# Workshop

- Settlement Possibilities of Marketable Assets
- Cash as collateral

ECMS project

7 August 2023

DeNederlandscheBank

EUROSYSTEEM

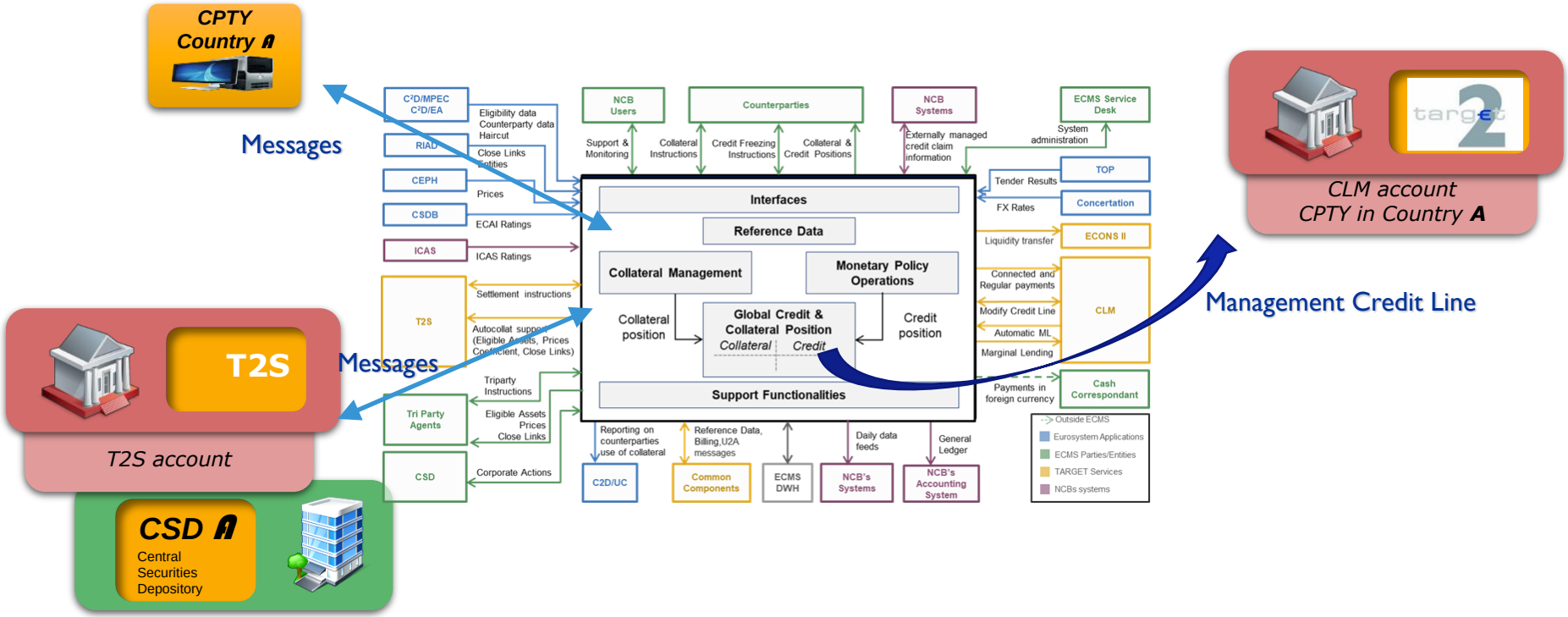
# Agenda

1. **Overview settlement possibilities**
   - **Settlement possibilities: Domestic settlement**
   - **Settlement possibilities: Cross border settlement**
2. **Explanation 'Cash as collateral'**

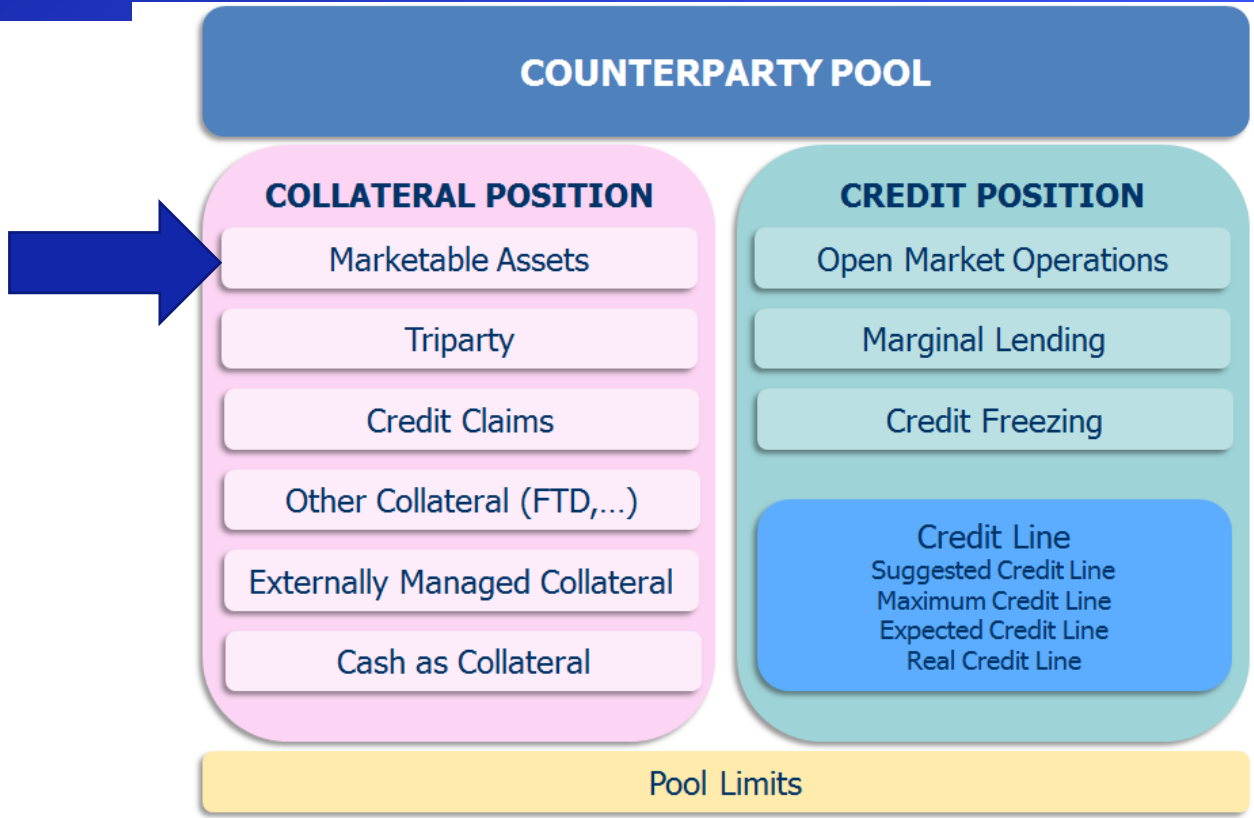
# Purpose of workshop

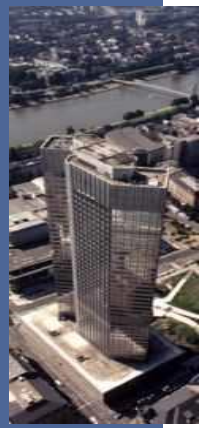
- With this workshop/first topic, we will provide insight in the way counterparties can mobilise assets to DNB, to be used as collateral and how these assets can be demobilised making use of the ECMS-functionalities.
- We will explain settlement possibilities and mobilisation channels, and how these relate to each CPTY's specific situation.
- Note: this is not an explanation how to use the ECMS -application for (de-)mobilising assets as collateral.

# The functioning of ECMS



# The function of ECMS





1. **Overview settlement possibilities**
   - Domestic settlement
   - Cross border settlement
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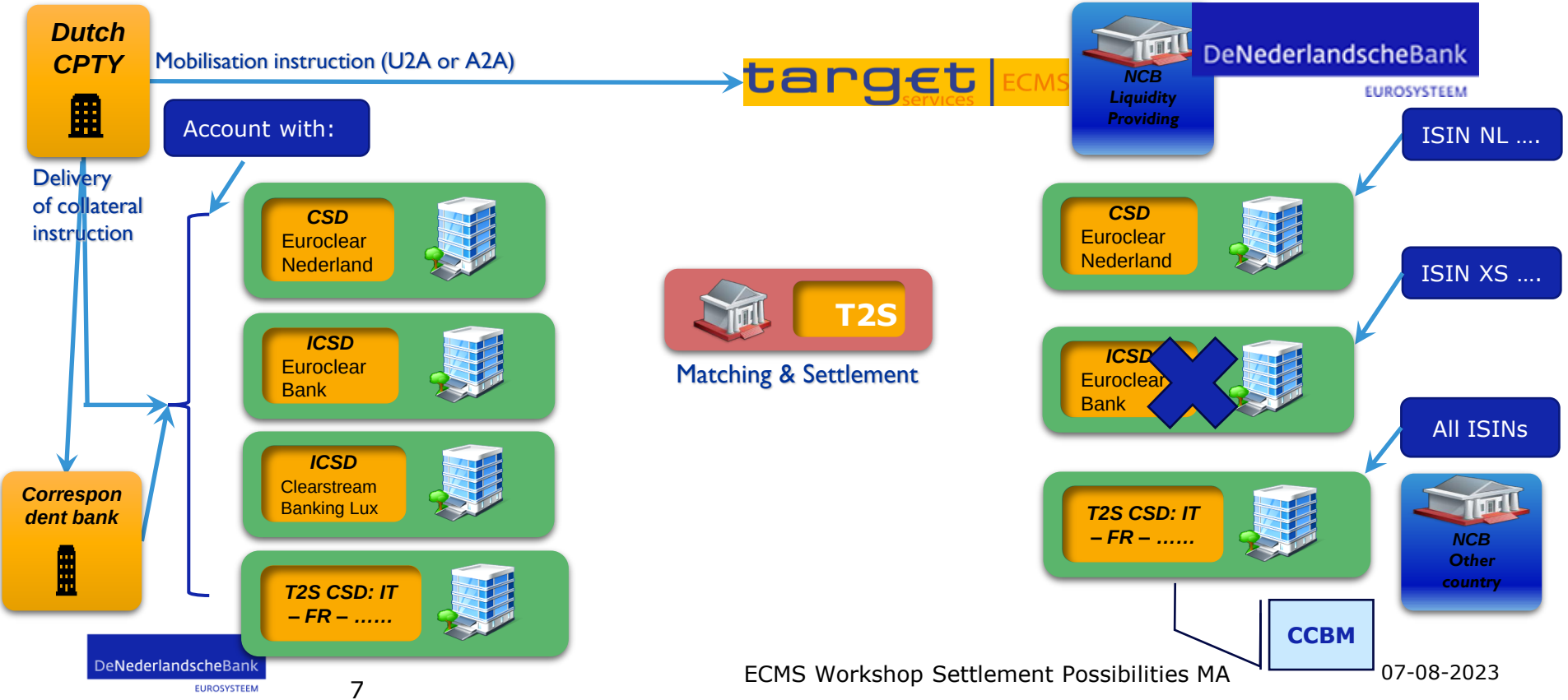
# Schematic overview of settlement possibilities



# Mobilisation

- Mobilisation is the process by which assets are transferred from the counterparty to an account designated by the national central bank (NCB) of the country in which it is based (home central bank). This is also referred to as the 'liquidity providing NCB'.
- The counterparty may withdraw assets from the Asset Pool, provided that sufficient assets remain in the pool and the negative balance does not exceed the counterparty's credit facility. This is also referred to as 'demobilisation of collateral'.

# 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.

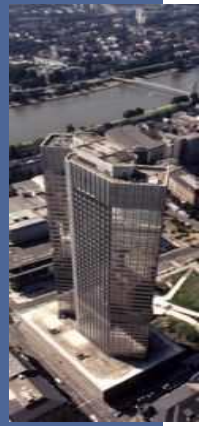
- A mobilisation channel is the way the transfer needs to take place:
  - Domestic: the securities are transferred to our account with Euroclear NL (only assets issued in NL) or Euroclear Bank Brussels (only Eurobonds).
  - Cross-border: the securities are transferred to an account of an NCB within the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

# Eurosystem rules on mobilisation: CCBM

As (eligible) links do not exist between all CSDs, Eurosystem NCBs also act as custodians (correspondents) for each other in order to ensure that all Eurosystem eligible assets can be mobilised by all Eurosystem counterparties regardless of the location of the counterparty or the collateral.

The collateral will then be made available to the central bank of the country where the respective investor SSS/TPA is located (i.e. the CCB), and it will hold the collateral on behalf of the central bank granting the credit (i.e. the HCB).

This arrangement is known as the Correspondent Central Banking Model (CCBM).



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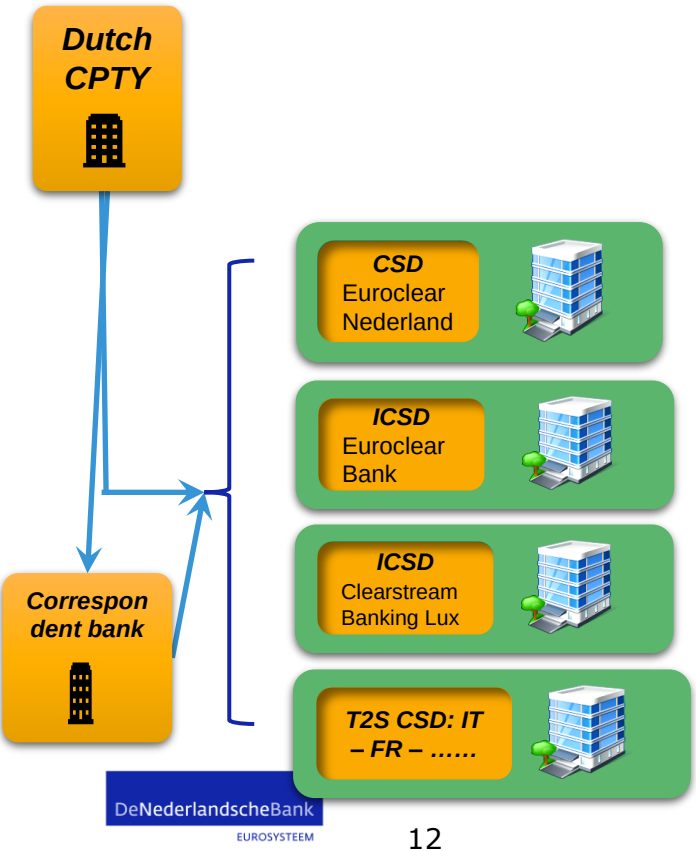
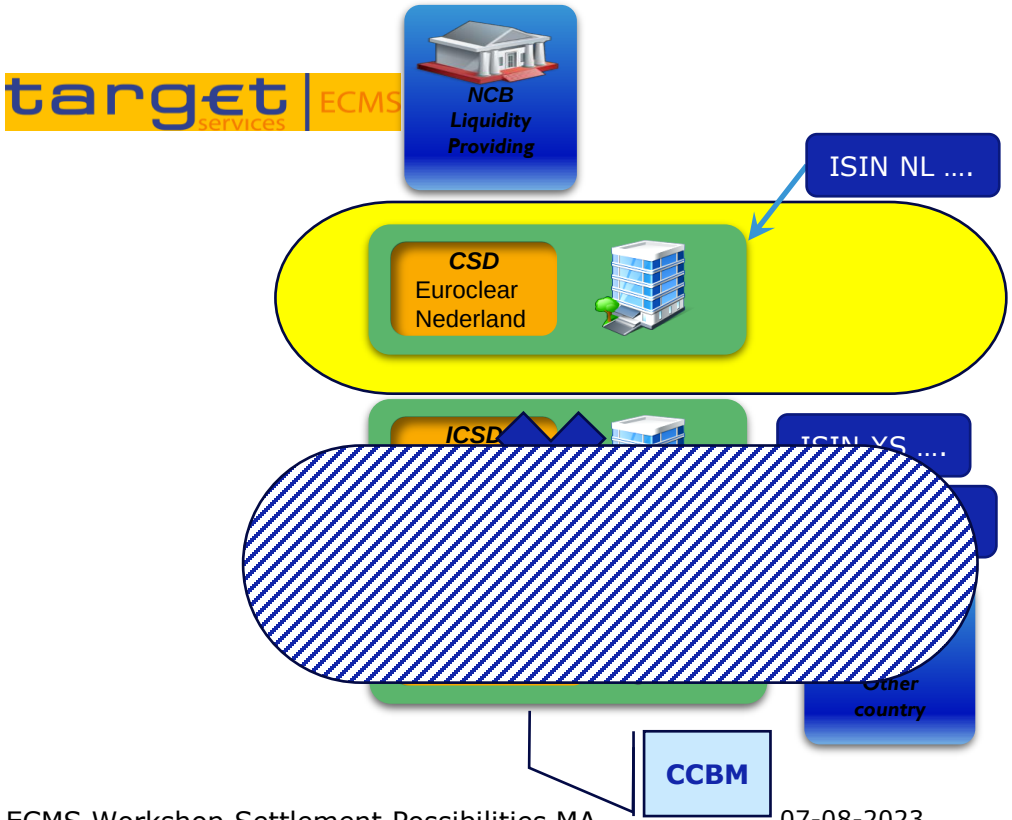
# Schematic overview of settlement possibilities



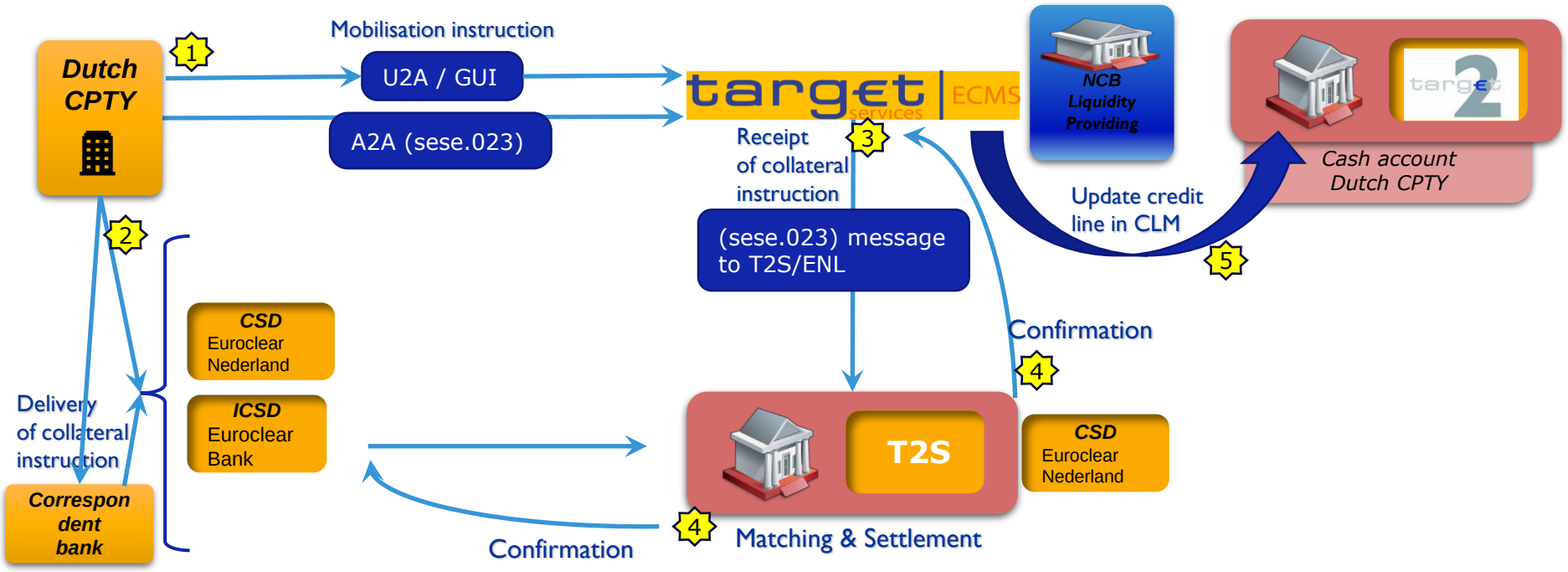
# Domestic mobilisation

The steps, as visualised in the next slide, describe a 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.

Depending on way of instructing / subscription, the CPTY can monitor this via the GUI and/or will receive the relevant reporting.

# Settlement possibility: assets issued in NL, to be received @ENL




message conform agreed process

The following slides contain :
* The operational flows for the testing when the Dutch Bank is a direct client of EB and when it uses an Intermediary to access EB;
* The key data elements that the EB client should use in its instructions to EB and to ECMS.

## Pre-requisites

**1 Verify that the Dutch Banks' EB account numbers are properly set up in our testing environment**

These banks should first check with our client testing team (email: eb.testing@euroclear.com, phone: +32 2 326 4424) that their EB account number(s) is/are properly set up in EB's PPE test platform.

They should also specify the input/output channels they will use ( these channels can be SWIFTFIN or EasyWay) in EB's PPE test platform.

If client testing team sees that their account is not set up and/or that their input/output channels they intend to use are not yet configured, then these banks will have to formally request the set up / configuration via RG 2017 form.

**2 Verify that the ISIN codes to be used can be used in our testing environment**

We also need you to provide us with the list of ISIN codes to be used. Our client testing team (email: eb.testing@euroclear.com; phone: +32 2 326 4424) will verify that these ISINs can be used in EB's PPE test platform.

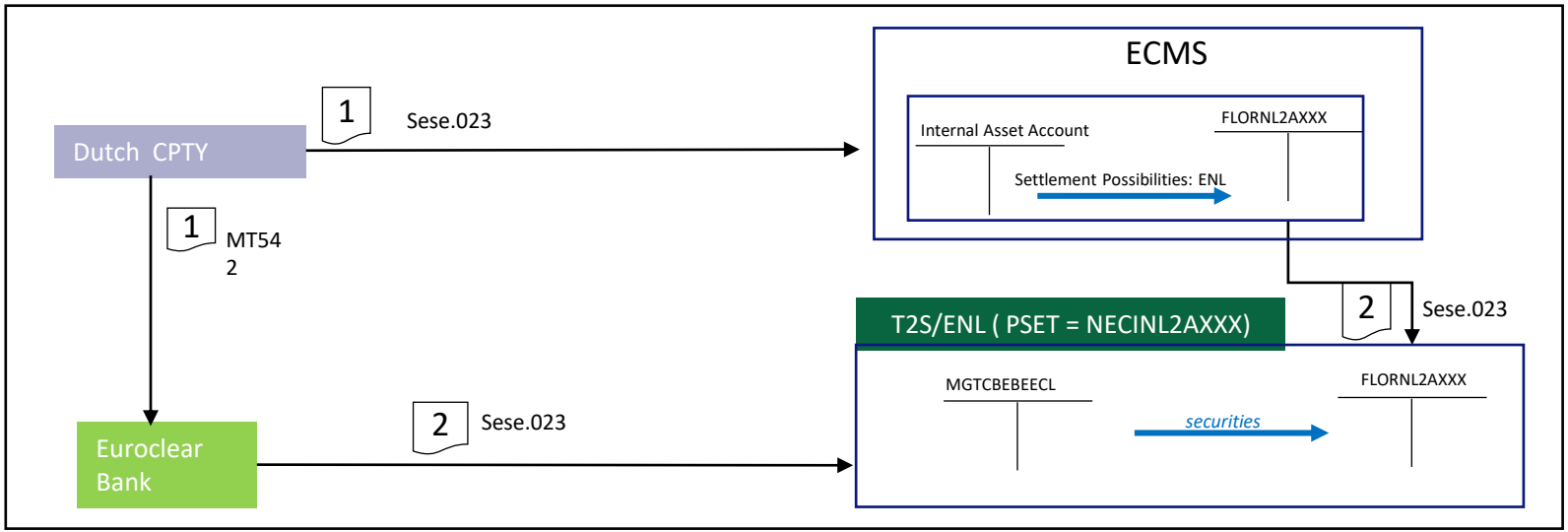
**3 Create securities balances in the EB accounts of the Dutch banks for the mobilisation test cases**

In order for the mobilisation test cases to be executed, we need to create beforehand the relevant securities positions in the Dutch CPTYs' accounts in EB.

So, we also need you to provide us with the quantity of securities for each mobilisation test case you want to run.

The creation of the securities positions will be taken care of by our client testing team (email: eb.testing@euroclear.com, phone: +32 2 326 4424)

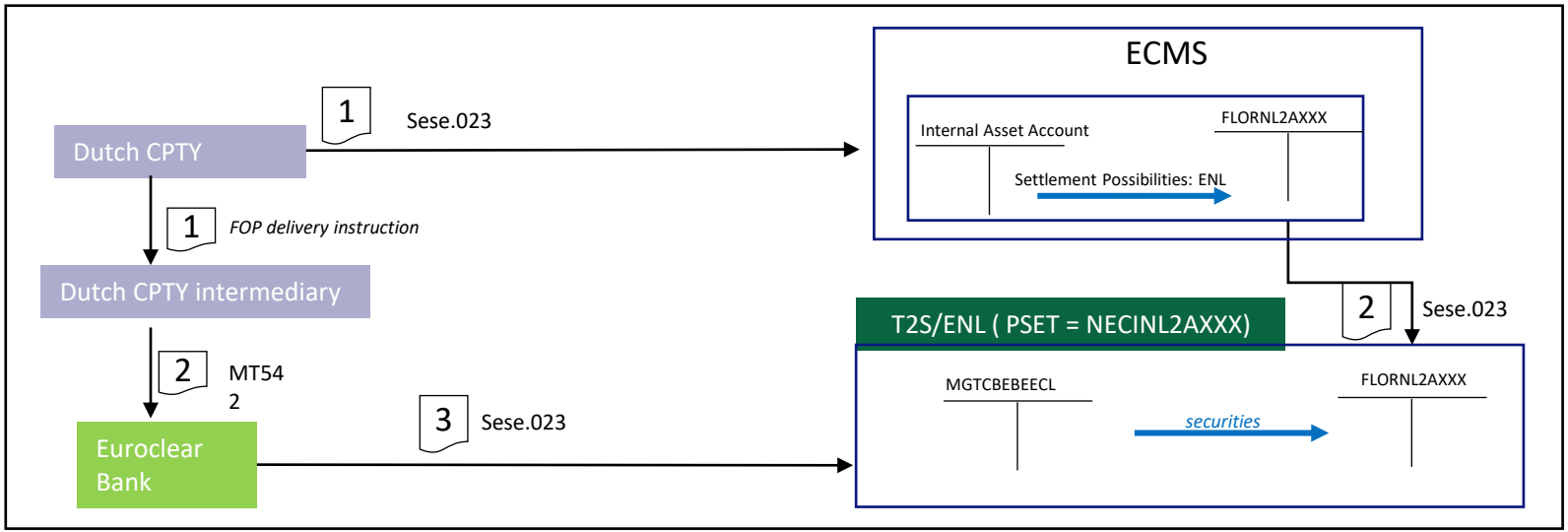
# Collateral mobilisation in T2S ENL
# NL Counterparty is a direct client of EB




In this configuration, EB acts as a T2S/ENL Party and the Dutch CPTY is a direct client of EB.

- Dutch CPTY sends a sese.023 to ECMS and a free of payment delivery instruction to its intermediary. Note that the delivery instruction should not quote DNB's T2S SAC.
- Dutch CPTY will have to quote in its sese.023 message to ECMS : its internal asset account number, DNB's BIC code FLORNL2AXXX, DEAG = MGTCBEBEECL
- Dutch CPTY sends the MT542 delivery instruction to EB with as key data elements : NOMC indicator, REAG = BIC FLORNL2AXXX or EOC code 94960, PSET = NECINL2AXXX
- The T2S status message (for the delivery instruction) to ECMS will quote : DEAG = MGTCBEBEECL, REAG = FLORNL2AXXX, PSET = NECINL2AXXX

# Collateral mobilisation in T2S ENL
# NL Counterparty is EB's underlying client




In this configuration, EB acts as a T2S/ENL Party and the Dutch CPTY has access to EB via an intermediary.

- Dutch CPTY sends a sese.023 to ECMS and a free of payment delivery instruction to its intermediary. Note that the delivery instruction should not quote DNB's T2S SAC.
- Dutch CPTY will have to quote in its sese.023 message to ECMS : its internal asset account number, DNB's BIC code FLORNL2AXXX, DEAG = MGTCBEBEECL
- The intermediary sends the MT542 delivery instruction to EB with as key data elements : NOMC indicator, REAG = BIC FLORNL2AXXX or EOC code 94960, PSET = NECINL2AXXX
- The T2S status message (for the delivery instruction) to ECMS will quote : DEAG = MGTCBEBEECL, REAG = FLORNL2AXXX, PSET = NECINL2AXXX

# Key data elements for (de)mobilisations of collateral

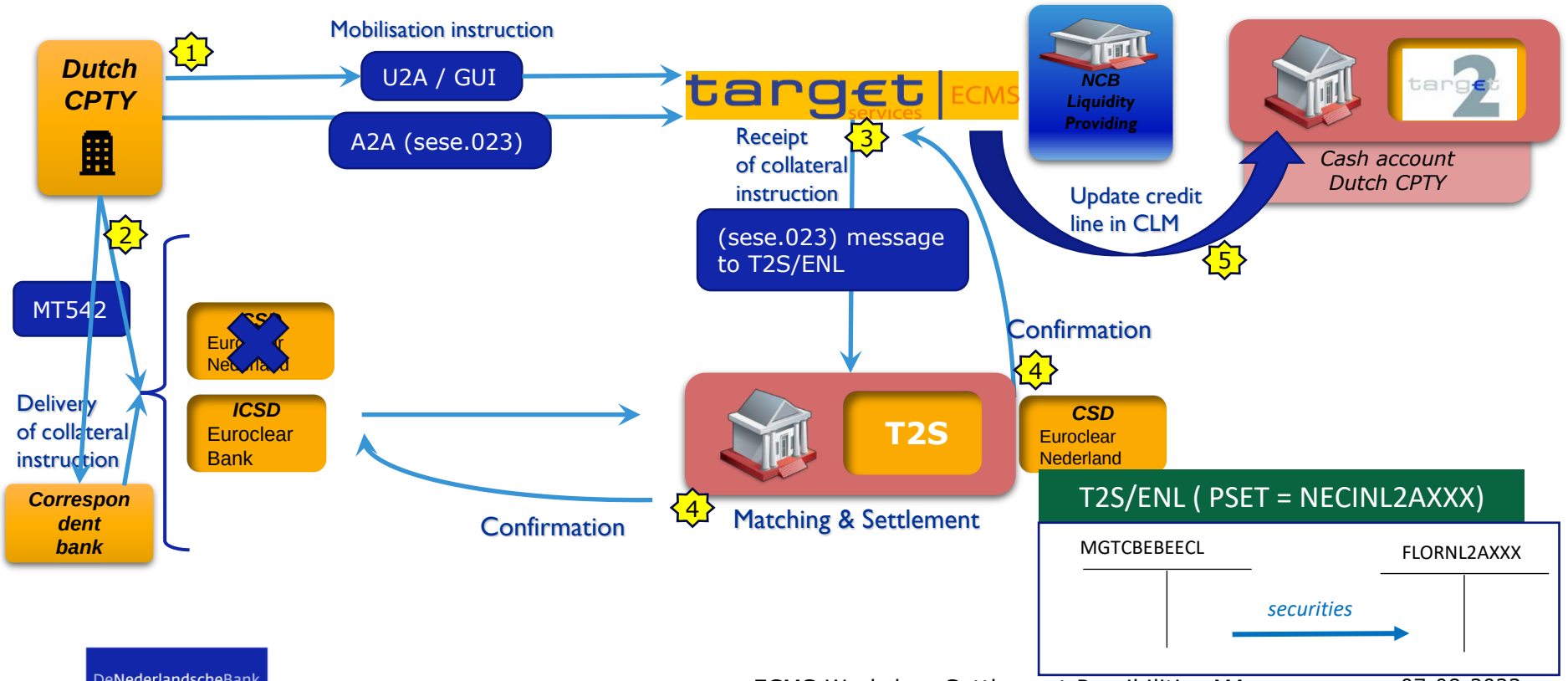
## Key data elements – mobilisation of collateral with DNB in T2S/ENL :

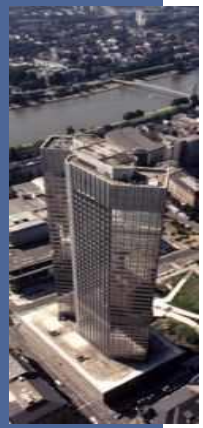
| Data element | Your instruction to Euroclear Bank | NCB leg instruction to ECMS |
|---|---|---|
| Place of settlement | :95P::PSET// NECINL2AXXX | NECINL2AXXX in Delivering and Receiving Depository ID |
| No Market Claim Indicator | :22F ::STCO//NOMC | |
| Receiver of securities | :95P ::REAG//FLORNL2AXXX - or - :95R ::REAG/ECLR/94960 | |
| Deliverer ofsecurities | Not required in your instruction to EB | Delivering Party 1: MGTCBEBEECL |

## Key data elements – demobilisation of collateral with DNB in T2S/ENL :

| Data element | Your instruction to Euroclear Bank | NCB leg instruction to ECMS |
|---|---|---|
| Place of settlement | :95P::PSET// NECINL2AXXX | NECINL2AXXX in Delivering and Receiving Depository ID |
| No Market Claim Indicator | :22F ::STCO//NOMC | |
| Receiver of securities | *Not required in your instruction to EB* | Receiving Party 1: MGTCBEBEECL |
| Deliverer of securities | :95P ::DEAG//FLORNL2AXXX - or - :95R ::DEAG/ECLR/94960 | |

# Settlement possibility: mobilisation NL ISIN via EB





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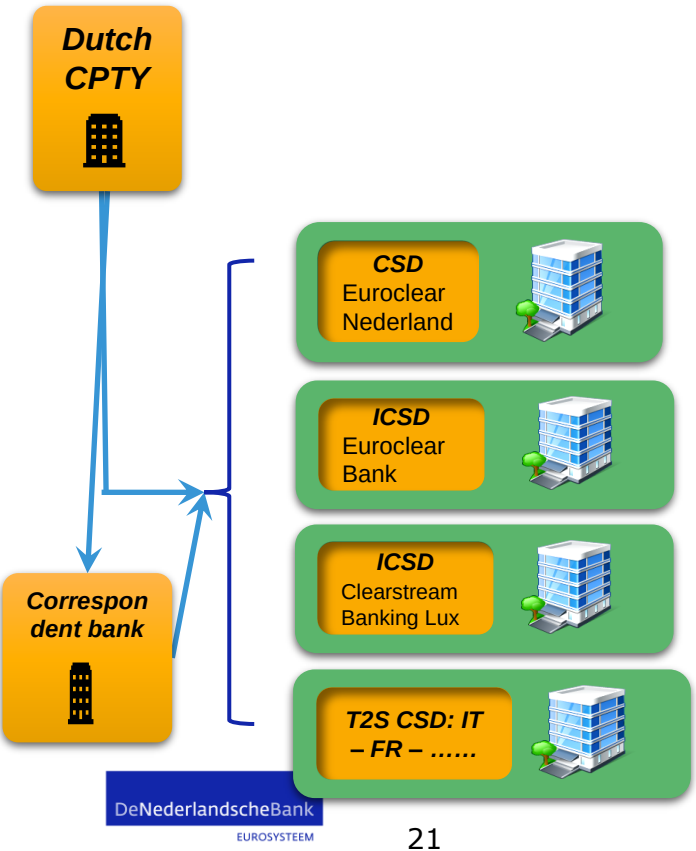
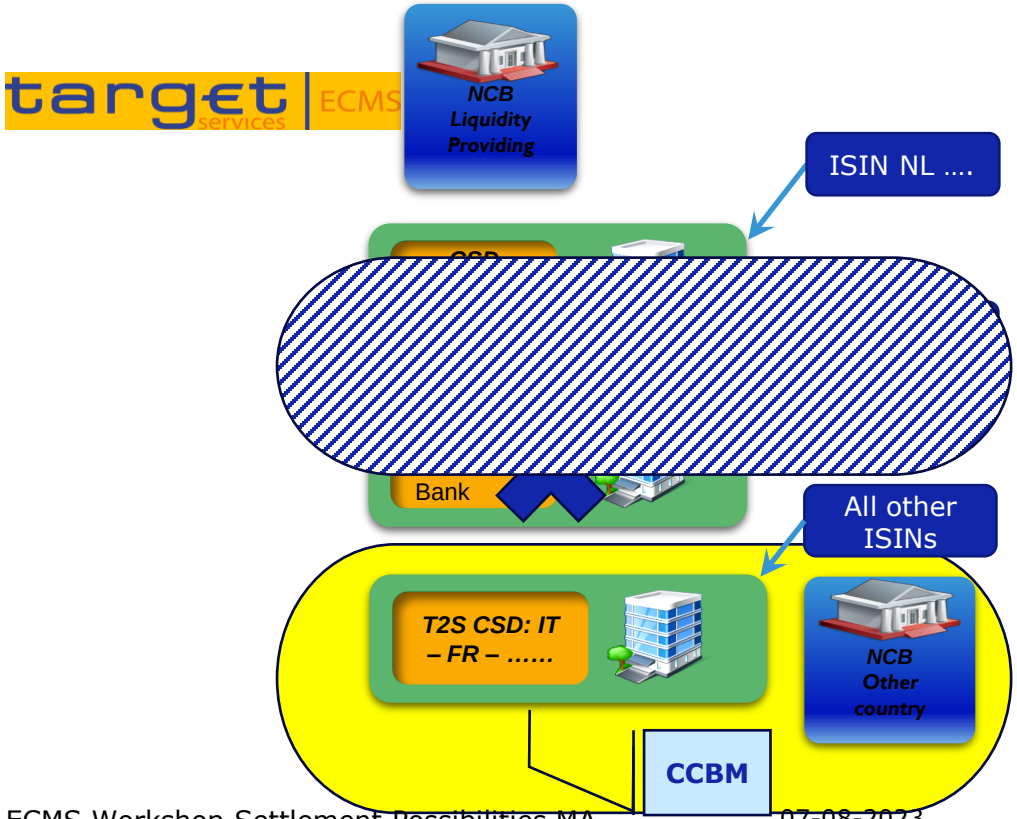
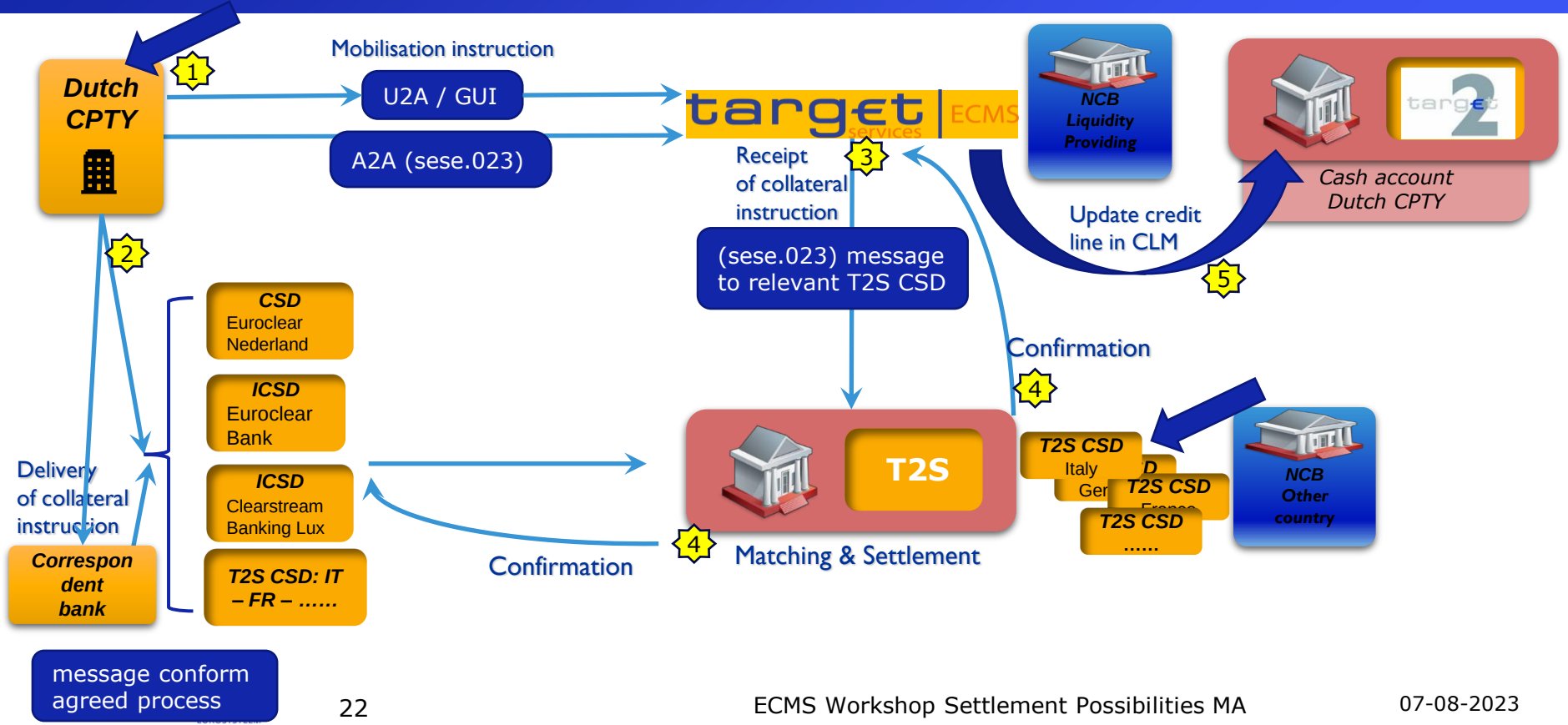
# Schematic overview of settlement possibilities



# Settlement possibility: assets not issued in NL, to be received via CCBM

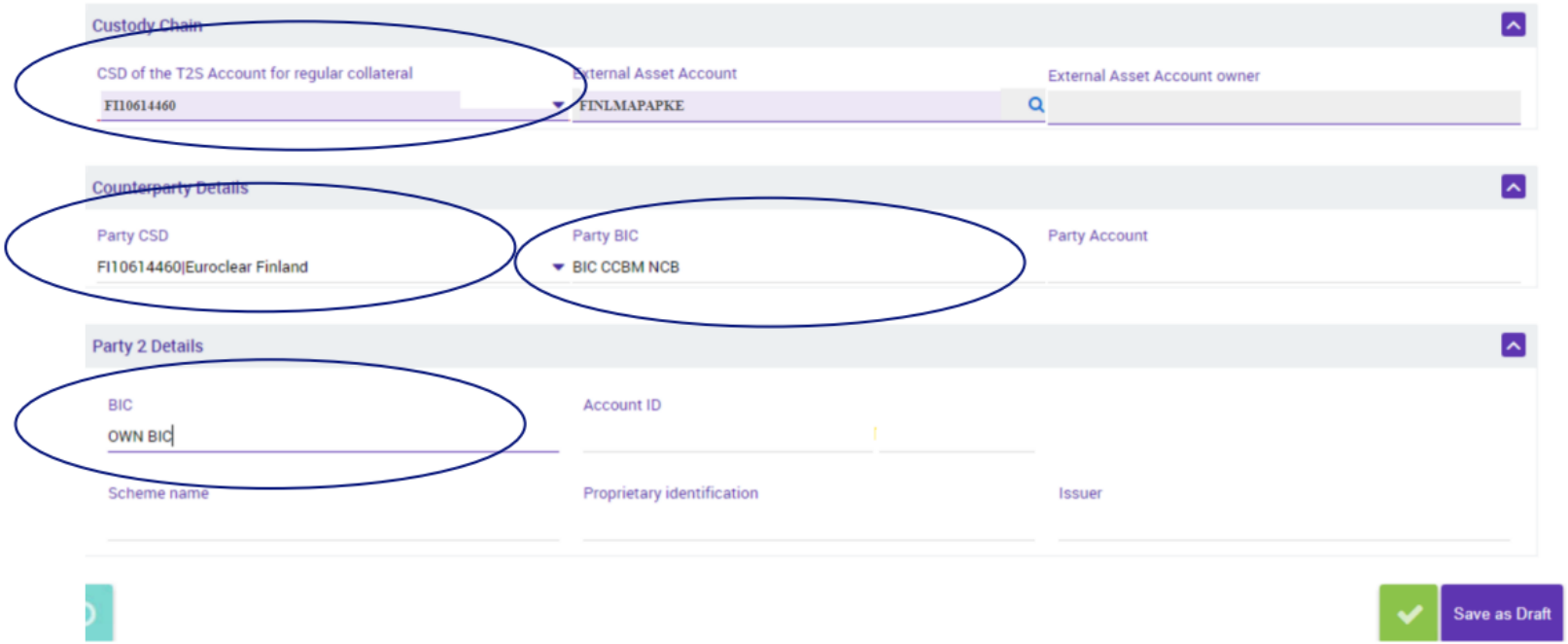


# CCBM mobilisation during CTP2A

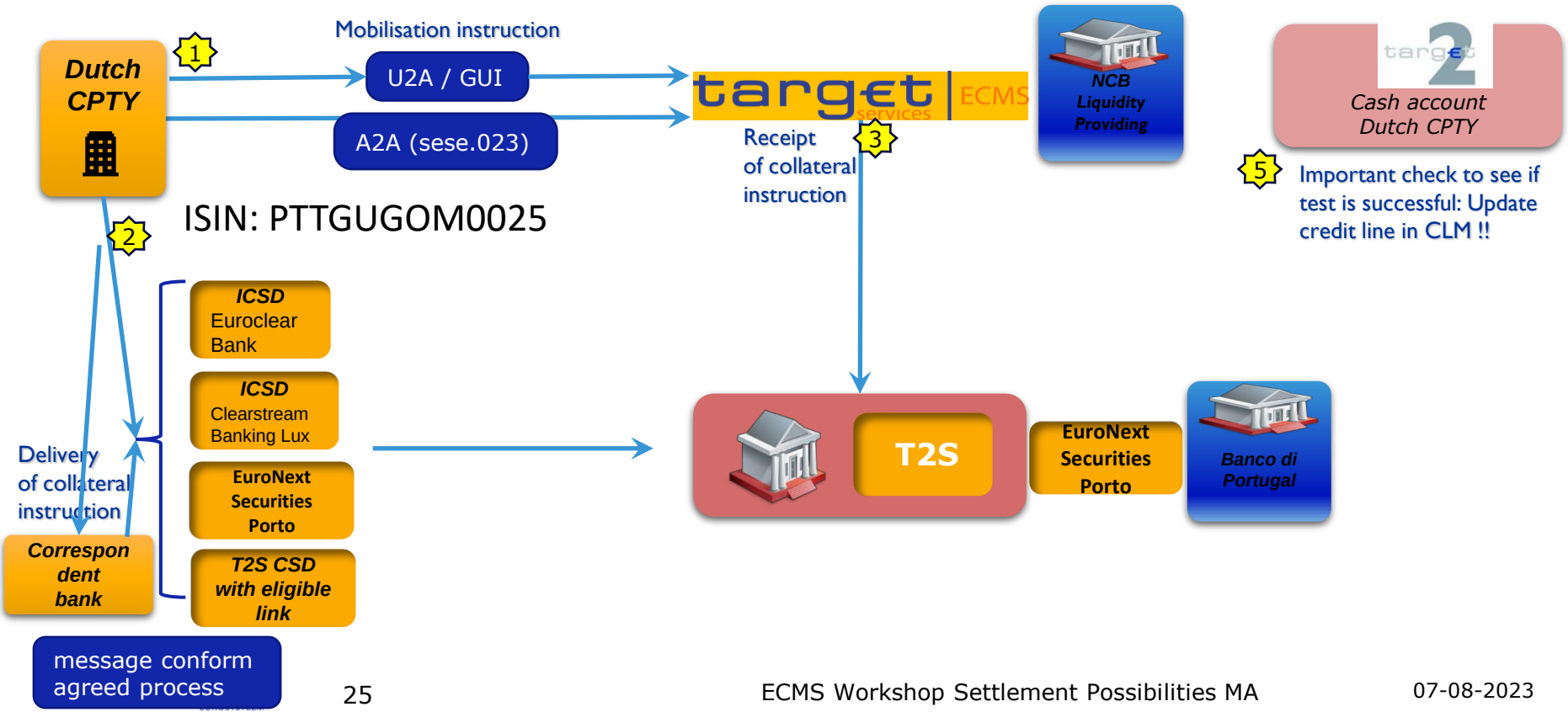
The next slide covers the possible CCBM test transactions at this moment.
The following CSDs and 'connected' NCBs have indicated to be ready to accept test messages and because in some cases a bilateral contact with the local CSD is necessary, you are requested to let us know what kind of transaction you plan to do.

| ISIN | FAMT | CSD | NCB of | NCB BIC |
|---|---|---|---|---|
| PTTGUGOM0025 | EUR 5 million | EuroNext Securities Porto | Portugal | BGALPTTGXXX |
| AT0000A20DY7 | EUR 5 million | OeKB CSD | Austria | NABAATWWXXX |
| XS1050663258 | EUR 5 million | LuxCSD S. A. (Luxembourg) Clearstream Banking Luxemburg | Luxembourg | BCLXLULLXXX |
| SI0002104287 | EUR 1 million | KDD - Centralna klirinško depotna družba, d.d. | Slovenia | BSLJSI2XXXX |
| IT0001086567<br>IT0000366655 | EUR 4730769.23<br>EUR 270155.90 | EuroNext Securities Milan | Italy | BITAITRRXXX |

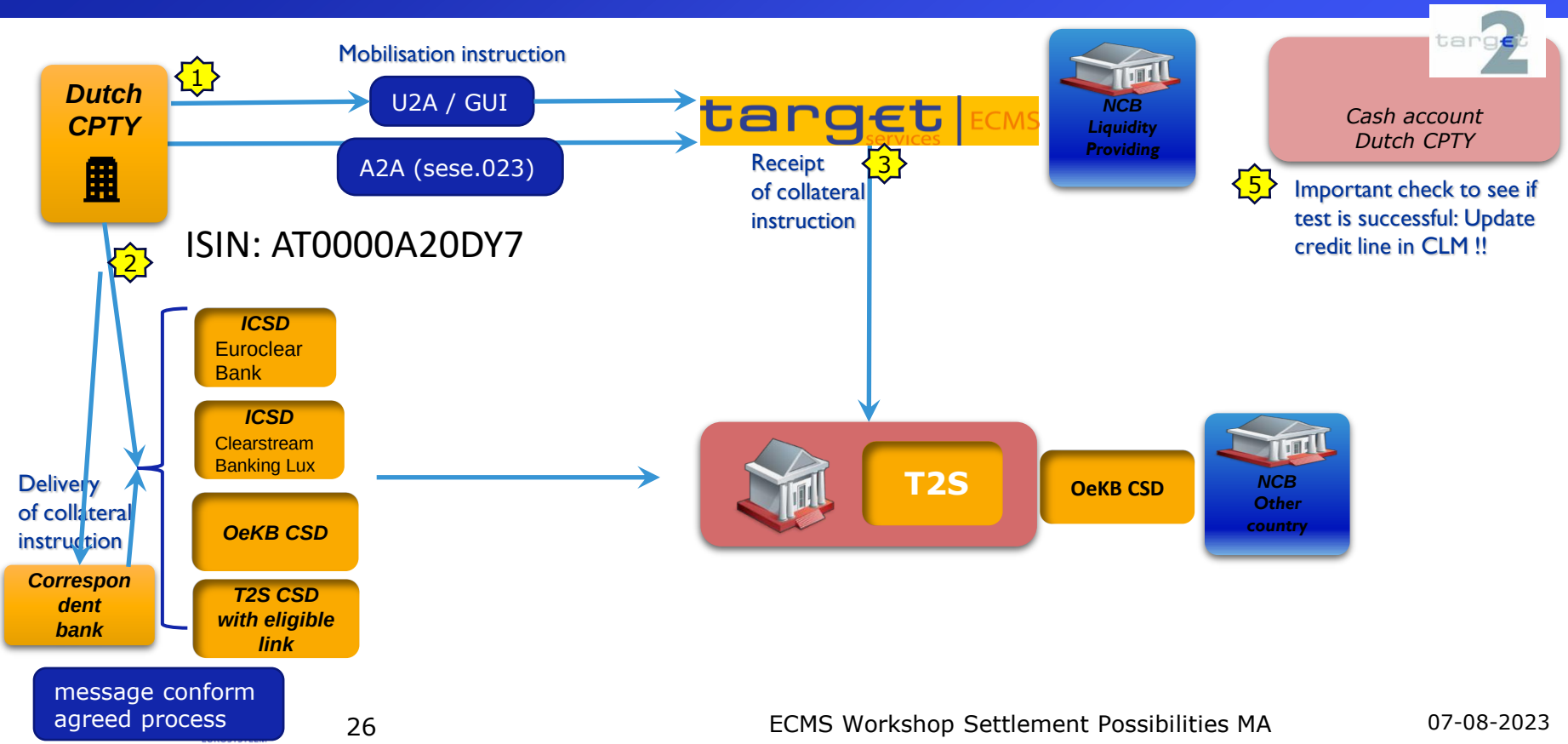
# CCBM mobilisation during CTP2A



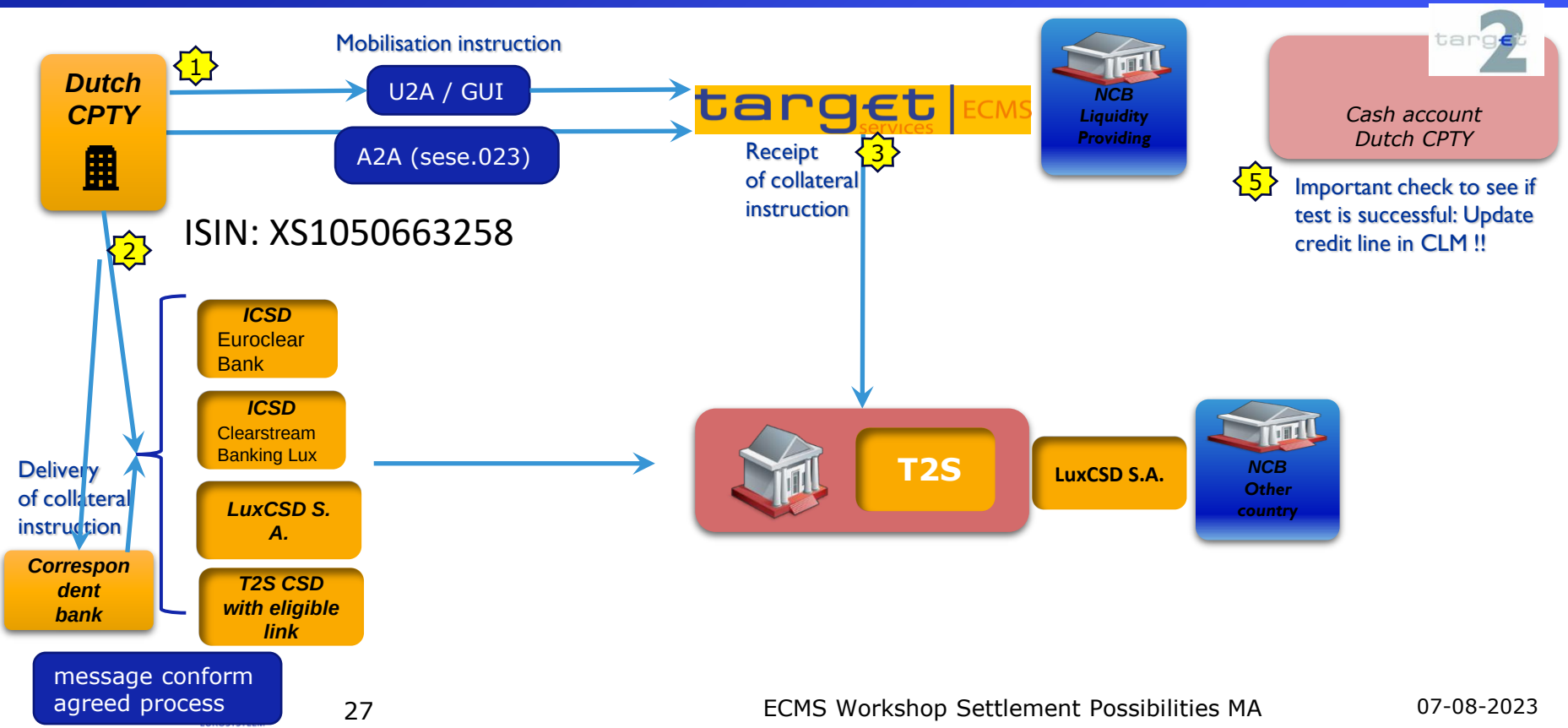
# Examples of CCBM test transactions: Portugal



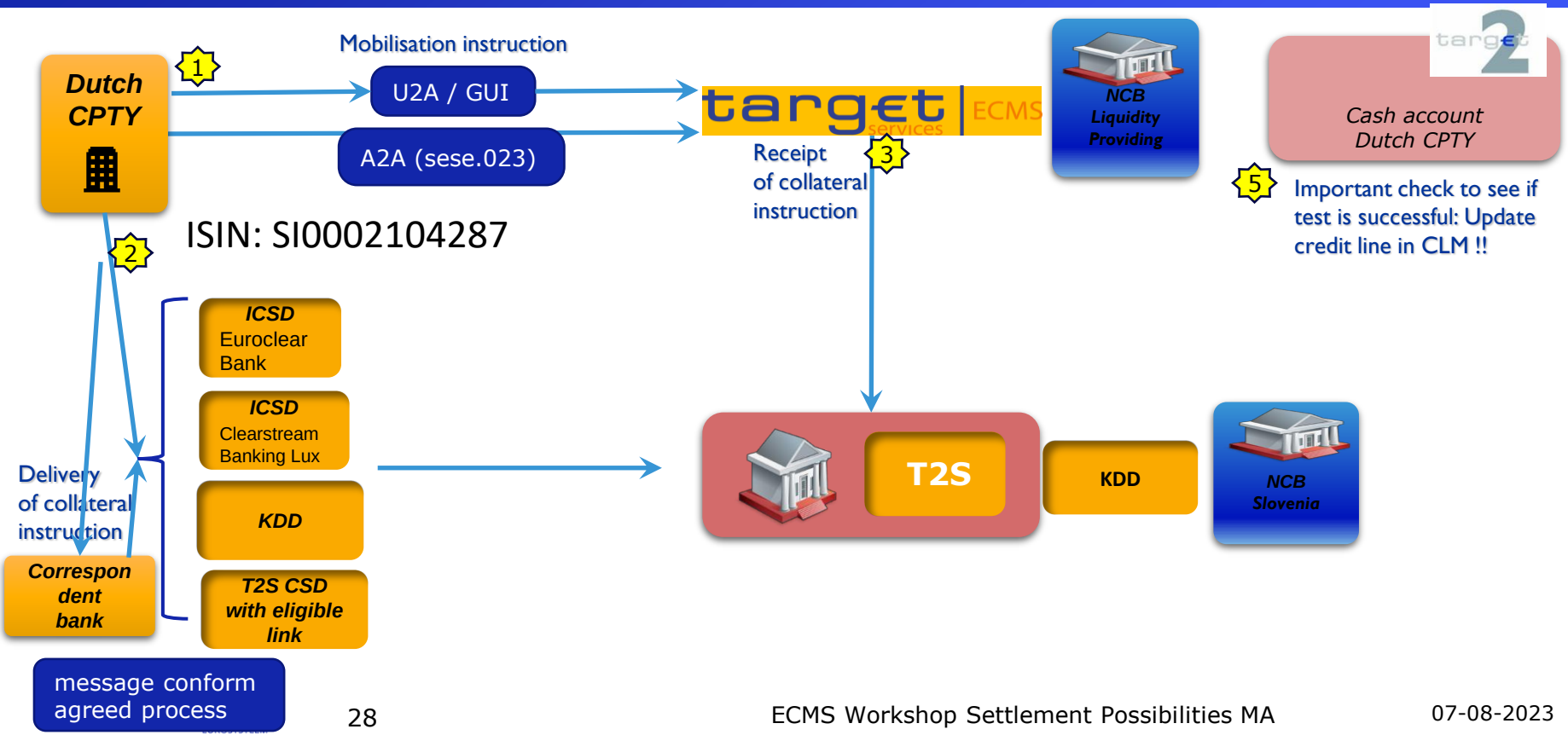
# Examples of CCBM test transactions: Austria



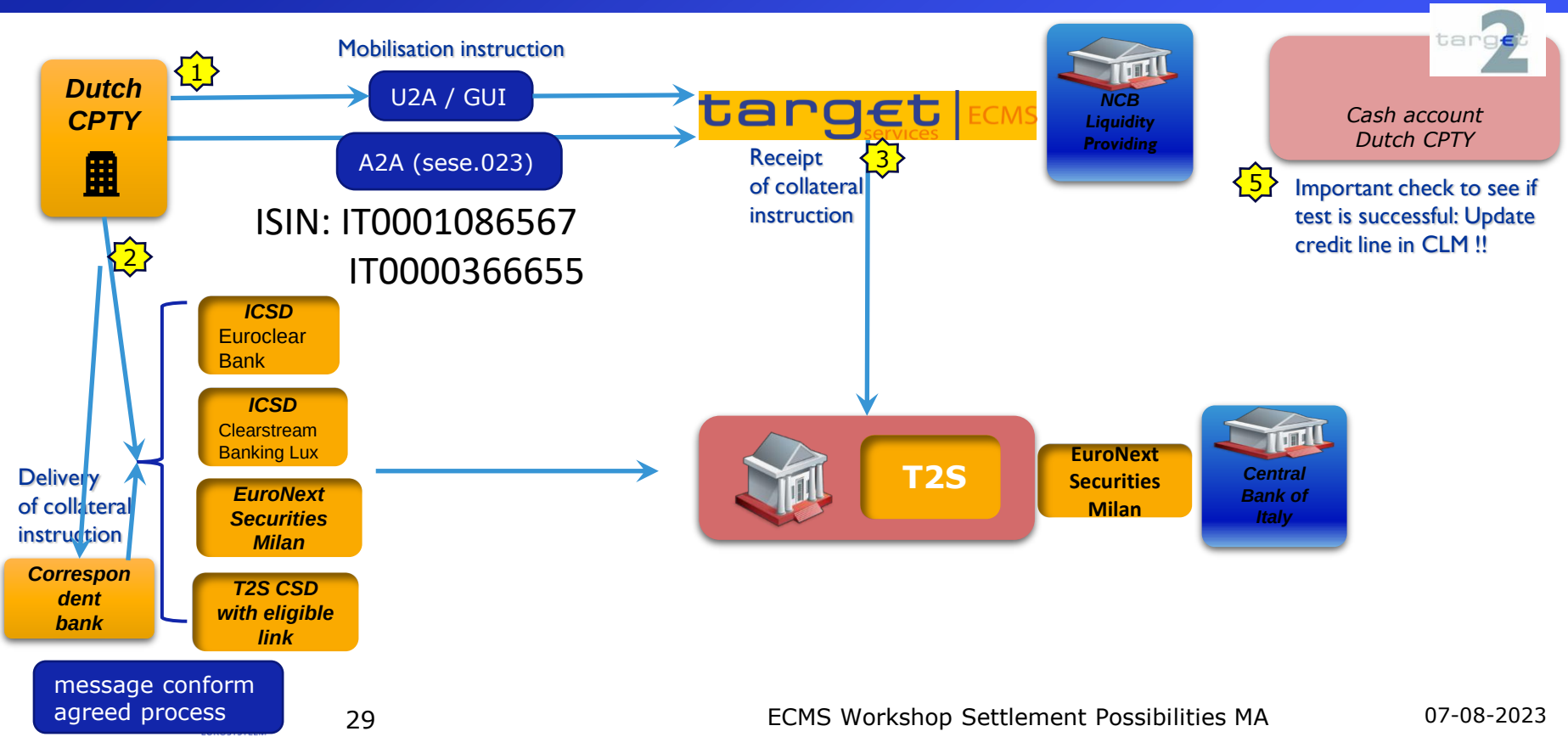
# Examples of CCBM test transactions: Luxemburg



# Examples of CCBM test transactions: Slovenia



# Examples of CCBM test transactions: Italy



- Opportunity for questions

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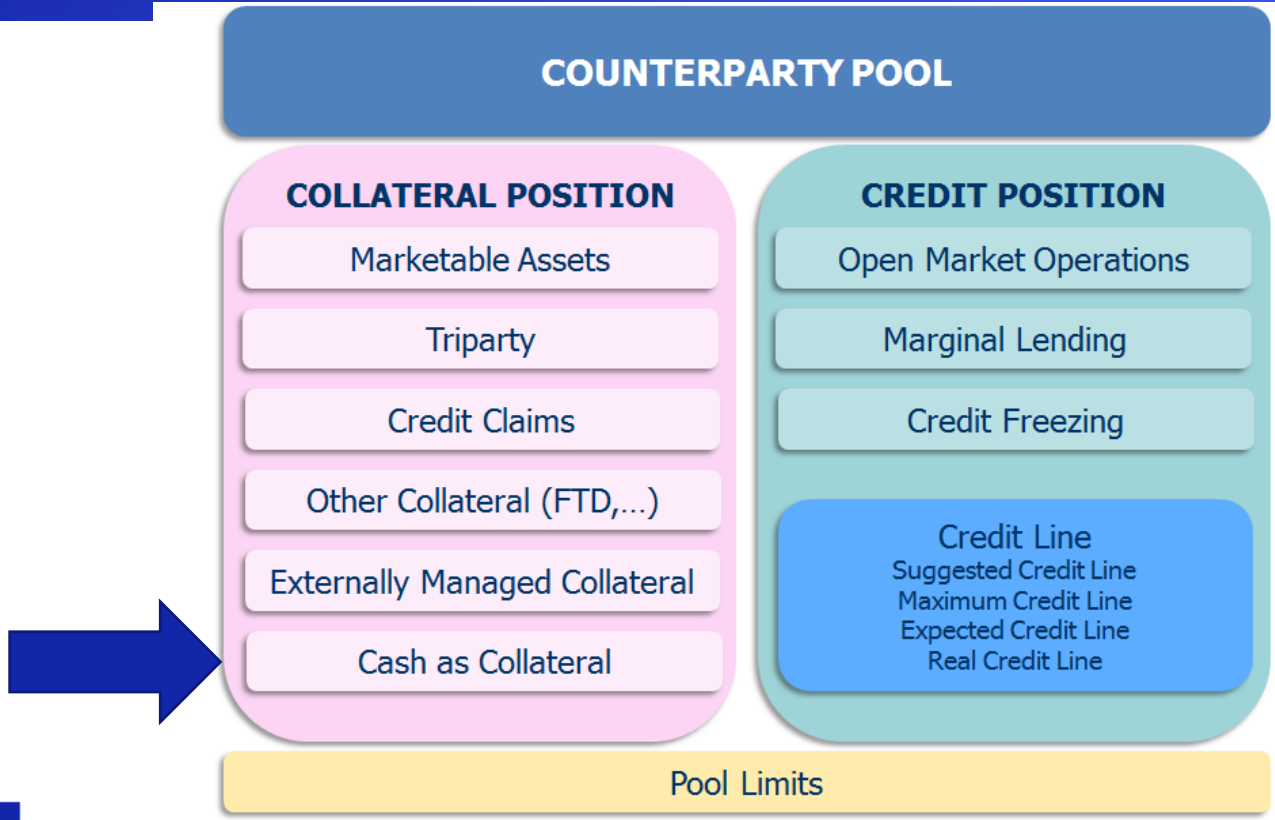
   - Settlement possibilities: Cross border settlement
2. **Explanation 'Cash as collateral'**

# The function of ECMS

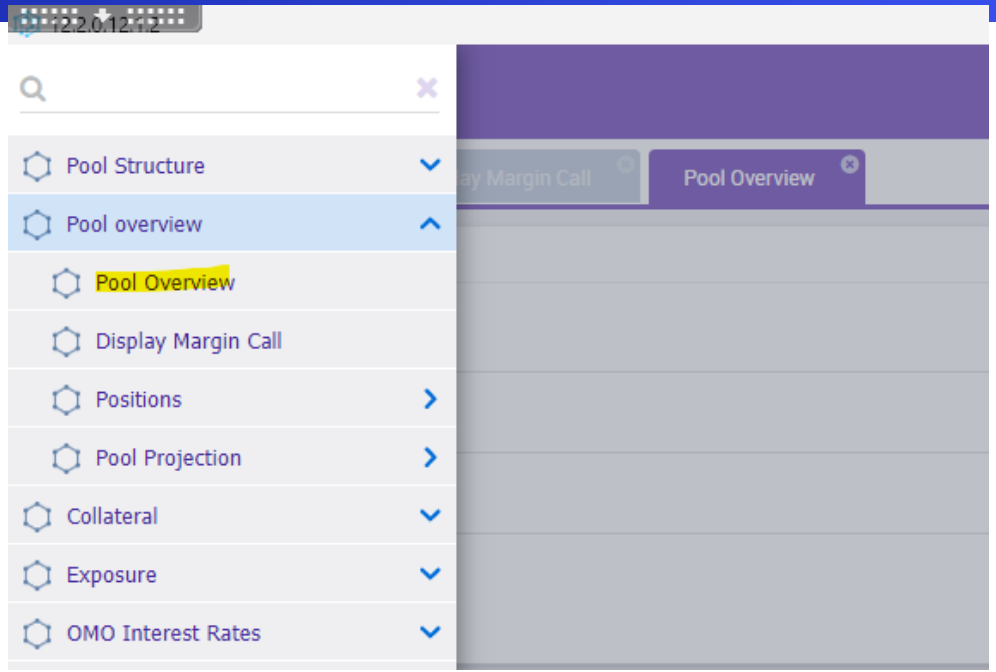


# Cash as collateral

Before we start:

we are looking for a volunteer to test the cash as collateral with us in ECMS UTEST.

Today or tomorrow, we will send you a timeslot in which you can test cash as collateral. We will also tell you which other timeslots are available, in case you cannot test at your assigned slot.

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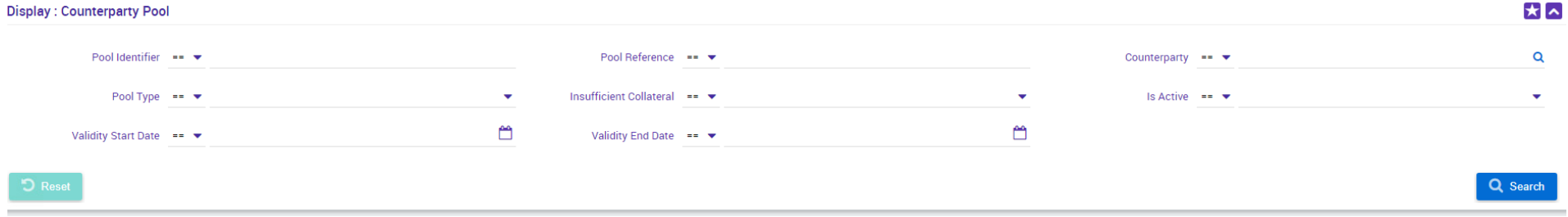


List Pools Overview

| Pool Identifier | Pool Type | Counterparty Rf | SCP Pool: Total Collateral | SCP Pool: Total Credit | SCP Pool: SCL | ECL | RCL | SCP Pool: Collateral Exces | SCP Pool: Insufficient Coll | SCP Pool: Is Valuated | ELA Pool: ELA Collateral A | ELA Pool: Total ELA Credit | Is Active | Update Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| POOL000000000... | SCP | | 10,817,971.06 | 18,000,000 | 0 | 0 | 0 | 0 | Yes | Yes | 0 | 0 | Yes | 04/08/2023 13:4... |
| POOL000000000... | SCP | | 0 | 0 | 0 | 0 | 0 | 0 | No | Yes | 0 | 0 | Yes | 04/08/2023 10:1... |

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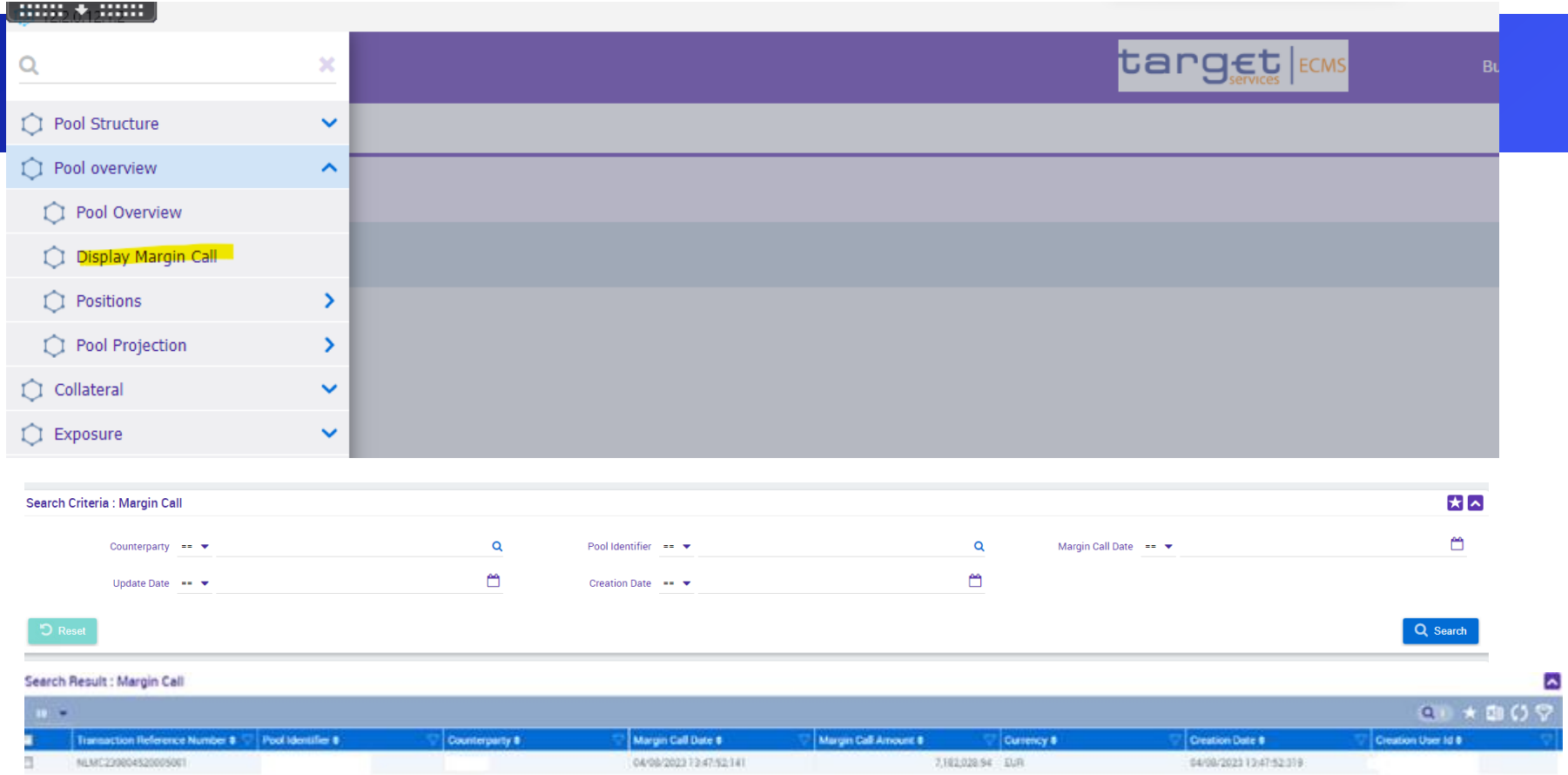


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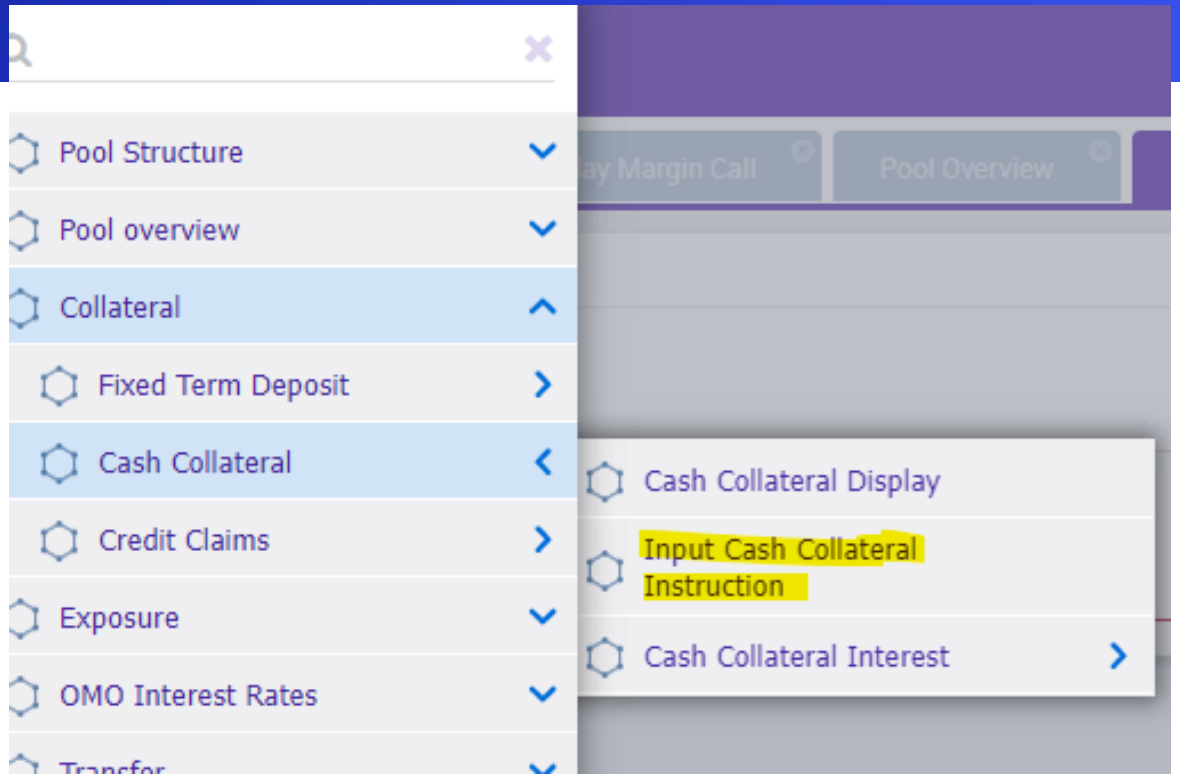


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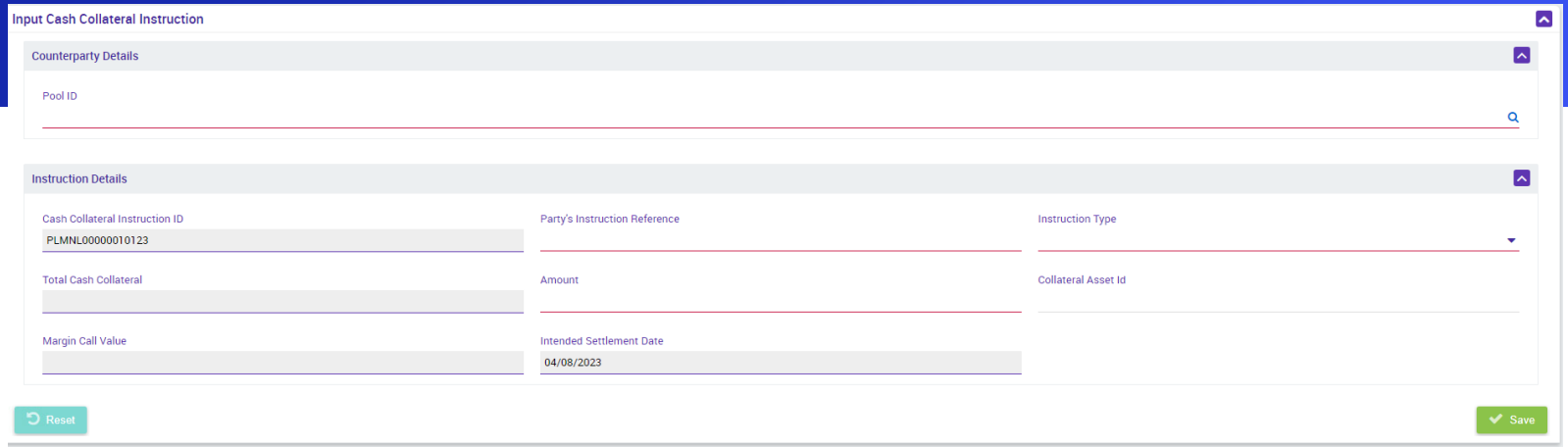


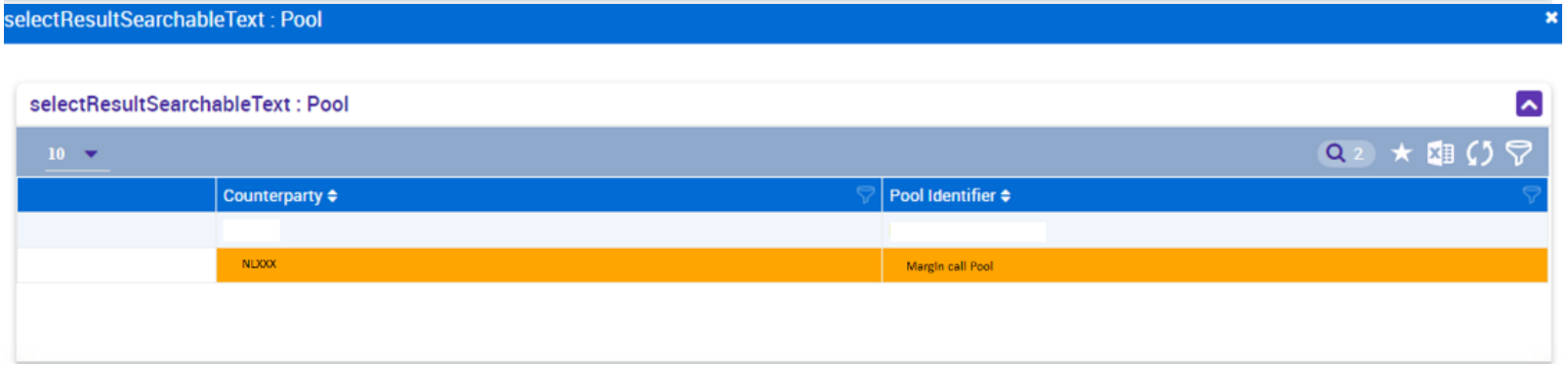


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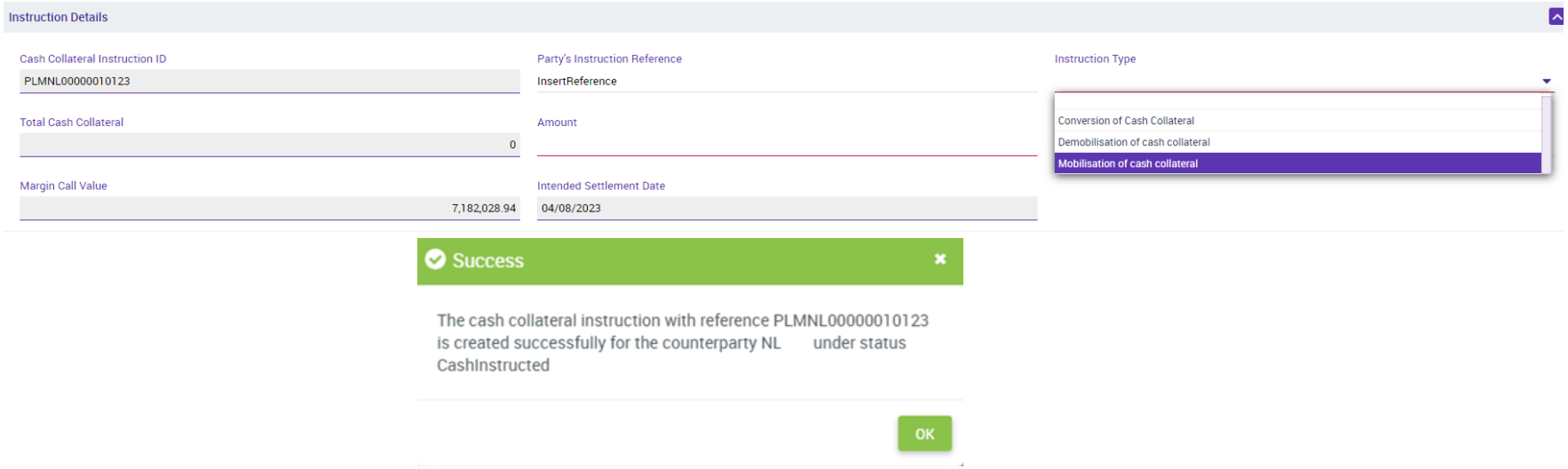


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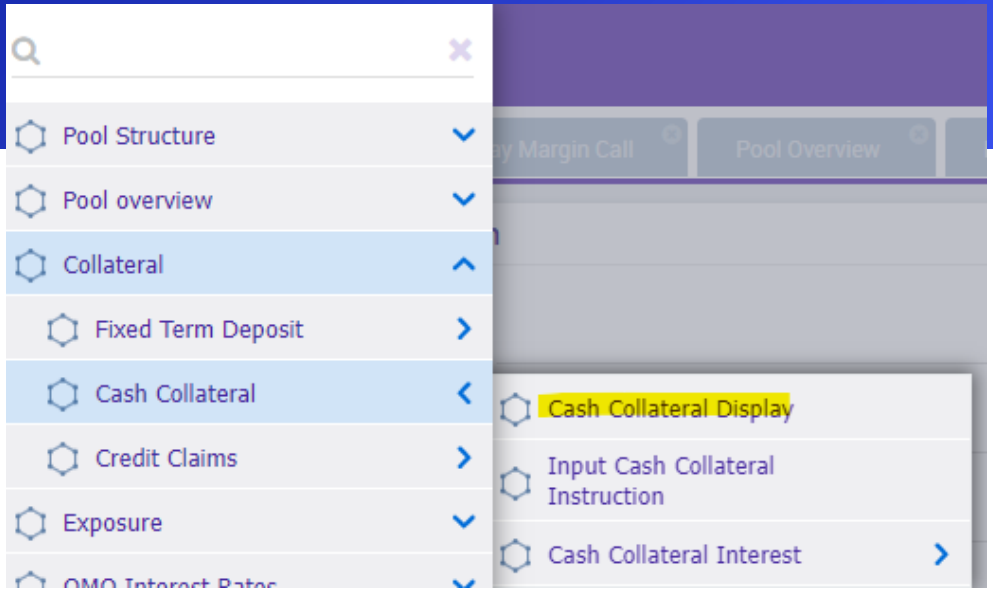


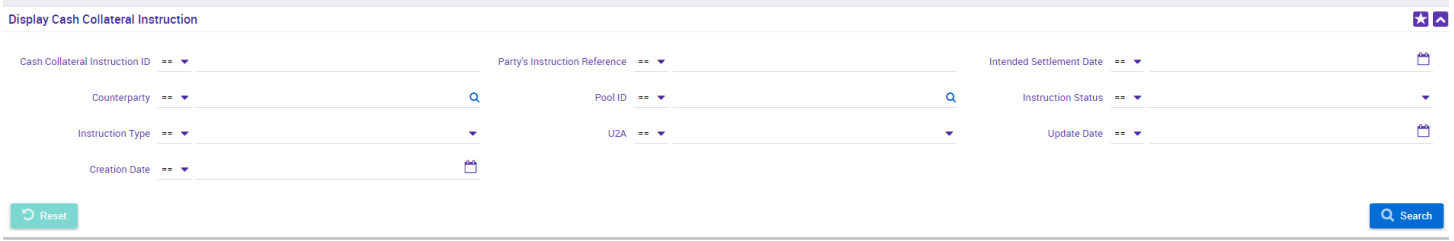


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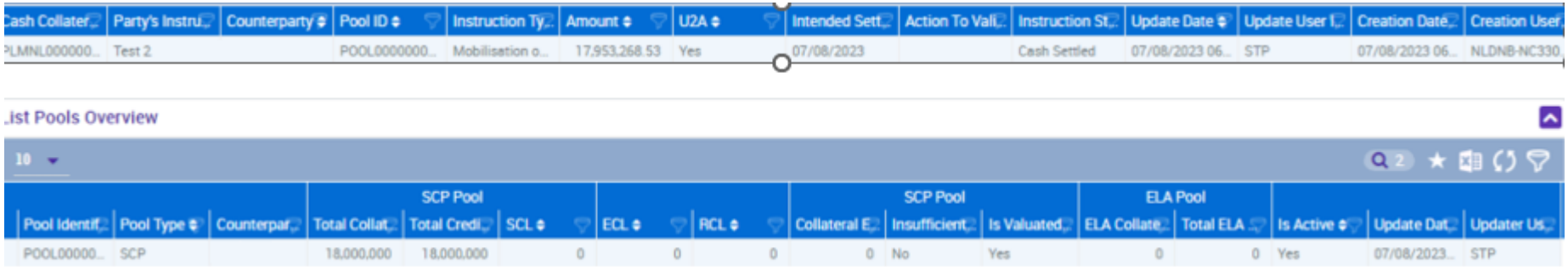

| Cash Collater | Party's Instru | Counterparty | Pool ID | Instruction Ty | Amount | U2A | Intended Sett | Action To Vali | Instruction St | Update Date | Update User | Creation Date | Creation User |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLMNL000000... | Test 2 | | POOL0000000... | Mobilisation o... | 17,953,268.53 | Yes | 07/08/2023 | | Cash Settled | 07/08/2023 06... | STP | 07/08/2023 06... | NLDNB-NC330 |

List Pools Overview

10

| | | | SCP Pool | | | | | SCP Pool | | | ELA Pool | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pool Identif | Pool Type | Counterpar | Total Collat | Total Credi | SCL | ECL | RCL | Collateral E | Insufficient | Is Valuated | ELA Collate | Total ELA | Is Active | Update Dat | Updater Us |
| POOL00000... | SCP | | 18,000,000 | 18,000,000 | 0 | 0 | 0 | 0 | No | Yes | 0 | 0 | Yes | 07/08/2023... | STP |

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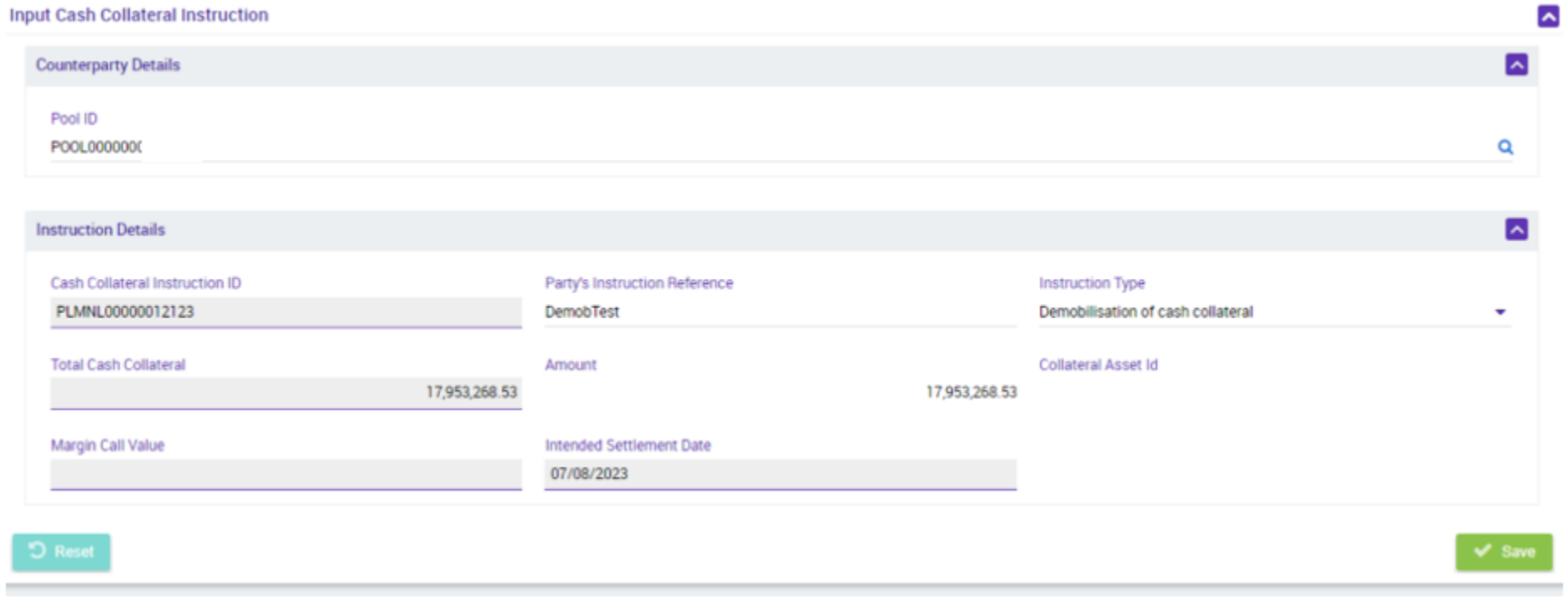


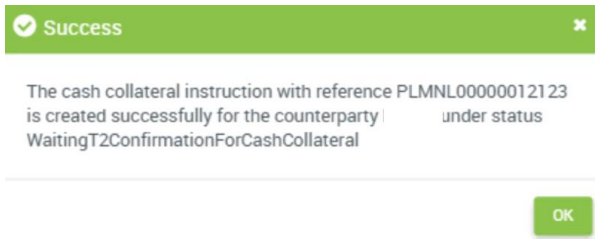


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| | | | SCP Pool | | | | | SCP Pool | | | ELA Pool | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pool Ident | Pool Type | Counterpa | Total Colla | Total Credit | SCL | ECL | RCL | Collateral | Insufficien | Is Valuate | ELA Collat | Total ELA | Is Active | Update Da | Updater U |
| POOL0000... | SCP | | 46,731.47 | 0 | 46,731.47 | 46,731.47 | 46,731.47 | 0 | No | Yes | 0 | 0 | Yes | 07/08/202... | NLDNB-NC... |

# Live Demo

**Thank you for your attention, and again, please test during your assigned timeslot.**

- AOB
- Opportunity for questions

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