

# Workshop

- Settlement Possibilities of Marketable Assets
- Cash as collateral

ECMS project

7 August 2023

DeNederlandscheBank

EUROSYSTEM

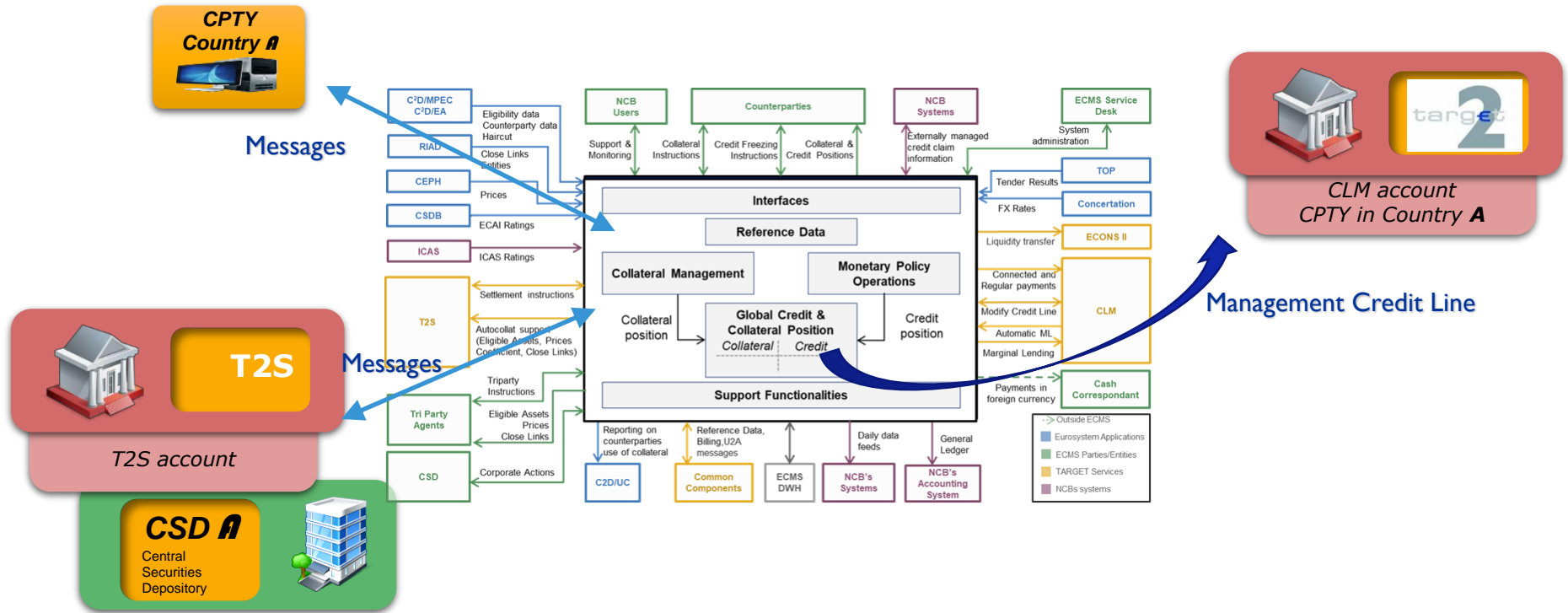
# Agenda

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

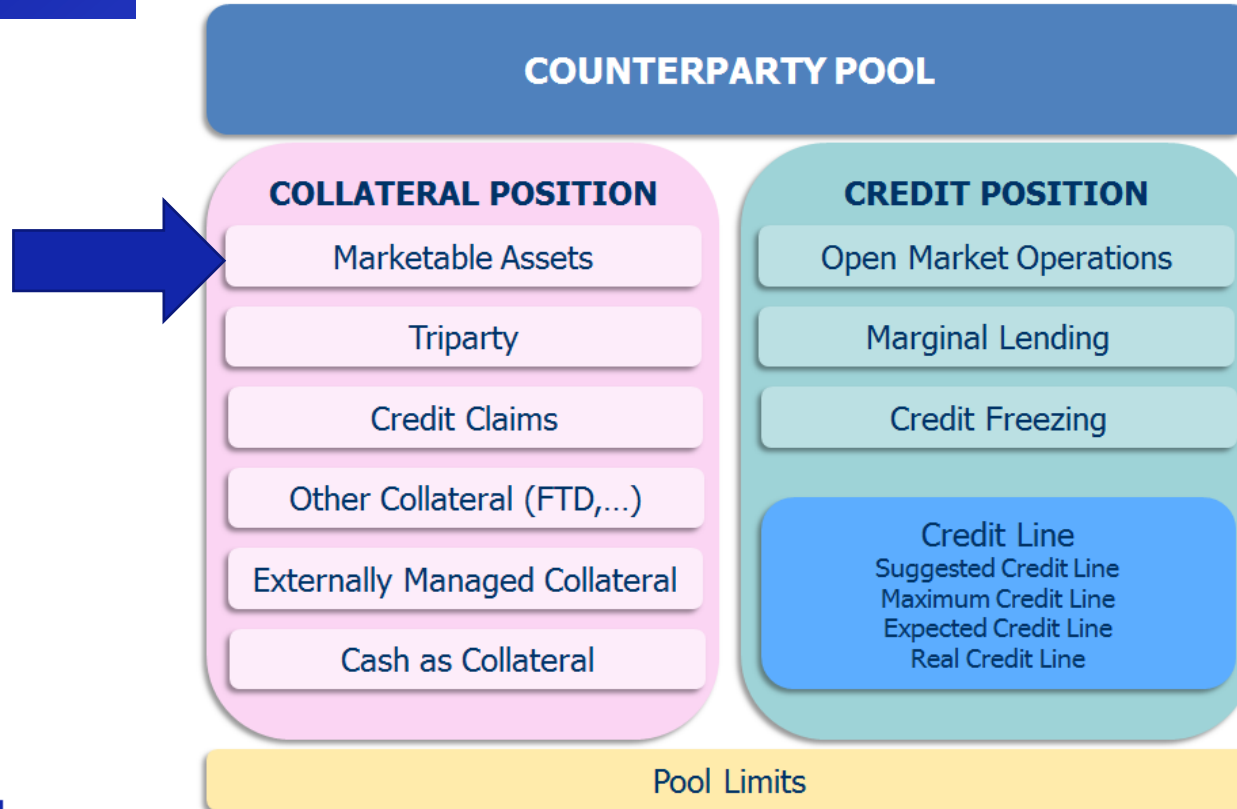
# Purpose of workshop

- 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



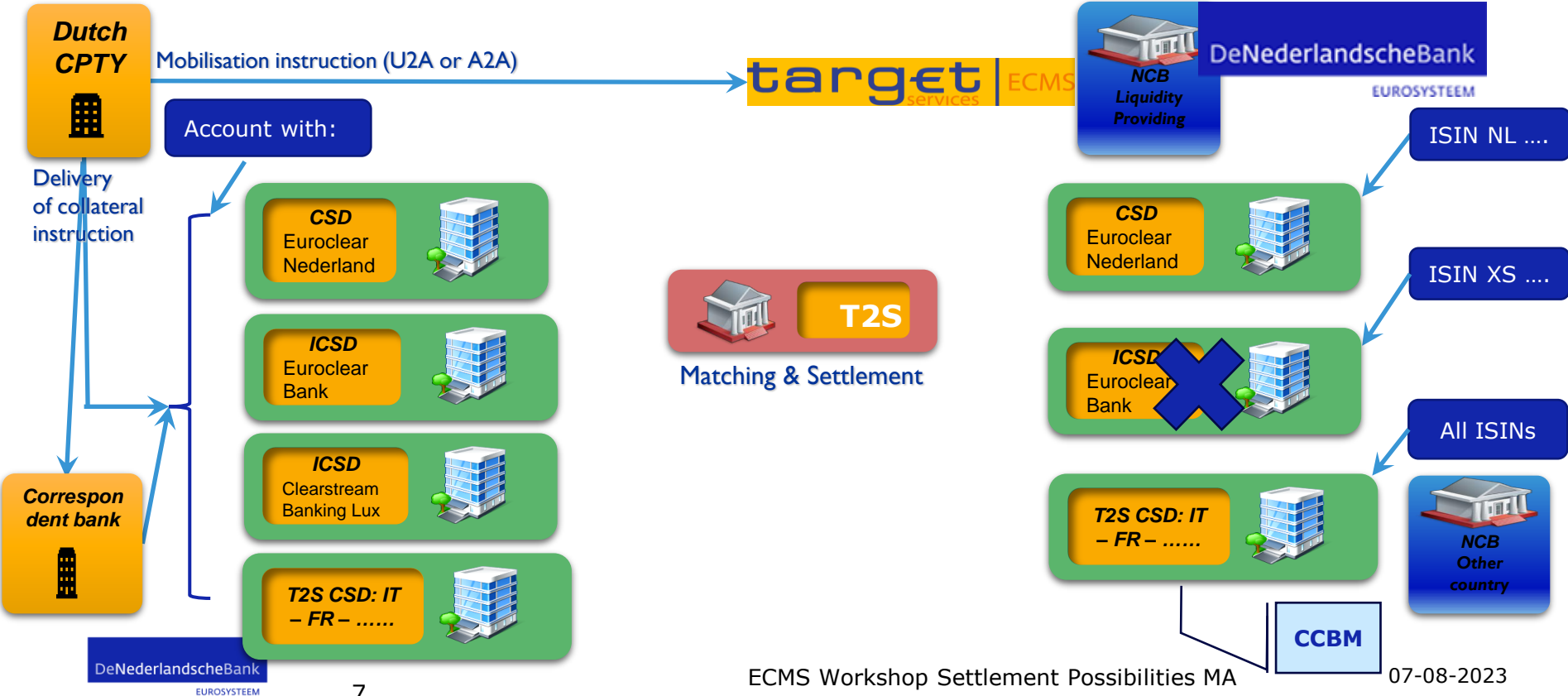


## 1. Overview settlement possibilities

- Domestic settlement
- Cross border settlement

## 2. Explanation 'Cash as collateral'

# 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).

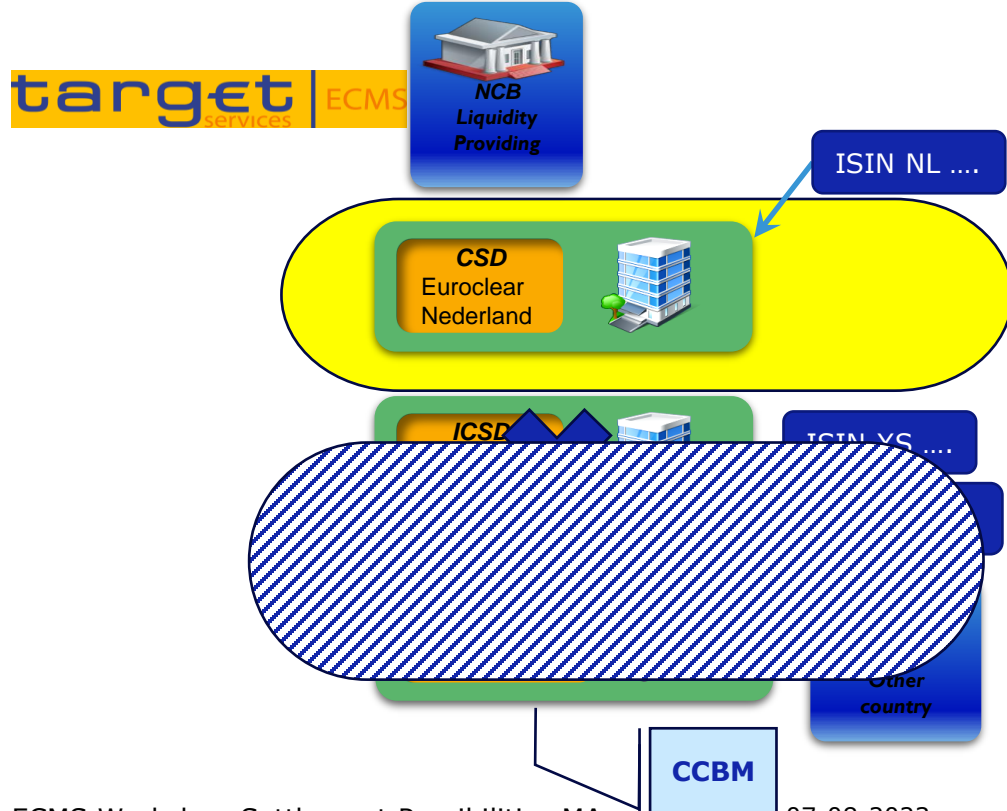
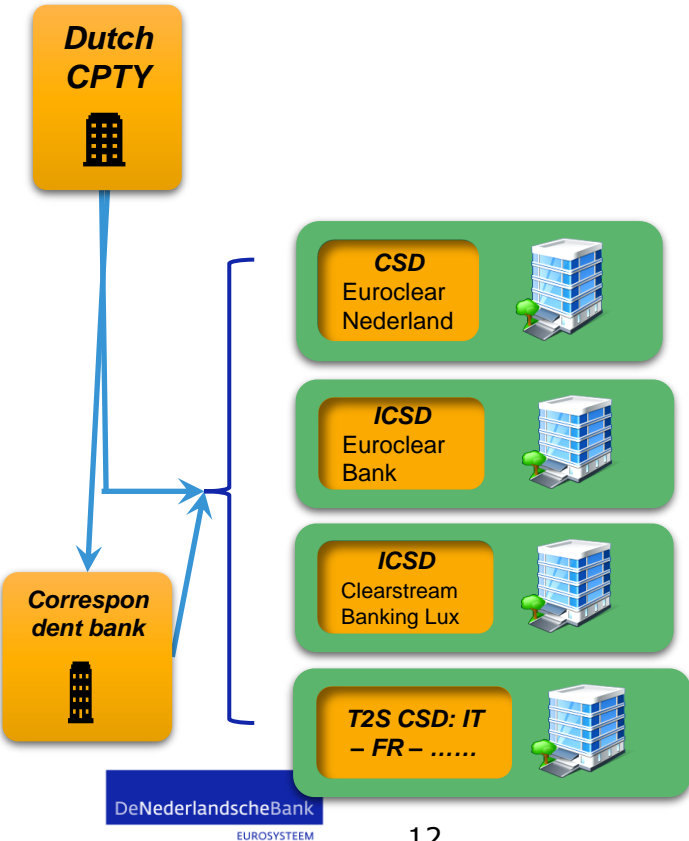


## 1. Overview settlement possibilities

- **Domestic settlement**
- Cross border settlement

## 2. Explanation 'Cash as collateral'

# Schematic overview of settlement possibilities

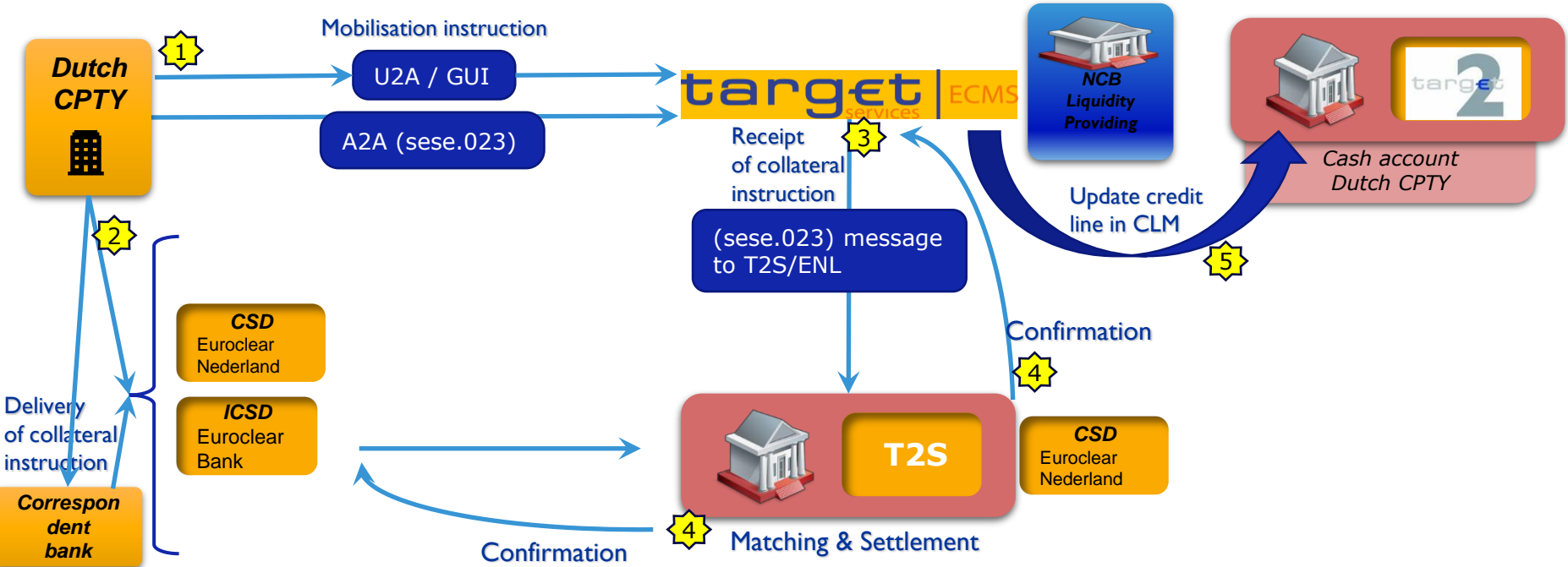


# Domestic mobilisation

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 FCMS.

## **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](mailto: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](mailto: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**

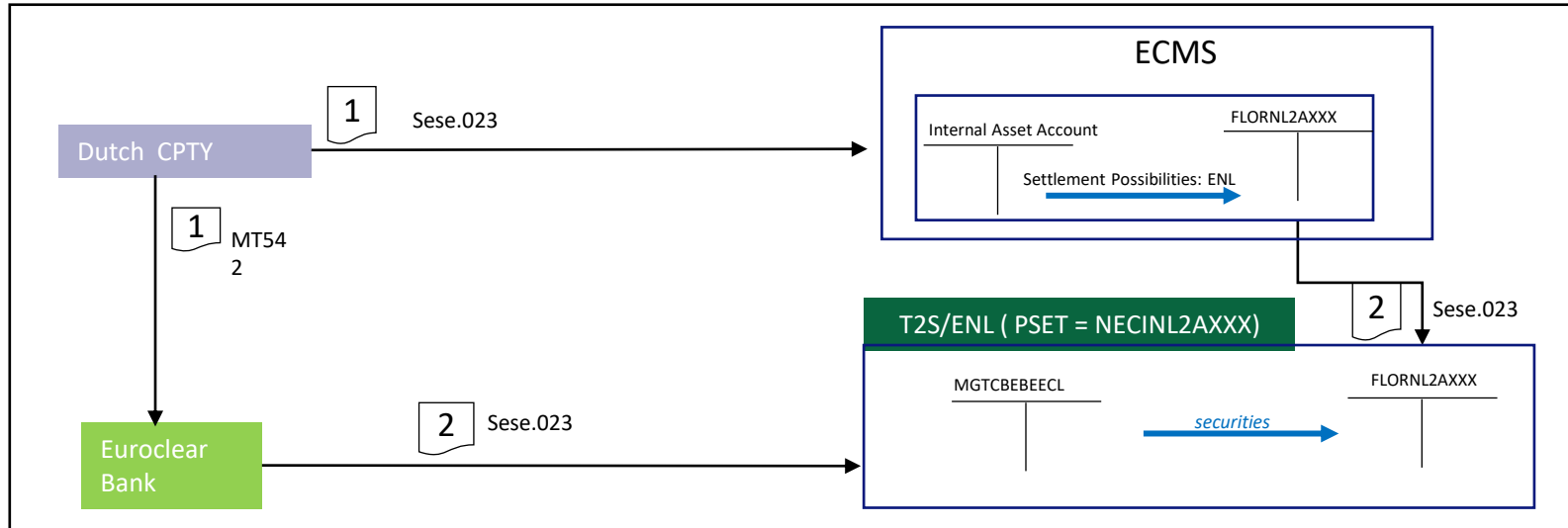
In order for the mobilisation test cases to be executed, we need to create beforehand the relevant securities positions in the Dutch CPTYs' accounts in EB.

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](mailto:eb.testing@euroclear.com), phone: +32 2 326 4424)

# Collateral mobilisation in T2S ENL

## NL Counterparty is a direct client of EB



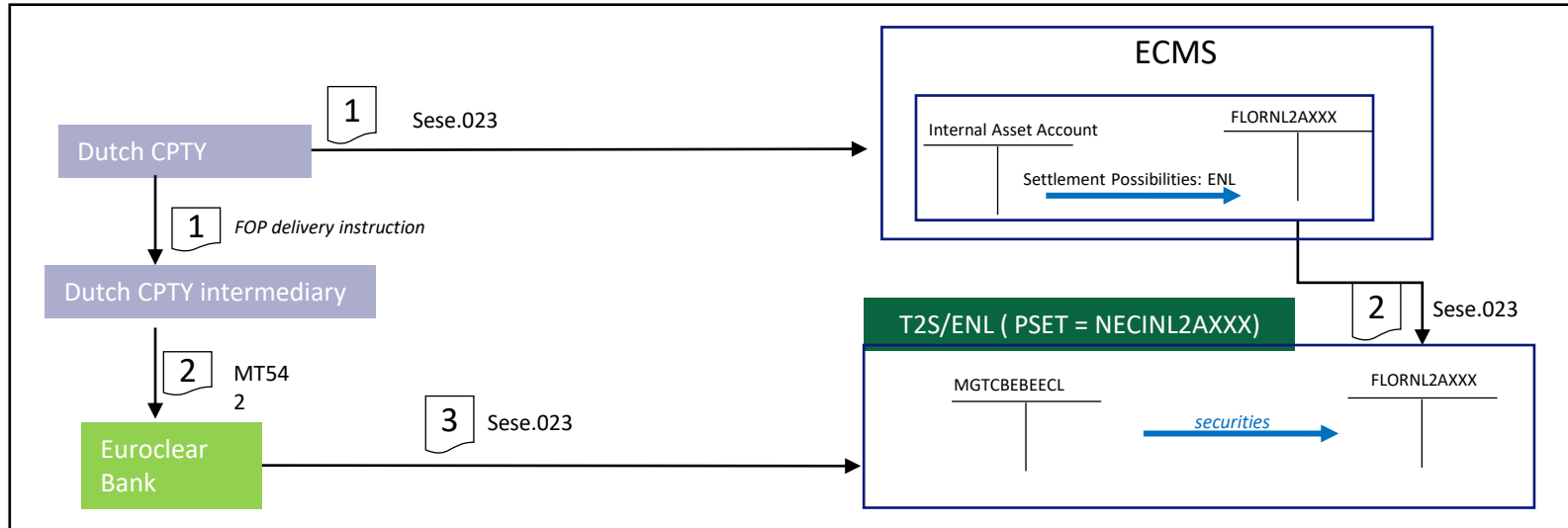
In this configuration, EB acts as a T2S/ENL Party and the Dutch CPTY is a direct client of EB.

- 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 FLORN2AXXX, DEAG = MGTCBEBEECL
- Dutch CPTY sends the MT542 delivery instruction to EB with as key data elements : NOMC indicator, REAG = BIC FLORN2AXXX or EOC code 94960, PSET = NECINL2AXXX
- The T2S status message (for the delivery instruction) to ECMS will quote : DEAG = MGTCBEBEECL, REAG = FLORN2AXXX, 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 FLORN2AXXX, DEAG = MGTCBEBEECL
- The intermediary sends the MT542 delivery instruction to EB with as key data elements : NOMC indicator, REAG = BIC FLORN2AXXX or EOC code 94960, PSET = NECINL2AXXX
- The T2S status message (for the delivery instruction) to ECMS will quote : DEAG = MGTCBEBEECL, REAG = FLORN2AXXX, 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 of securities	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	<i>Not required in your instruction to EB</i>	Receiving Party 1: MGTCBEBEECL
Deliverer of securities	:95P ::DEAG//FLORNL2AXXX - or - :95R ::DEAG/ECLR/94960	



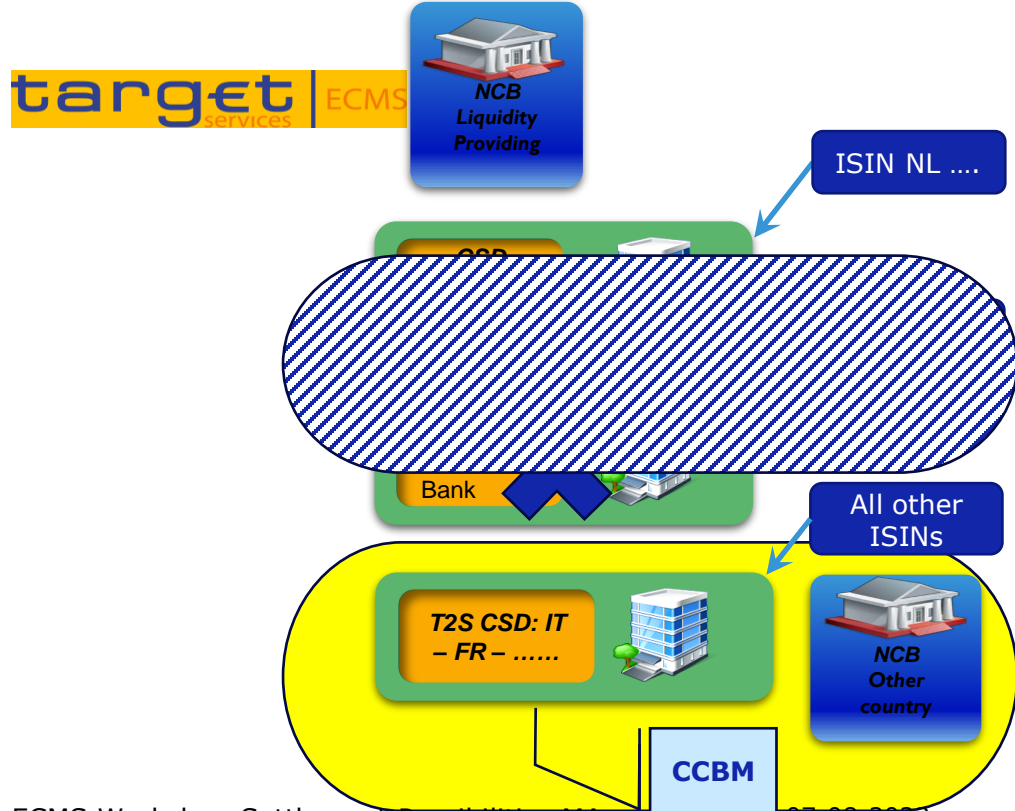
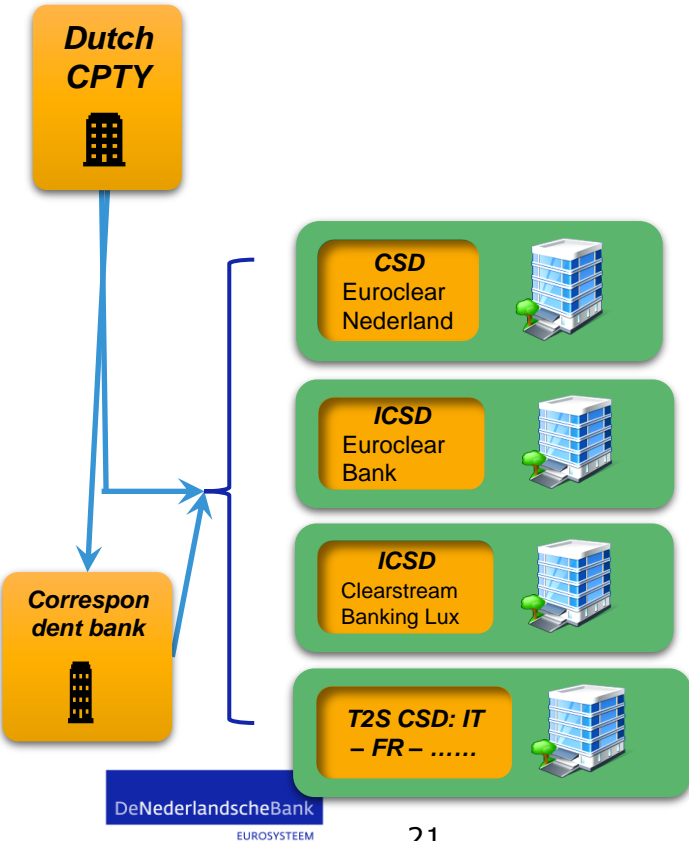


## 1. Overview settlement possibilities

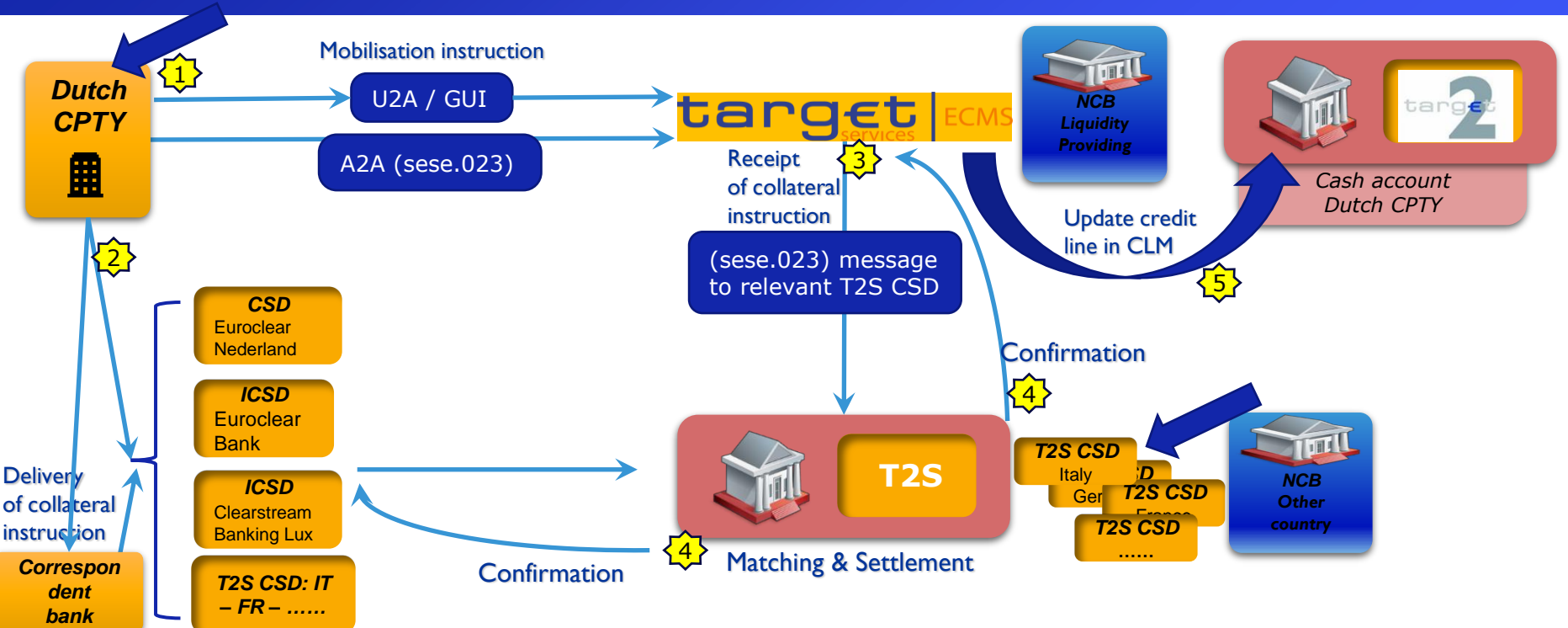
- Domestic settlement
- **Cross border settlement**

## 2. Explanation 'Cash as collateral'

# Schematic overview of settlement possibilities



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



message conform agreed process

# 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 IT0000366655	EUR 4730769.23 EUR 270155.90	EuroNext Securities Milan	Italy	BITAITRRXXX

# CCBM mobilisation during CTP2A

**Custody Chain**

CSD of the T2S Account for regular collateral  
FI10614460

External Asset Account  
FINLMAPAPKE

External Asset Account owner

**Counterparty Details**

Party CSD  
FI10614460|Euroclear Finland

Party BIC  
BIC CCBM NCB

Party Account

**Party 2 Details**


BIC  
OWN BIC

Account ID

Scheme name

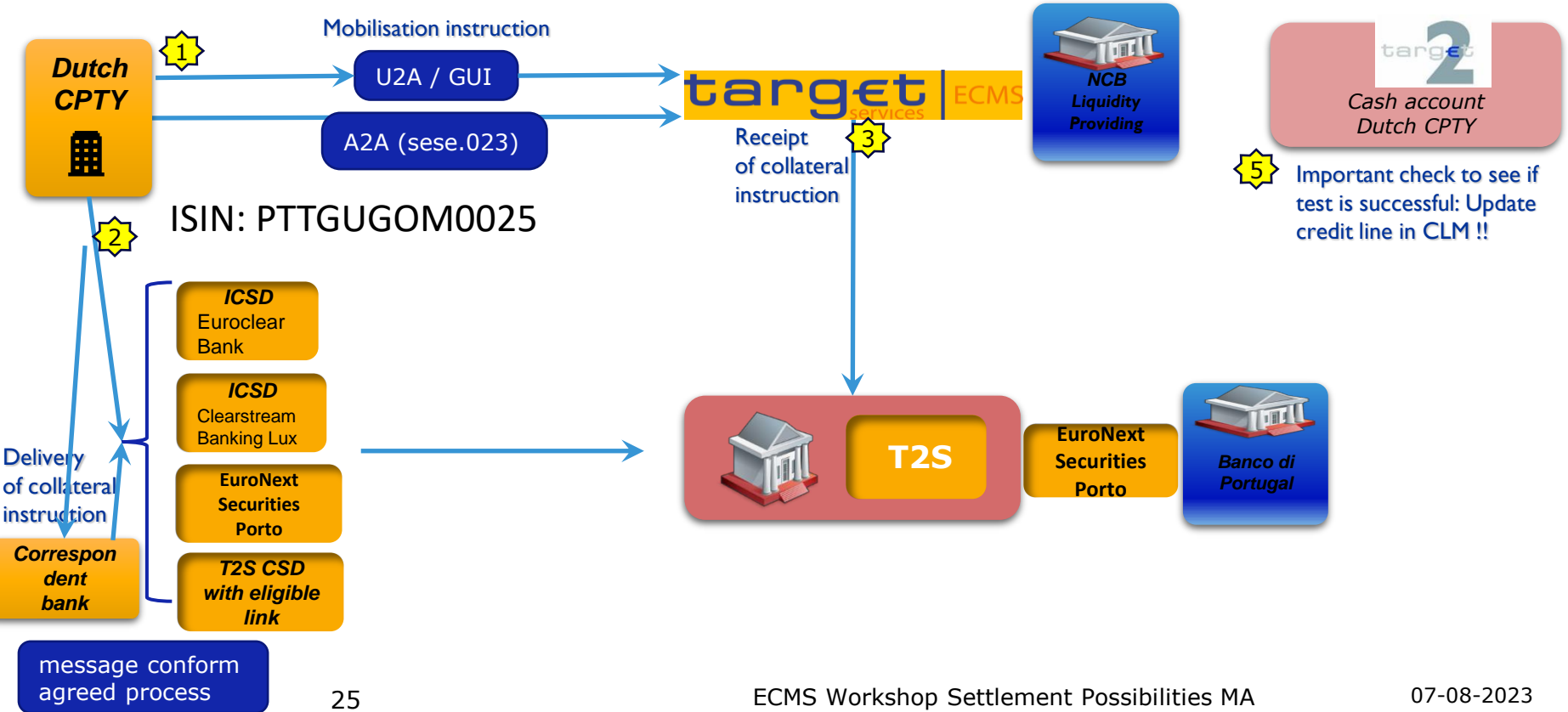
Proprietary identification

Issuer

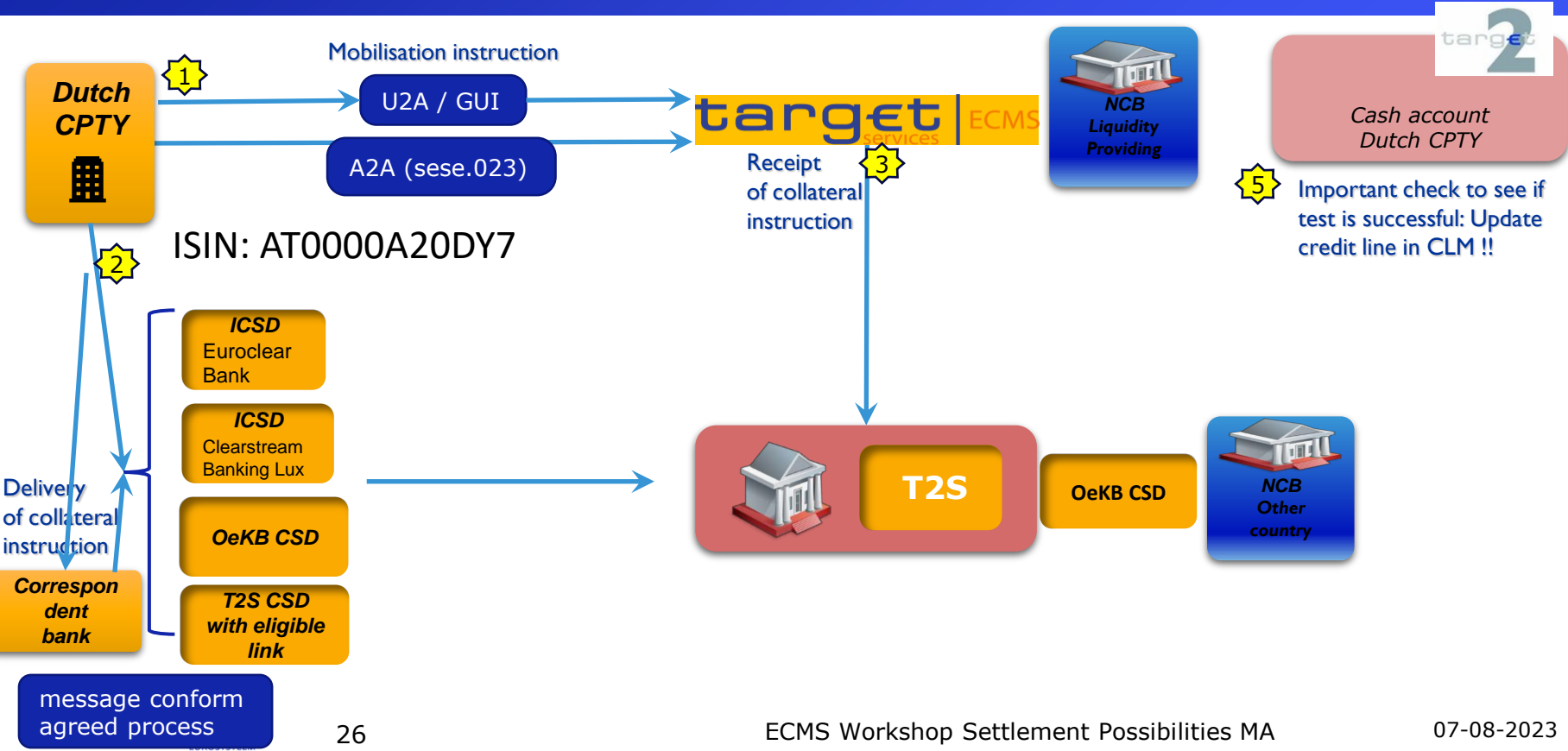
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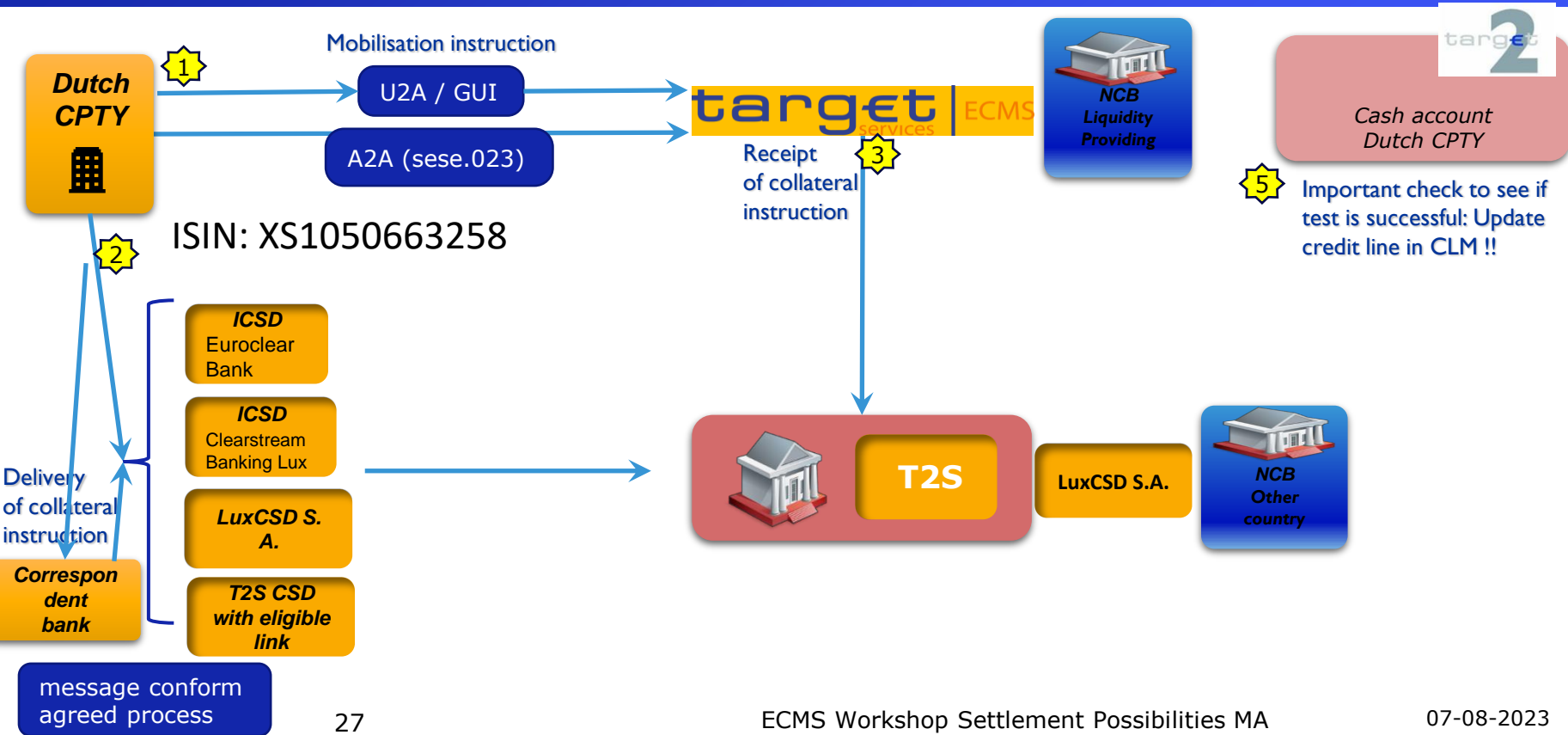
# Examples of CCBM test transactions: Portugal



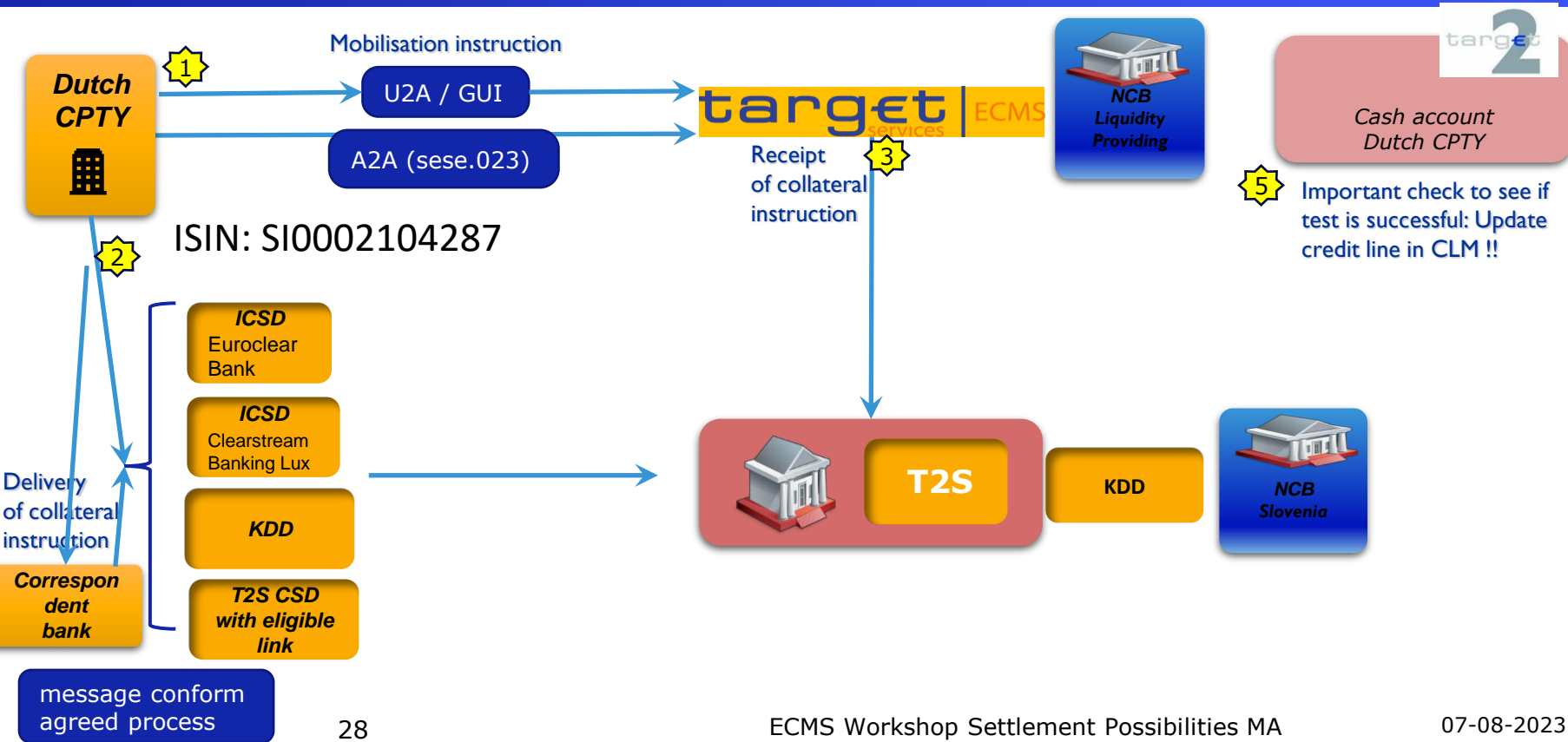
# Examples of CCBM test transactions: Austria



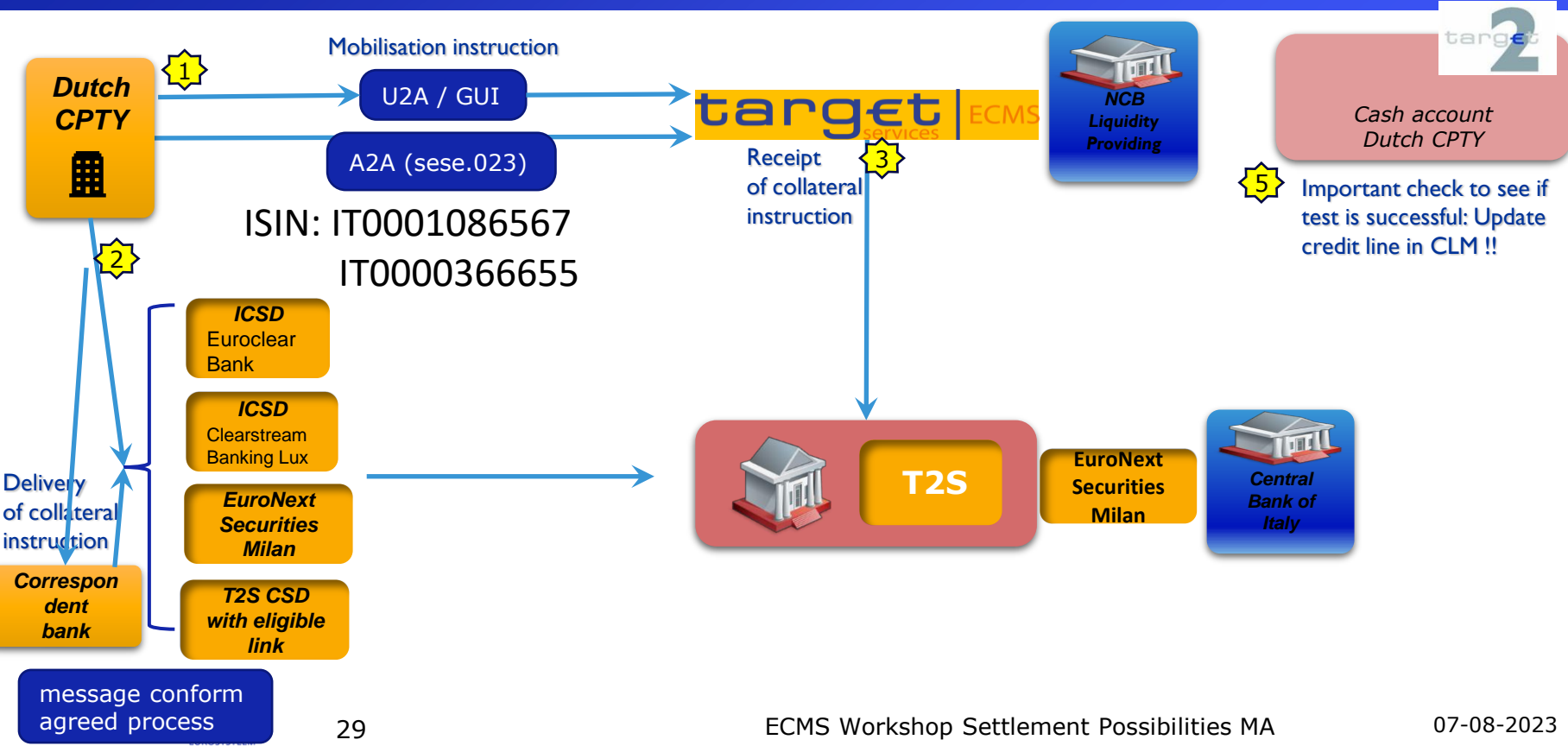
# Examples of CCBM test transactions: Luxembourg



# Examples of CCBM test transactions: Slovenia



# Examples of CCBM test transactions: Italy



- Opportunity for questions

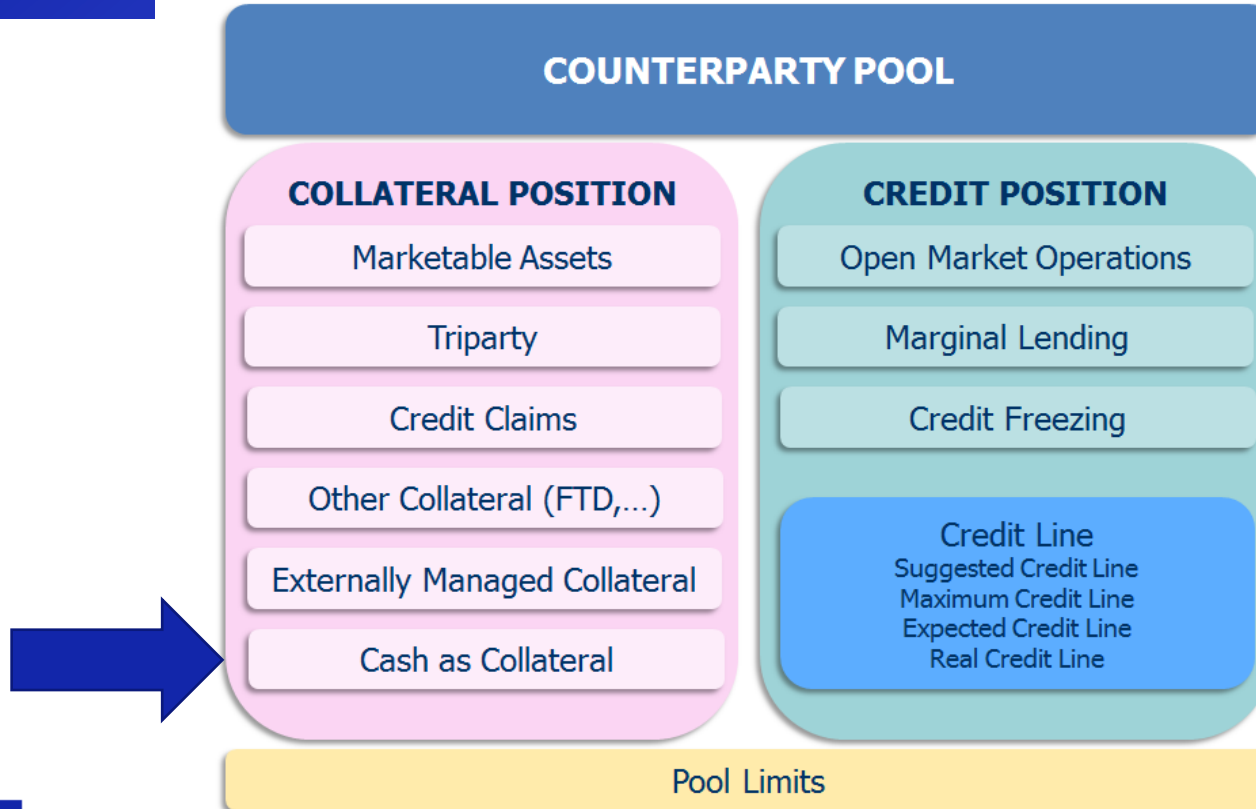
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# Agenda

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

# The function of ECMS



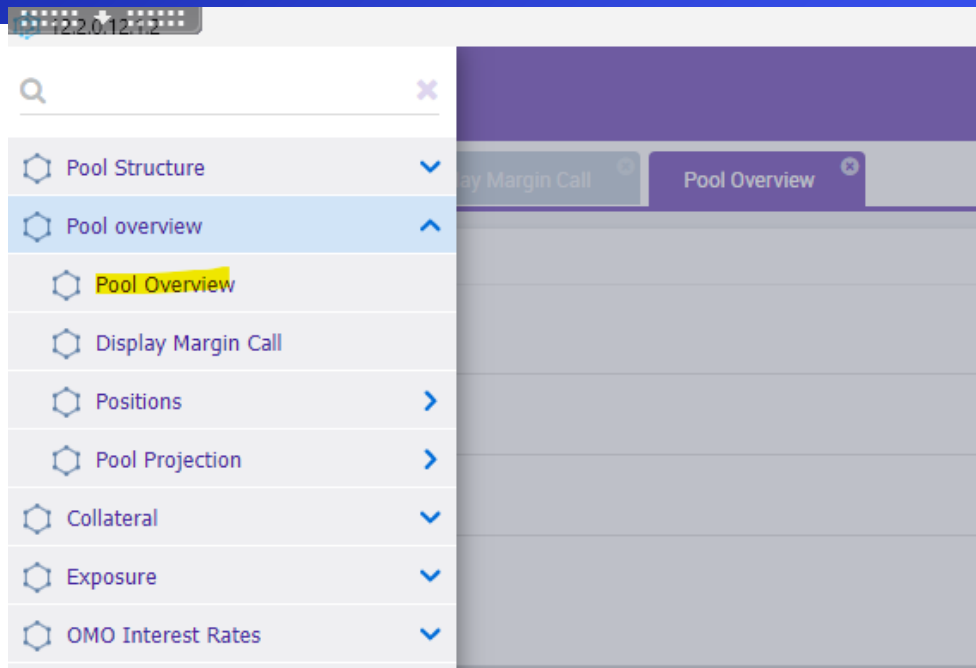


# Cash as collateral

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.



Display : Counterparty Pool



Pool Identifier \*\* ▾

Pool Reference \*\* ▾

Counterparty \*\* ▾



Pool Type \*\* ▾

Insufficient Collateral \*\* ▾

Is Active \*\* ▾

Validity Start Date \*\* ▾

Validity End Date \*\* ▾

Reset

Search

### List Pools Overview



Pool Identifier	Pool Type	Counterparty Ref	SCP Pool						SCP Pool			ELA Pool		Is Active	Update Date
			Total Collateral	Total Credit	SCL	ECL	RCL	Collateral Exces	Insufficient Coll	Is Valuated	ELA Collateral A	Total ELA Credit			
POOL0000000000	SCP		10,817,971.06	18,000,000	0	0	0	0	0	Yes	Yes	0	0	Yes	04/08/2023 13:4...
POOL0000000000...	SCP		0	0	0	0	0	0	0	No	Yes	0	0	Yes	04/08/2023 10:1...

- 
- Pool Structure
- Pool overview
- Pool Overview
- Display Margin Call
- Positions
- Pool Projection
- Collateral
- Exposure

Search Criteria : Margin Call

Counterparty ==  Pool Identifier ==  Margin Call Date ==

Update Date ==  Creation Date ==

Reset

Search

Search Result : Margin Call

Transaction Reference Number #	Pool Identifier #	Counterparty #	Margin Call Date #	Margin Call Amount #	Currency #	Creation Date #	Creation User ID #
NLMC220004320005001			04/08/2023 13:47:52.141	7,182,028.94	EUR	04/08/2023 13:47:52.319	

Search bar with a magnifying glass icon and a close button (X).

- Pool Structure
- Pool overview
- Collateral
- Fixed Term Deposit
- Cash Collateral
- Credit Claims
- Exposure
- OMO Interest Rates
- Transfer

Navigation tabs: Day Margin Call, Pool Overview

- Cash Collateral Display
- Input Cash Collateral Instruction**
- Cash Collateral Interest

### Input Cash Collateral Instruction

**Counterparty Details**

Pool ID

**Instruction Details**

Cash Collateral Instruction ID	Party's Instruction Reference	Instruction Type
PLMNL0000010123		
Total Cash Collateral	Amount	Collateral Asset Id
Margin Call Value	Intended Settlement Date	
	04/08/2023	

Reset
Save

selectResultSearchableText : Pool

selectResultSearchableText : Pool

10

2

Counterparty	Pool Identifier
NLXXX	Margin call Pool

Instruction Details

Cash Collateral Instruction ID

PLMNL0000010123

Party's Instruction Reference

InsertReference

Instruction Type

Conversion of Cash Collateral

Demobilisation of cash collateral

Mobilisation of cash collateral

Total Cash Collateral

0

Amount

Margin Call Value

7,182,028.94

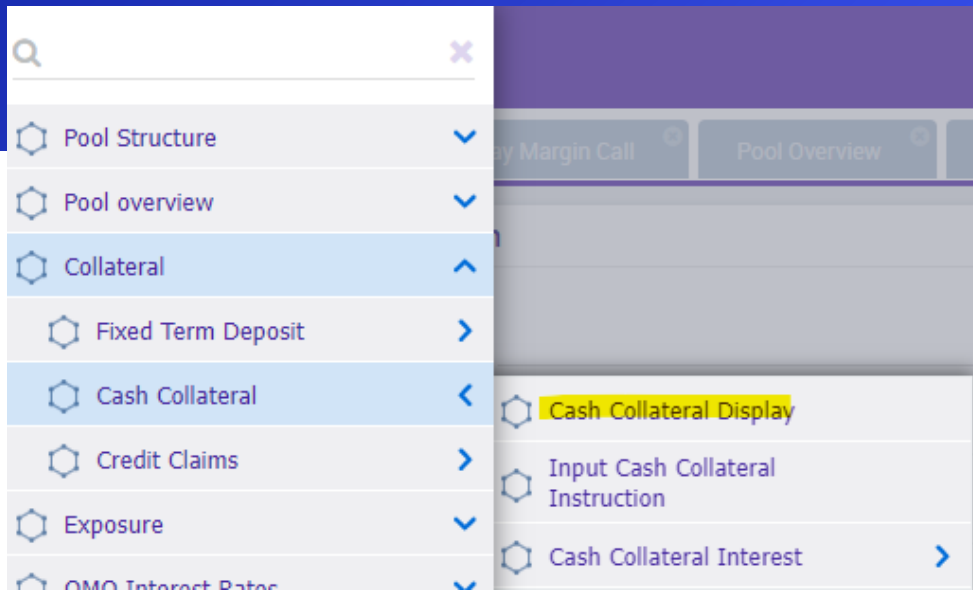
Intended Settlement Date

04/08/2023

Success

The cash collateral instruction with reference PLMNL0000010123 is created successfully for the counterparty NL under status CashInstructed

OK



Display Cash Collateral Instruction ✪ ⌵

Cash Collateral Instruction ID <span>== ▾</span>	Party's Instruction Reference <span>== ▾</span>	Intended Settlement Date <span>== ▾</span> <span>📅</span>
Counterparty <span>== ▾</span> <span>🔍</span>	Pool ID <span>== ▾</span> <span>🔍</span>	Instruction Status <span>== ▾</span> <span>⌵</span>
Instruction Type <span>== ▾</span> <span>⌵</span>	UZA <span>== ▾</span> <span>⌵</span>	Update Date <span>== ▾</span> <span>📅</span>
Creation Date <span>== ▾</span> <span>📅</span>		

↻ Reset 🔍 Search



Cash Collater	Party's Instru	Counterparty	Pool ID	Instruction Ty	Amount	U2A	Intended Sett	Action To Vall	Instruction St	Update Date	Update User	Creation Date	Creation User
PLMNL000000...	Test 2		POOL0000000...	Mobilization 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

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Q 2 ★ 📄 ↺ 🔔

Pool Identif	Pool Type	Counterpar	SCP Pool			SCP Pool			ELA Pool			Update Dat	Updater Us		
			Total Collat	Total Credi	SCL	ECL	RCL	Collateral E	Insufficient	Is Valuated	ELA Collate			Total ELA	Is Active
POOL000000...	SCP		18,000,000	18,000,000	0	0	0	0	No	Yes	0	0	Yes	07/08/2023...	STP



## Counterparty Details



Pool ID

POOL000000C



## Instruction Details



Cash Collateral Instruction ID

PLMNL00000012123

Party's Instruction Reference

DemobTest

Instruction Type

Demobilisation of cash collateral



Total Cash Collateral

17,953,268.53

Amount

17,953,268.53

Collateral Asset Id

Margin Call Value

Intended Settlement Date

07/08/2023

Reset

Save

Success



The cash collateral instruction with reference PLMNL00000012123 is created successfully for the counterparty | under status WaitingT2ConfirmationForCashCollateral

OK

10

Q 2 ★ 📄 🔄 📶

Pool Ident	Pool Type	Counterpa	Total Colla	SCP Pool				SCP Pool			ELA Pool		Is Active	Update Da	Updater U
				Total Credit	SCL	ECL	RCL	Collateral	Insufficien	Is Valuate	ELA Collat	Total ELA			
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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