction**
2. **The functioning of ECMS**
3. **Details on 4 ECMS UT Fundamental Test Cases**
4. **Mandatory for all CPTYs: settlement at ENL for Dutch ISIN**
5. **Mandatory for all CPTYs with an EB account: settlement at EB**

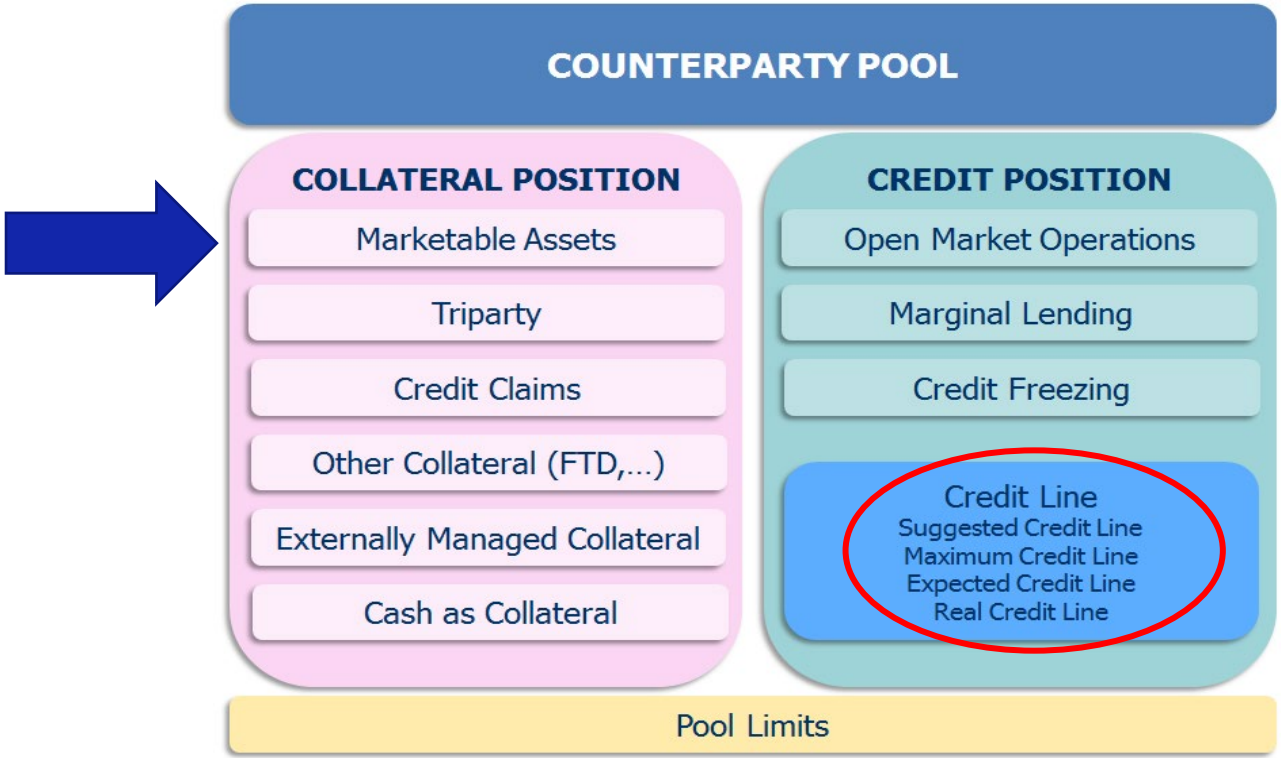
Introduction

- In this workshop, we will provide insight in the way counterparties can mobilise assets to DNB and how these assets can be demobilised.
- Three ‘areas of settlement’: **ENL**, **EB** and CCBM (latter to be started in January)
- We will focus on ENL and EB (settlement possibilities and mobilisation channels), and how these relate to each CPTY’s specific situation.
- In principle, there is (almost) no limitation to testing. But DNB provides a ‘structured approach’ for CPTYs who appreciate some guidance and/or assistance. We will have dedicated timeslots per scenario and variant(s) for close monitoring

The functioning of ECMS



The functioning of ECMS



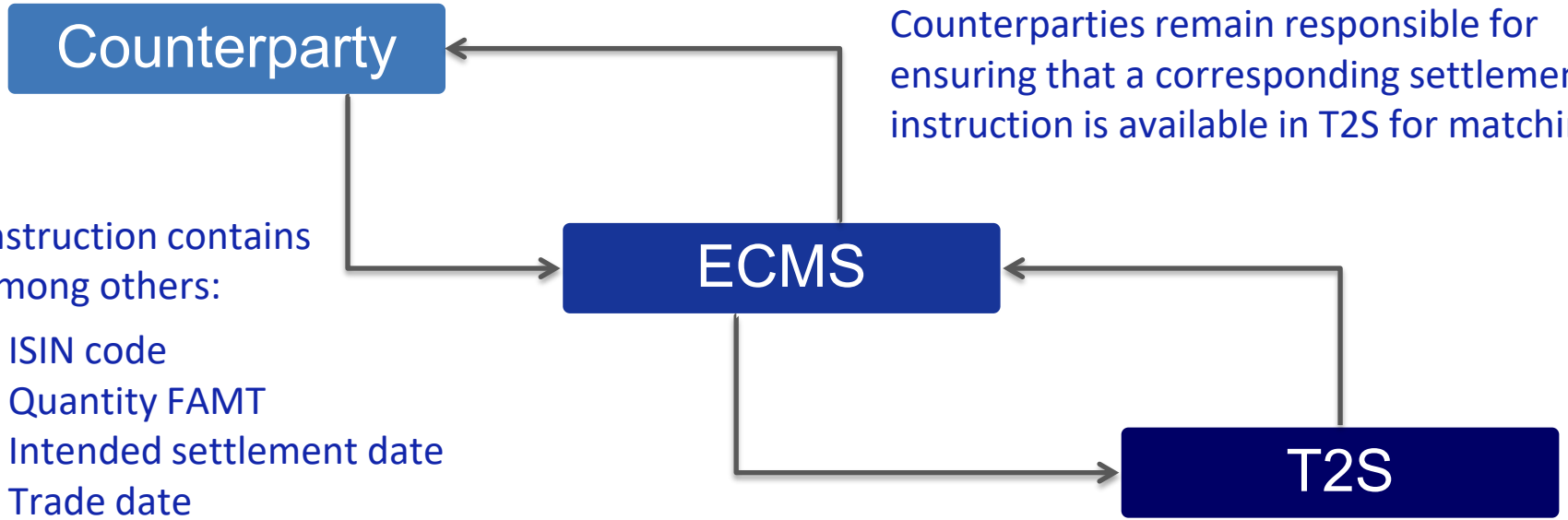
Impact of collateral instructions on the credit line

The **mobilisation** of an asset increases the credit line only when the instruction is confirmed.

The **demobilisation** of an asset first decreases the credit line before being further processed to ensure that outstanding credit operations are still sufficiently collateralised.

Collateral position type	Mobilisation instructions	Demobilisation instructions	Position
Provisional position	confirmed + pending	confirmed + pending	forecasted
Conservative position	confirmed	confirmed + pending	forecasted
Actual position	confirmed	confirmed	effective

Marketable asset instructions in the ECMS



Counterparties remain responsible for ensuring that a corresponding settlement instruction is available in T2S for matching

Instruction contains among others:

- ISIN code
- Quantity FAMT
- Intended settlement date
- Trade date
- Delivering and receiving CSD

The T2S securities account to be used is determined by the CPTY, on the basis where securities can be delivered

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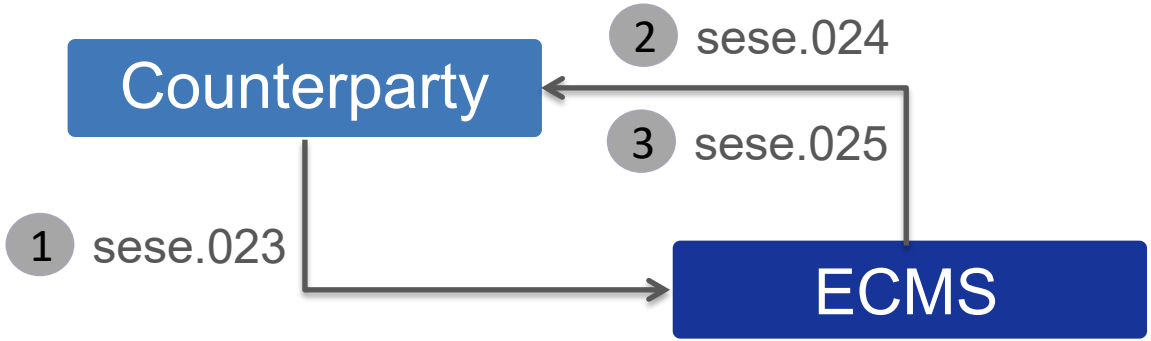
Marketable asset instructions in the ECMS (A2A)



1. The counterparty sends an instruction to (de)mobilise a marketable asset
2. The ECMS sends status advice:
   Accepted or **Rejected** (or **Cancelled** if a sese.020 is received)
3. If the instruction is accepted, the ECMS sends an instruction to T2S. When it is settled, the ECMS sends a confirmation to the counterparty.

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Intended settlement date (ISD)

ISD is in the past	ISD is today	ISD is in the future
Instruction is automatically rejected	Mobilisation instructions are processed. Demobilisation instructions are only processed if collateral is sufficient. If not, the instruction is put on hold until the cut-off, after which time it is rejected.	Mobilisation instructions are processed. Demobilisation instructions are queued until the intended settlement date.

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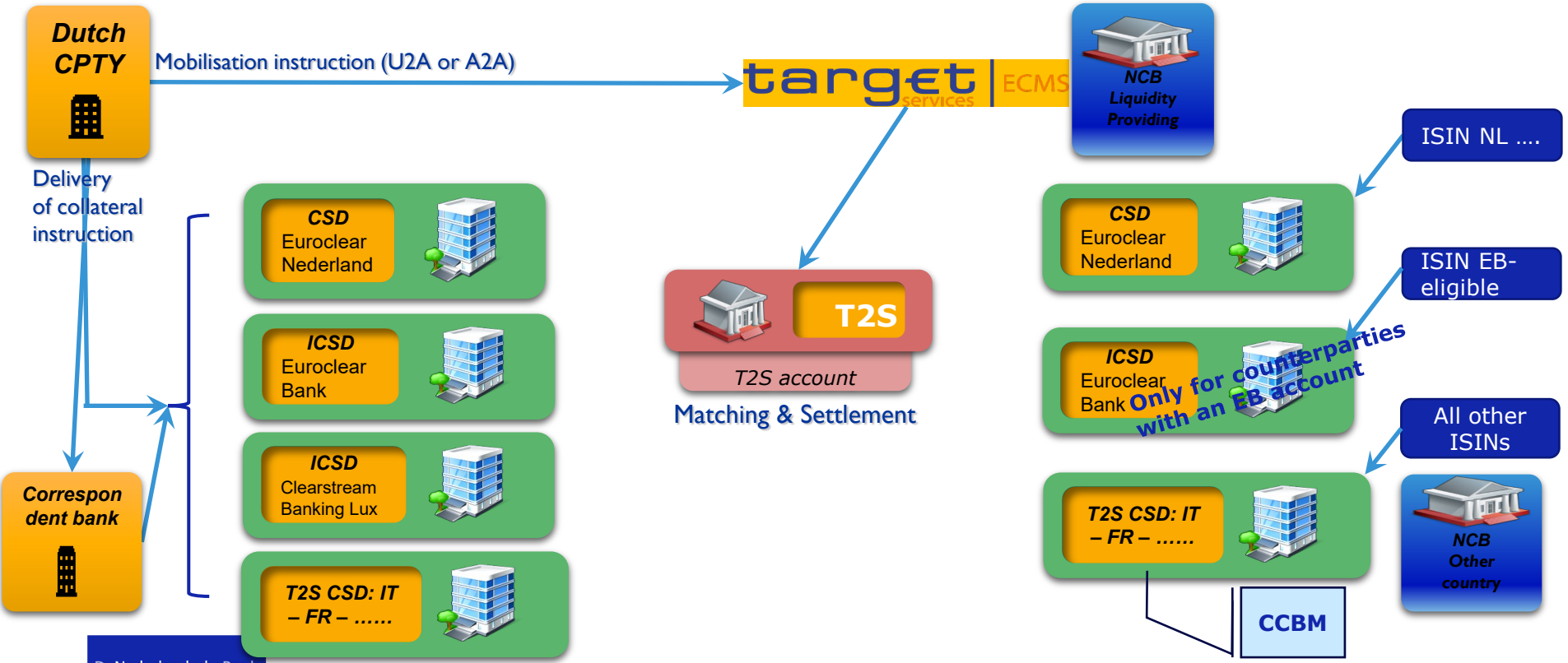
Different settlement possibilities: some definitions

- A settlement possibility is the location where an NCB can accept collateral, depending on the location of the NCB itself and the CSD where the intended securities are issued.
  - the **issuer SSS** (the SSS in which the securities have been issued) provided that the issuer SSS is a Eurosystem eligible T2S CSD located in the euro area;
  - the **investor SSS** (the SSS in which the securities are held), provided that a Eurosystem eligible link exists between the issuer SSS and the investor SSS.

- A mobilisation channel is the way the transfer needs to take place:
  - Domestic: the securities are transferred to our account with Euroclear NL (only assets issued in NL) or Euroclear Bank Brussels (only assets with an EB-eligible link).
  - Cross-border: the securities are transferred to an account of an NCB within the Eurosystem, of the country where the intended CSD is located (CCBM).

Schematic overview of settlement possibilities



1. **Details on 4 ECMS UT Fundamental Test Cases**
2. Settlement at ENL for Dutch ISIN
3. Settlement at EB

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Details on 4 ECMS UT Fundamental Test Cases

Test case ID	ECMS_TC_CPTY_1
Test case name	Successful mobilisation of marketable asset
Detailed description	This test case describes the steps whereby a counterparty mobilises a marketable asset on its ECMS counterparty asset account. U2A The user inputs a marketable asset mobilisation instruction via the counterparty marketable asset instruction input screen.. A2A A securities settlement transaction instruction sese.023 (RECE) is submitted to the ECMS by the counterparty.
Preconditions/details	Counterparty is configured. CSD is configured (receiving CSD). ECMS internal asset account for marketable assets for the counterparty is configured. Asset is configured (eligible asset). T2S securities account for regular collateral is configured. Settlement possibilities are configured. The intended settlement date of the mobilisation instruction has been reached. For A2A: Message subscription exists for the securities settlement transaction status advice sese.024 and securities settlement transaction confirmation sese.025

Details on 4x FTC and scenarios and groups

Test case ID	ECMS_TC_CPTY_1 (2)
Test case name	Successful mobilisation of marketable asset
Expected results	The amount of collateral available on the counterparty collateral pool is increased (if applicable also the credit line in CLM). U2A The status of the mobilisation instruction in the marketable asset instruction list screen and the marketable asset instruction details screen is “confirmed”. A2A The counterparty receives a - securities settlement transaction status advice sese.024 with status “accepted” - securities settlement transaction status advice sese.024 with status “matched” - securities settlement transaction confirmation sese.025 for confirmation

Details on 4x FTC and scenarios and groups

Test case ID	ECMS_TC_CPTY_2
Test case name	Successful cancellation of mobilisation of marketable asset
Detailed description	This test case describes the steps whereby a counterparty successfully cancels a mobilisation of a marketable asset on its ECMS counterparty asset account. U2A The counterparty cancels the mobilisation instruction via the counterparty marketable asset instruction details screen.. A2A The Counterparty sends a securities transaction cancellation request sese.020
Preconditions/details	Counterparty is configured. CSD is configured (receiving CSD). ECMS internal asset account for marketable assets for the counterparty is configured. Asset is configured (eligible asset). T2S securities account for regular collateral is configured. Settlement possibilities are configured. A securities settlement transaction instruction sese.023 (RECE) has been submitted to the ECMS by the counterparty; it has passed all the validations and its status is not final (not matched nor settled). For A2A: Message subscription exists for the securities settlement transaction status advice sese.024 and the securities transaction cancellation request status advice sese.027

Details on 4x FTC and scenarios and groups

Test case ID	ECMS_TC_CPTY_2 (2)
Test case name	Successful cancellation of mobilisation of marketable asset
Expected results	U2A The status of the mobilisation instruction in the marketable asset instruction list screen and the marketable asset instruction details screen is “cancelled”. A2A -The counterparty receives a securities settlement transaction status advice sese.024 with status “cancelled” confirming the cancellation of its mobilisation instruction. -The counterparty receives a securities transaction cancellation request status advice sese.027 with status “executed” in response to its cancellation instruction

Details on 4x FTC and scenarios and groups

Test case ID	ECMS_TC_CPTY_3
Test case name	Successful demobilisation of marketable asset
Detailed description	This test case describes the steps whereby a counterparty successfully demobilises a marketable asset from its ECMS counterparty asset account. U2A The user inputs a marketable asset demobilisation instruction via the counterparty marketable asset instruction details screen. A2A A securities settlement transaction instruction sese.023 (DELI) is submitted to the ECMS by the counterparty.
Preconditions/details	Counterparty is configured. CSD is configured (delivering CSD). ECMS internal asset account for marketable assets for the counterparty is configured. Asset is configured (eligible asset). T2S securities account for regular collateral is configured. Settlement possibilities are configured. The asset to be demobilised is available in the counterparty collateral pool. The intended settlement date of the demobilisation instruction has been reached. For A2A: Message subscription exists for the securities settlement transaction status advice sese.024 and securities settlement transaction confirmation sese.025.

Details on 4x FTC and scenarios and groups

Test case ID	ECMS_TC_CPTY_3 (2)
Test case name	Successful demobilisation of marketable asset
Expected results	The amount of collateral available on the counterparty pool is decreased (if applicable also the credit line in CLM). U2A The status of the demobilisation instruction in the marketable asset instruction list screen and the marketable asset instruction details screen is "confirmed". A2A -The counterparty receives a securities settlement transaction status advice sese.024 with status "accepted". -The counterparty receives a securities settlement transaction status advice sese.024 with status "matched". -The counterparty receives a securities settlement transaction confirmation sese.025 for confirmation.

Details on 4x FTC and scenarios and groups

Test case ID	ECMS_TC_CPTY_4
Test case name	Successful cancellation of demobilisation of marketable asset
Detailed description	This test case describes the steps whereby a counterparty successfully cancels a demobilisation of a marketable asset from its ECMS counterparty asset account. U2A The counterparty cancels the demobilisation instruction via the counterparty marketable asset instruction details screen.. A2A The counterparty sends a securities transaction cancellation request sese.020.
Preconditions/details	Counterparty is configured. CSD is configured (delivering CSD). ECMS internal asset account for marketable assets for the counterparty is configured. Asset is configured (eligible asset). T2S securities account for regular collateral is configured. Settlement possibilities are configured. A securities settlement transaction instruction sese.023 (DELI) was submitted to the ECMS by the counterparty; it passed all the validations, the amount of collateral available on the counterparty pool was decreased and settlement is pending. For A2A: Message subscription exists for the securities settlement transaction status advice sese.024 and the securities transaction cancellation request status advice sese.027

Details on 4x FTC and scenarios and groups

Test case ID	ECMS_TC_CPTY_4 (2)
Test case name	Successful cancellation of demobilisation of marketable asset
Expected results	The decrease of the amount of collateral available on the counterparty pool is reverted. U2A The status of the demobilisation instruction in the marketable asset instruction list screen and the marketable asset instruction details screen is “cancelled”. A2A -The counterparty receives a securities settlement transaction status advice sese.024 with status “cancelled” confirming the cancellation of its demobilisation instruction. -The counterparty receives a securities transaction cancellation request status advice sese.027 with status “executed” in response to its cancellation instruction.

1. Details on 4 ECMS UT Fundamental Test Cases
2. **Settlement at ENL for Dutch ISIN**
3. Settlement at EB
4. Reporting

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settlement at ENL for Dutch ISIN

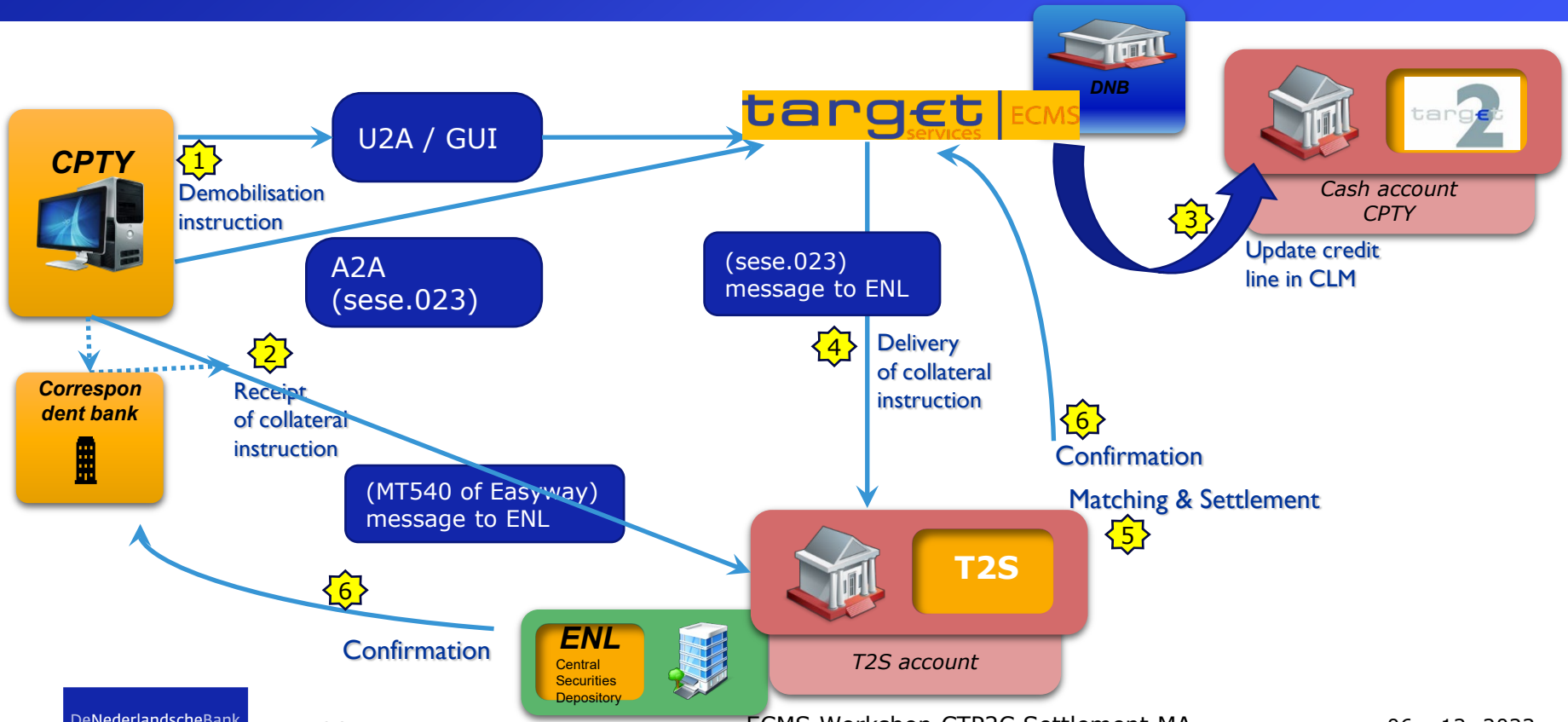
Mandatory for all CPTY:

- **Group 1: CPTY with account at ENL**
- **Group 2: CPTY using correspondent bank (with account at ENL)**
- **Group 3: CPTY without account at ENL**

ISINs booked on your account for this purpose:

- **NL0000003515**
- **NL0000003549**

Scenario A: 'ISIN NL'- collateral at ENL - demobilisation



Domestic demobilisation ENL

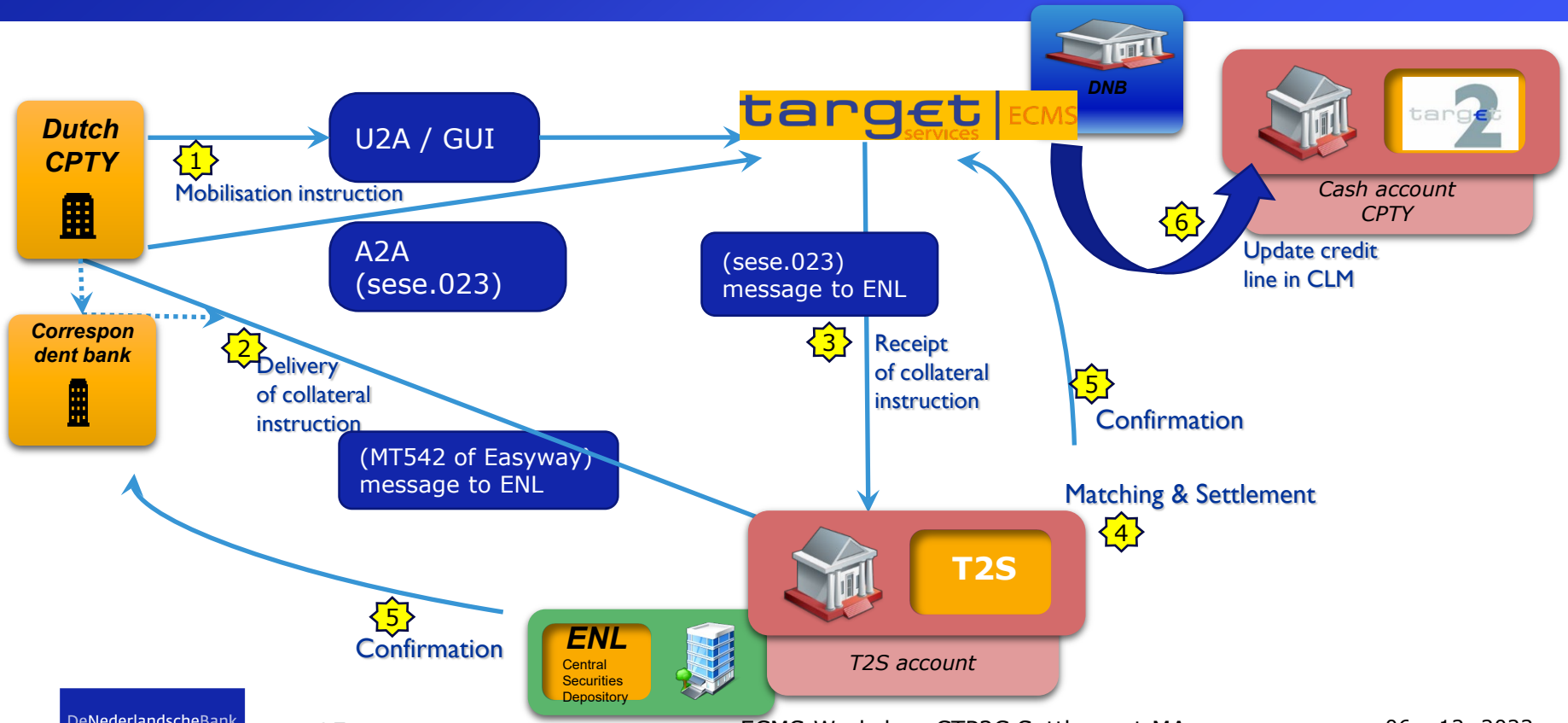
The steps, as visualised in the next slide, describe a domestic mobilisation:

1) CPTY sends demobilisation instruction to ECMS (U2A or A2A)
2) CPTY sends receipt instruction to relevant party

- (*i.e., (I)CSD directly or via correspondent bank/custodian*)

3) ECMS validates and processes instruction and will instruct CLM to adapt (i.e. lower) the credit line
4) If lowering the credit line is successful, ECMS sends instruction to deliver to T2S
5) After successful matching and settlement, T2S sends confirmation to both parties (ECMS and CPTY).
6) Depending on way of instructing / subscription, the CPTY can monitor this via the GUI and/or will receive the relevant reporting.

Scenario A: 'ISIN NL'- collateral at ENL - mobilisation



Domestic mobilisation

The steps, as visualised in the next slide, describe a domestic mobilisation:

1) CPTY sends mobilisation instruction to ECMS (U2A or A2A)
2) CPTY sends delivery/transfer instruction to relevant party
- (*i.e., (I)CSD directly or via correspondent bank/custodian*)
3) ECMS validates and processes instruction, sends instruction to receive to T2S
4) After successful matching and settlement, T2S sends confirmation to both parties (ECMS and CPTY).
5) On the basis of this confirmation, ECMS will instruct CLM to adapt the credit line.
6) Depending on way of instructing / subscription, the CPTY can monitor this via the GUI and/or will receive the relevant reporting.

CPTY with account at ENL

Marketable Asset Instruction

Additional Informations

Common Reference

Your ref. should be identical in the matching instruction

Custody Chain

CSD of the T2S Account for regular collateral	External Asset Account	External Asset Account owner
NL813943073B016|EUROCLEAR S.A.	31437|NECIFLORNL2AXXX000L10	FLORNL2AXXX

Counterparty Details

Party CSD	Party BIC	Party Account
NL813943073B016|EUROCLEAR S.A.	Direct participant BIC	

Party 2 Details

BIC	Account ID
Your BIC	

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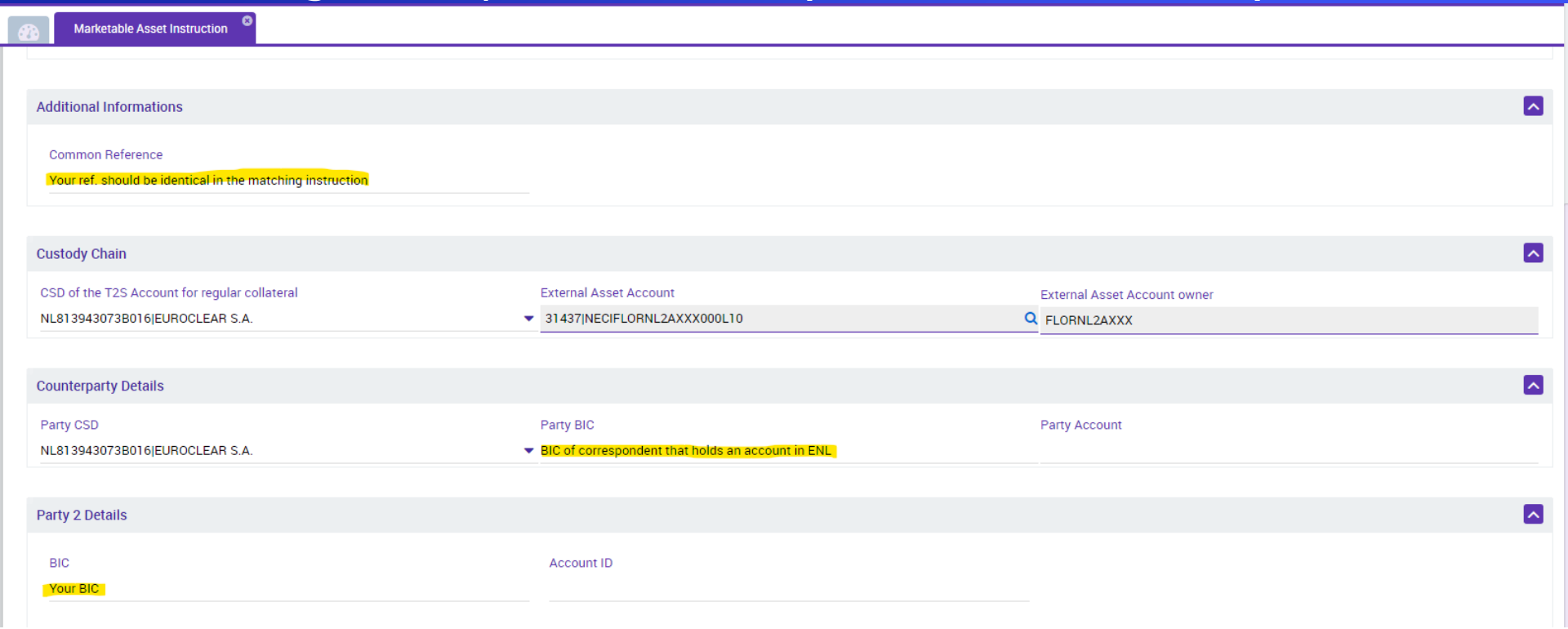
CPTY using correspondent bank (with account at ENL)



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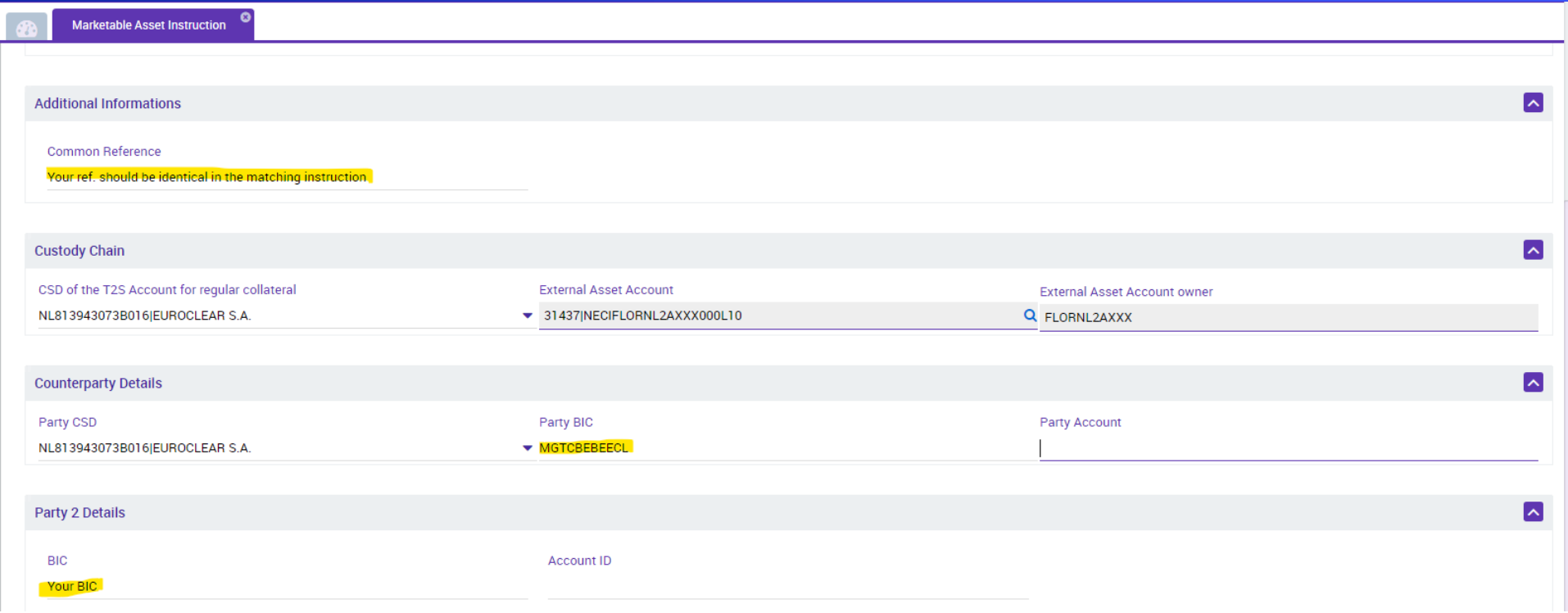
CPTY with account at EB (with settlement at ENL)



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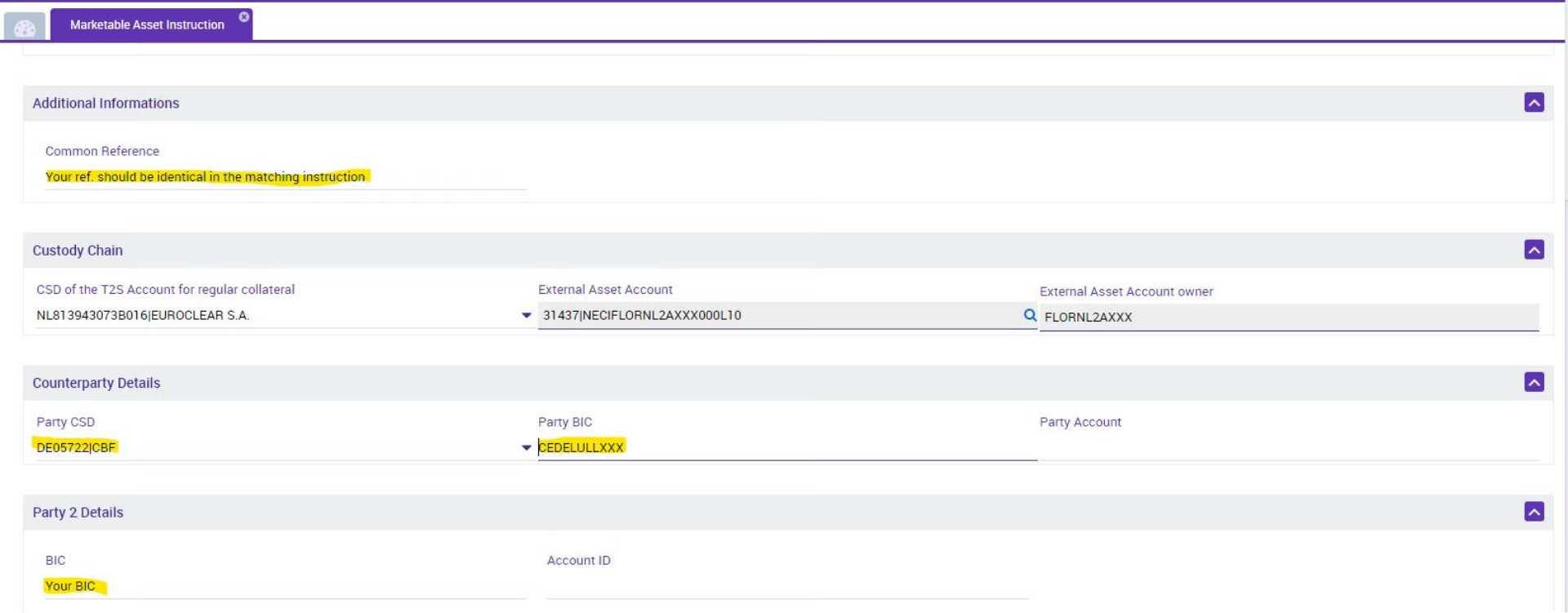
CPTY with account at Clearstream Banking Luxembourg (with settlement at ENL)



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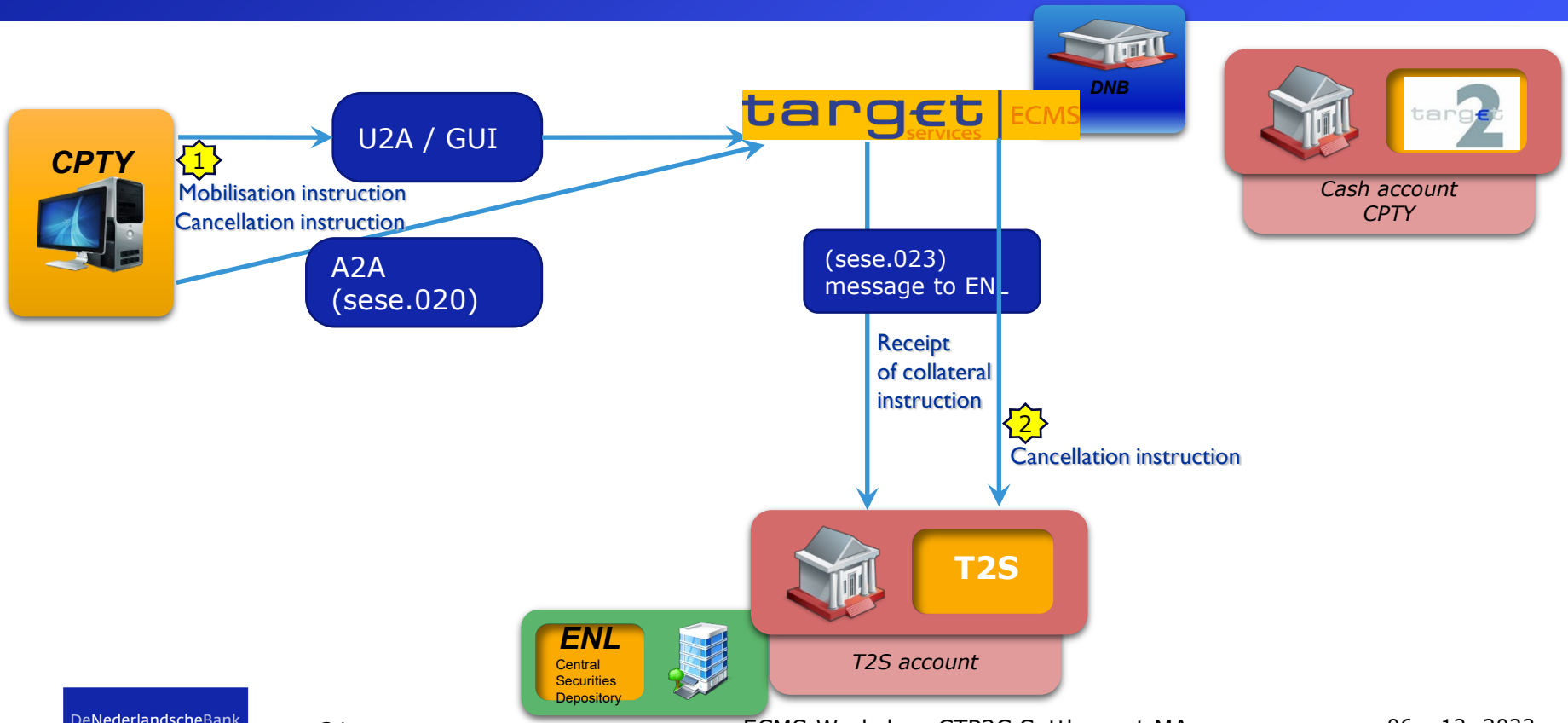
Scenario A: 'ISIN NL'- collateral at ENL - cancellation



1. Details on 4x FTC and scenarios and groups
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3. **Settlement at EB**
4. Reporting

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Settlement at EB

Mandatory for all CPTY with an EB account:

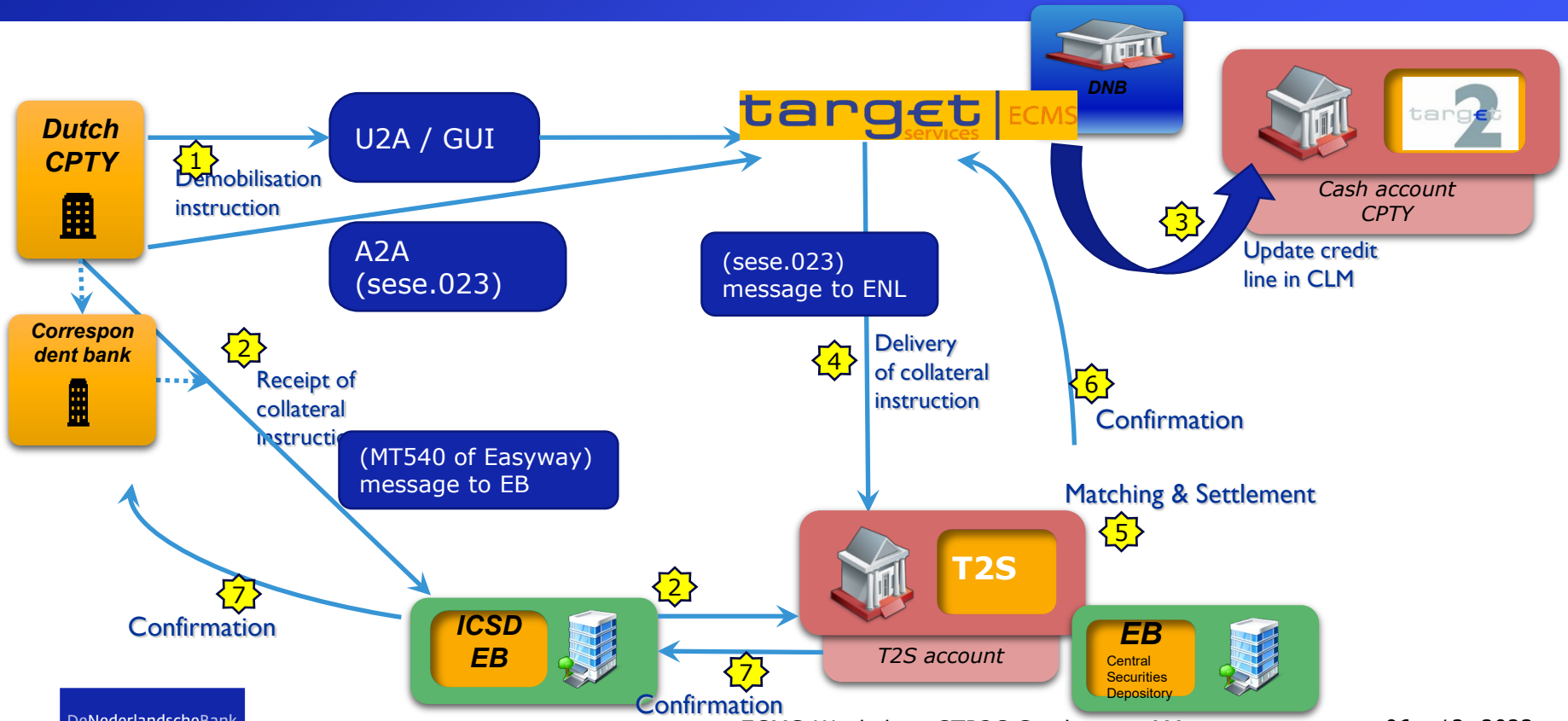
- **Group 1: CPTY with account at EB**
- **Group 2: CPTY using correspondent bank (with account at EB)**

Support from EB starting in January 2024

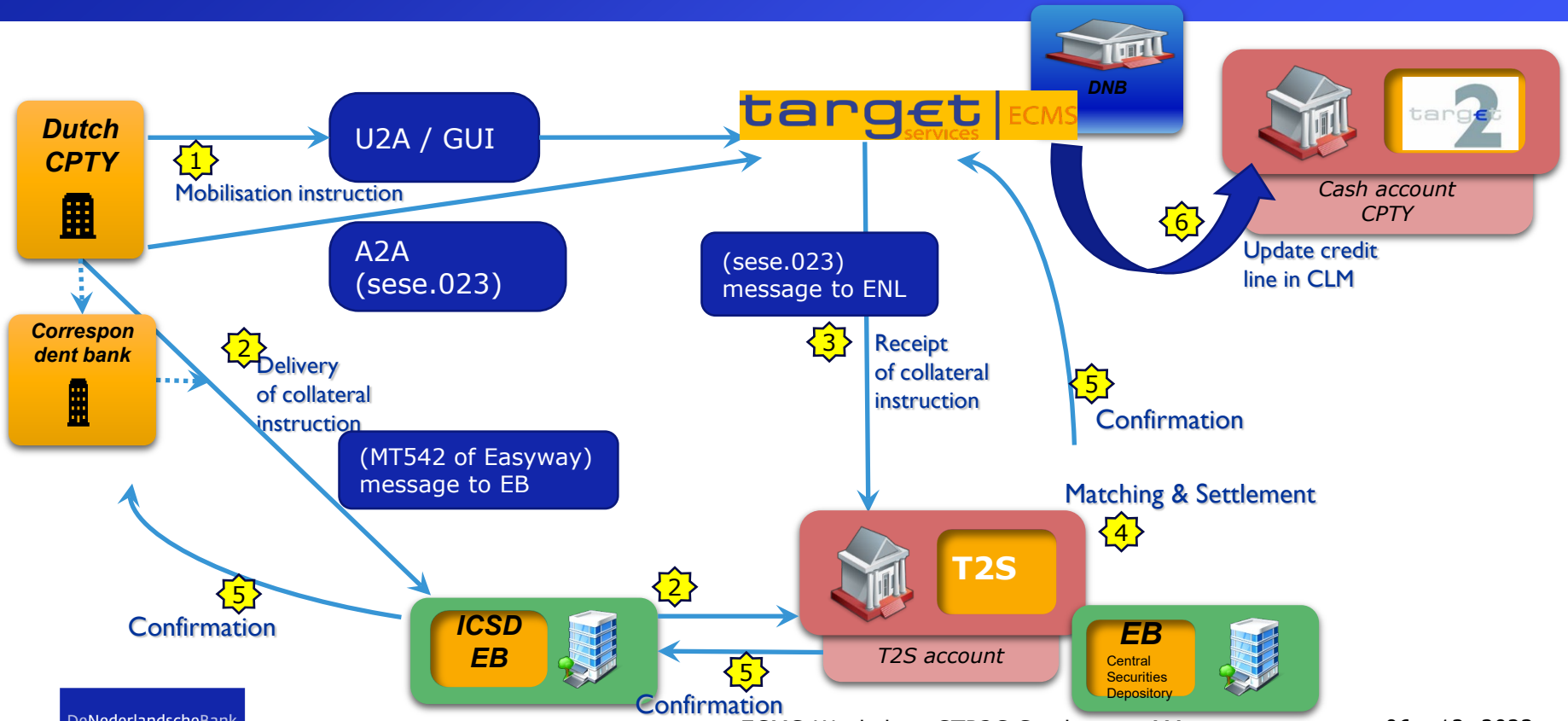
ISINs booked on your account for this purpose:

- **AT0000A10683**
- **IE00B4TV0D44**
- **XS0114126294**
- **XS0130092793**

Scenario B: collateral at EB on T2S - demobilisation



Scenario B: collateral at EB on T2S - mobilisation



CPTY with account at Euroclear Bank (with settlement at Euroclear Bank)

Additional Informations

Common Reference

Your ref. should be identical in the matching instruction

Custody Chain

CSD of the T2S Account for regular collateral	External Asset Account	External Asset Account owner
BE0429875591|EUROCLEAR BANK	31470|MGTCFLORNL2AXXX92745	FLORNL2AXXX

Counterparty Details

Party CSD	Party BIC	Party Account
BE0429875591|EUROCLEAR BANK	MGTCBEBEECL	

Party 2 Details

BIC	Account ID
Your BIC	

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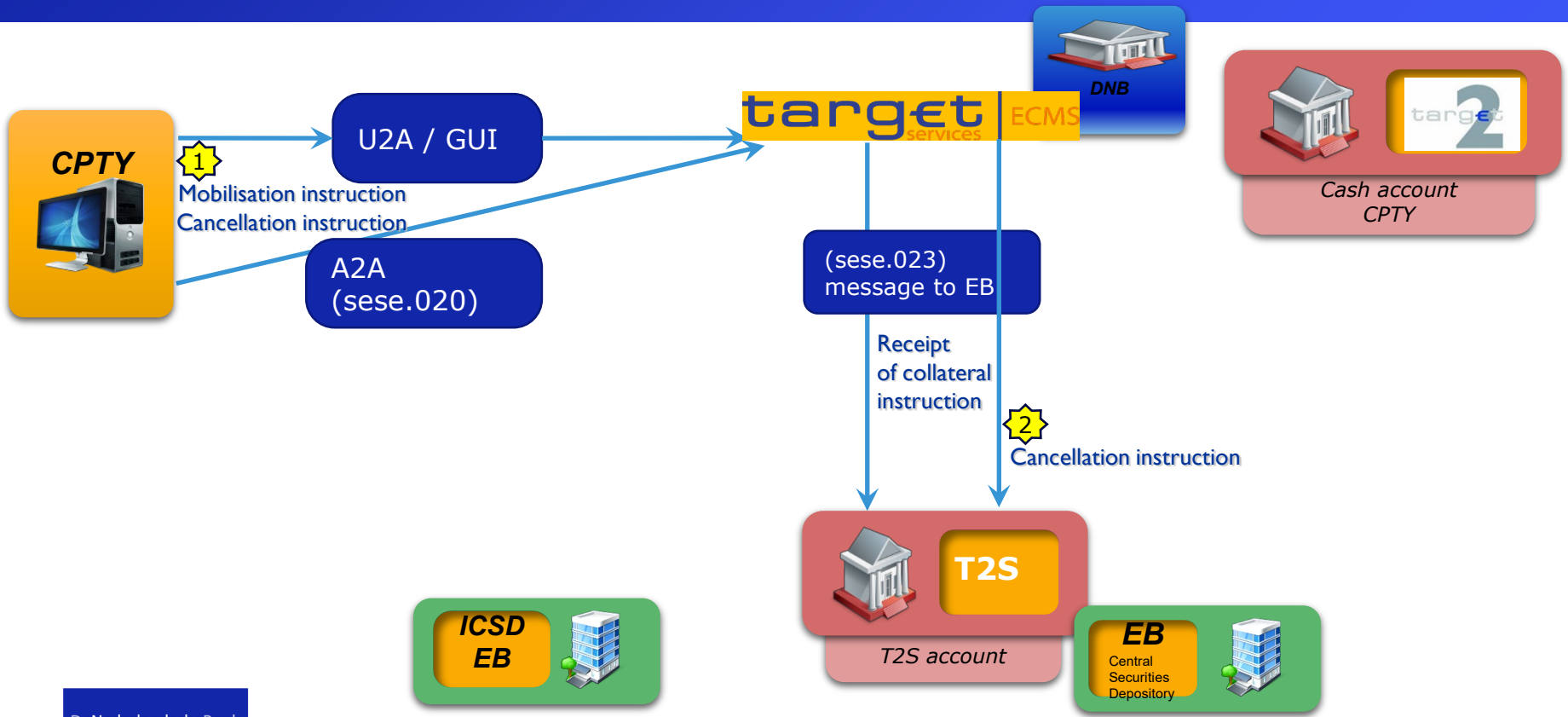
Scenario B: collateral at EB on T2S – mobilisation cancellation



Thanks very much for your attention.

Time for questions….