

Workshop

- CTP 2c: Settlement of Marketable Assets -
Correspondent Central Banking Model

ECMS project

17 January 2024

DeNederlandscheBank

EUROSYSTEM

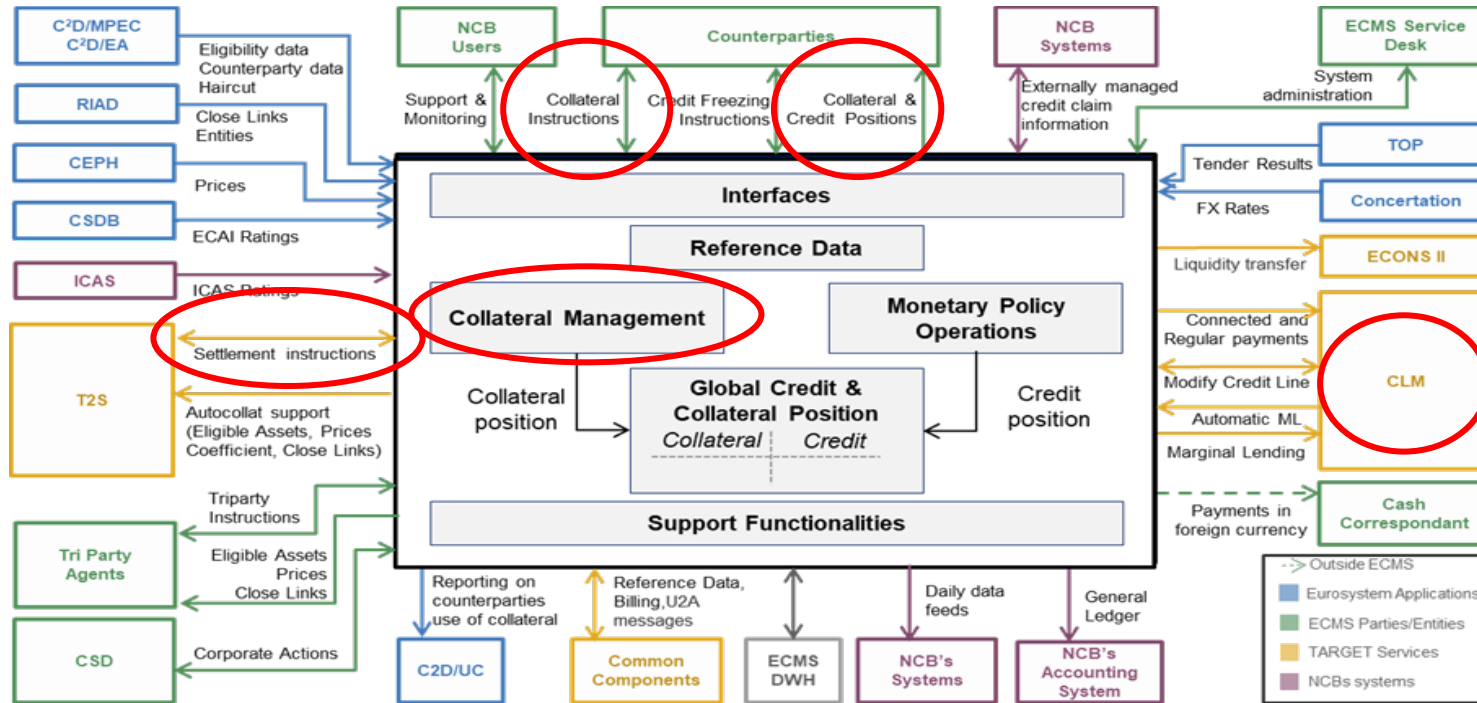
Agenda 17 January 2024

- 1. Introduction**
- 2. The functioning of ECMS**
- 3. Details on 4 ECMS UT Fundamental Test Cases**
- 4. Explanation: settlement via CCBM**
- 5. Settlement flows via CCBM**

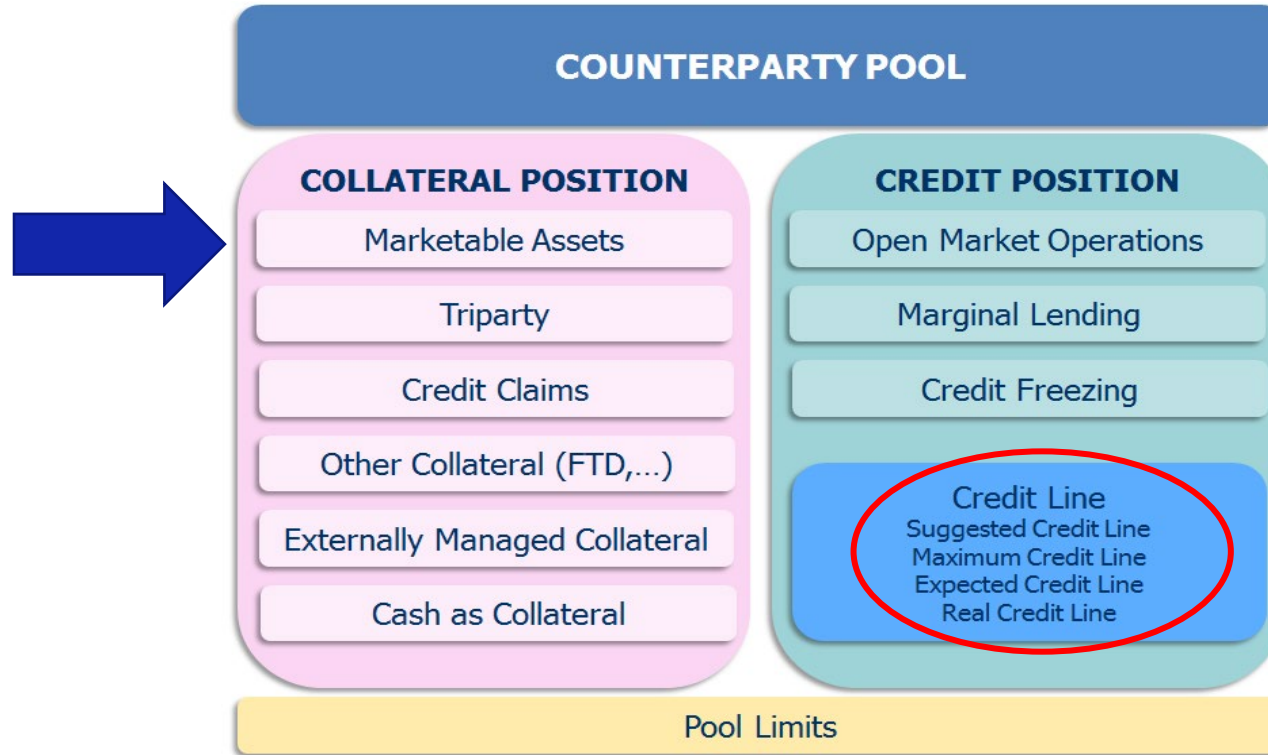
Introduction

- In this workshop, we will provide insight in the way counterparties can mobilise non-NL assets to DNB using CCBM and how these assets can be demobilised.
- Three 'potential starting positions':
 - CPTY has a position at EB (direct or via correspondent bank)
 - CPTY has a position at CBL (direct or via correspondent bank)
 - CPTY has a position at relevant CSD (direct or via correspondent bank)
- In principle, there is (almost) no limitation to testing. But DNB provides a 'structured approach' for CPTYs who appreciate some guidance and/or assistance.

The functioning of ECMS



The functioning of ECMS



Impact of collateral instructions on the credit line



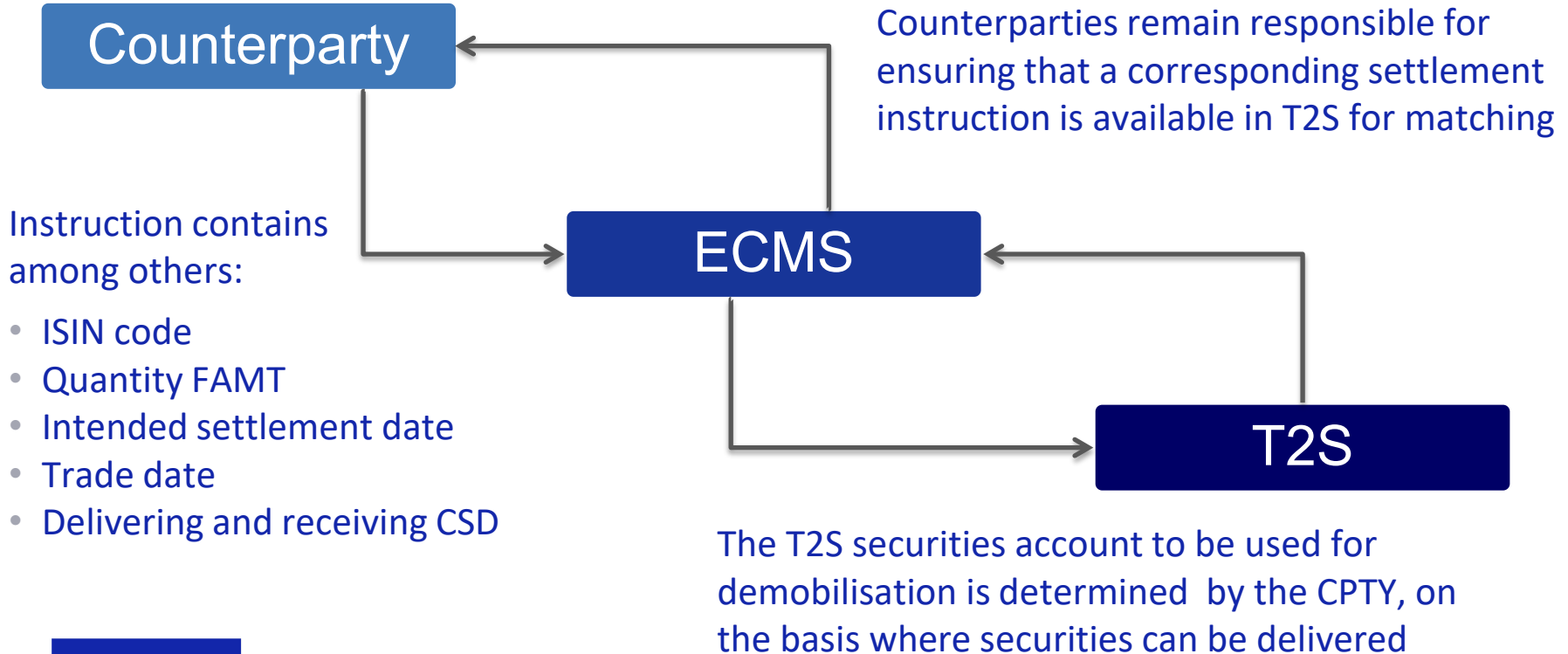
The **mobilisation** of an asset increases the credit line only when the instruction is confirmed.



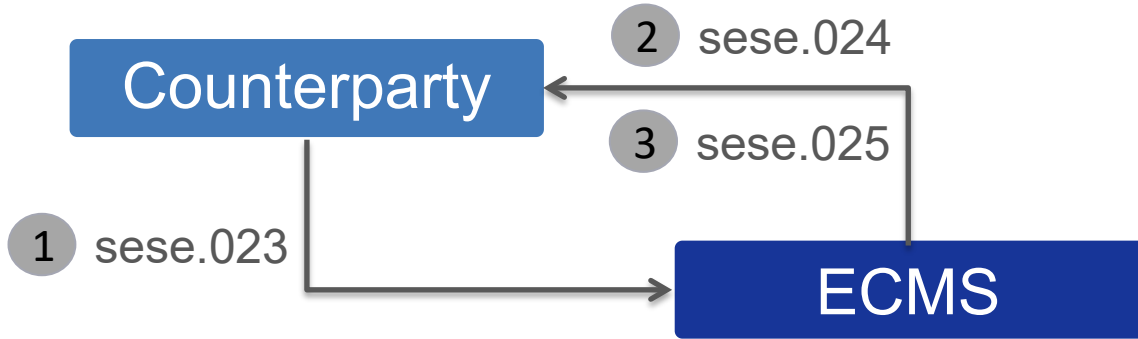
The **demobilisation** of an asset first decreases the credit line before being further processed to ensure that outstanding credit operations are still sufficiently collateralised.

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

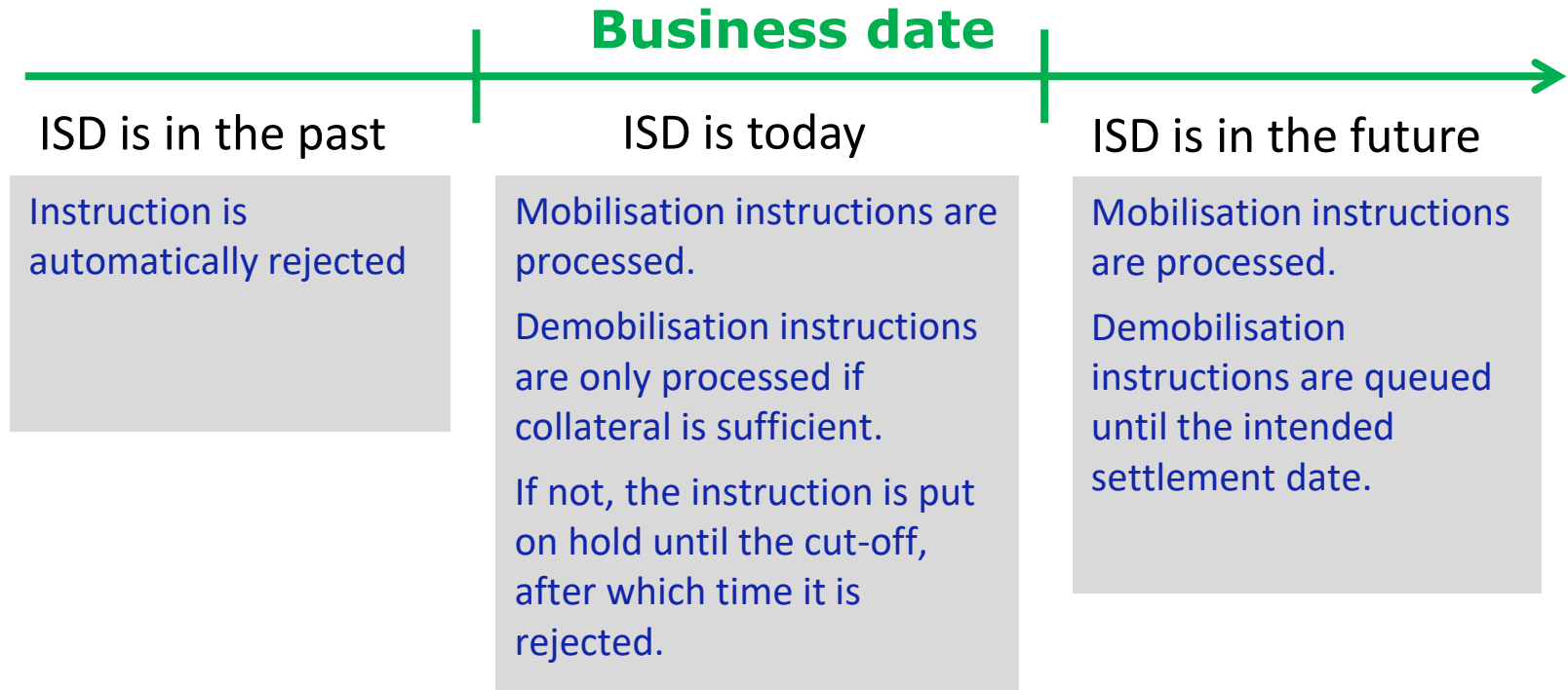


Marketable asset instructions in ECMS (A2A)



- 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.

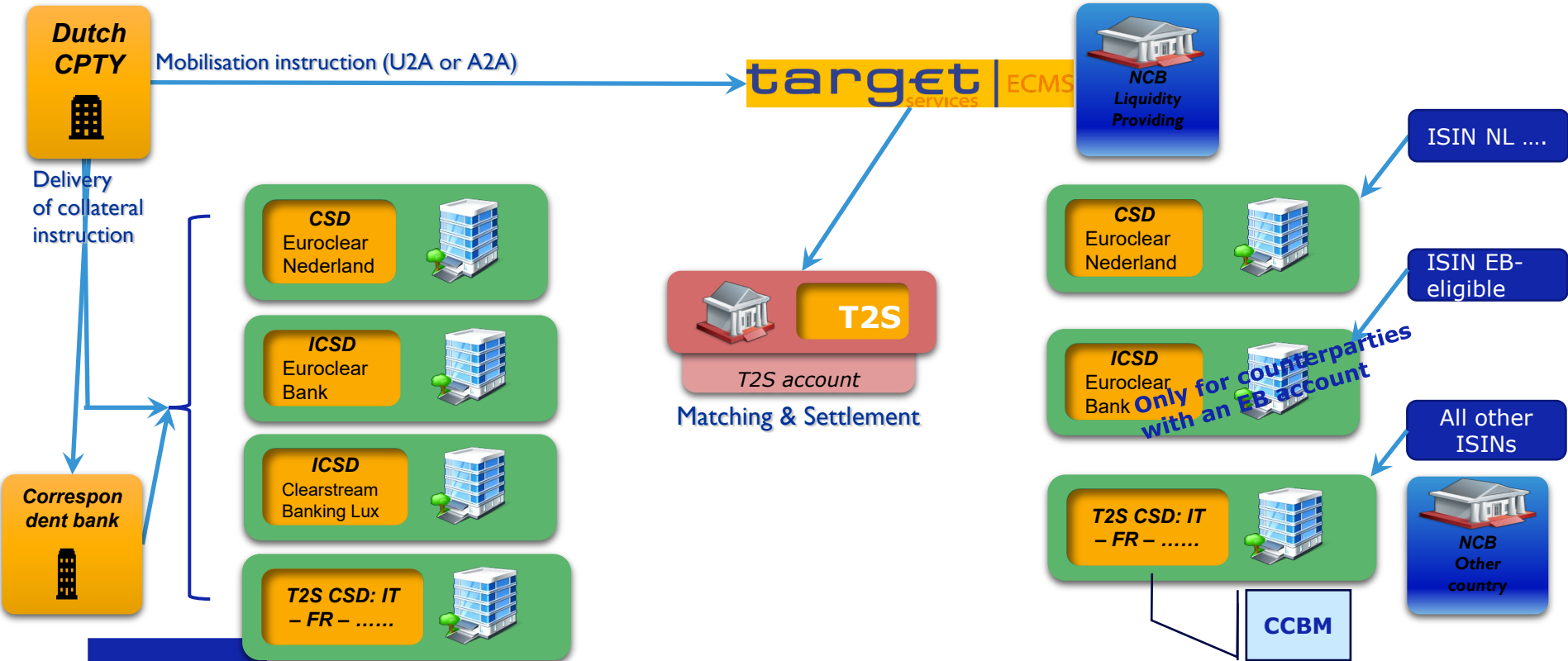
Intended settlement date (ISD)



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 the 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. Explanation: settlement via CCBM
3. Settlement flows via CCBM

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	<p>The amount of collateral available on the counterparty collateral pool is increased (if applicable also the credit line in CLM).</p> <p>U2A The status of the mobilisation instruction in the marketable asset instruction list screen and the marketable asset instruction details screen is "confirmed".</p> <p>A2A The counterparty receives a</p> <ul style="list-style-type: none">- 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	<p>This test case describes the steps whereby a counterparty successfully cancels a mobilisation of a marketable asset on its ECMS counterparty asset account.</p> <p>U2A The counterparty cancels the mobilisation instruction via the counterparty marketable asset instruction details screen..</p> <p>A2A The Counterparty sends a securities transaction cancellation request sese.020</p>
Preconditions/details	<p>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.</p> <p>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).</p> <p>For A2A: Message subscription exists for the securities settlement transaction status advice sese.024 and the securities transaction cancellation request status advice sese.027</p>

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	<p>U2A The status of the mobilisation instruction in the marketable asset instruction list screen and the marketable asset instruction details screen is "cancelled".</p> <p>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</p>

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	<p>This test case describes the steps whereby a counterparty successfully demobilises a marketable asset from its ECMS counterparty asset account.</p> <p>U2A The user inputs a marketable asset demobilisation instruction via the counterparty marketable asset instruction details screen.</p> <p>A2A A securities settlement transaction instruction sese.023 (DELI) is submitted to the ECMS by the counterparty.</p>
Preconditions/details	<p>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.</p> <p>For A2A: Message subscription exists for the securities settlement transaction status advice sese.024 and securities settlement transaction confirmation sese.025.</p>

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	<p>The amount of collateral available on the counterparty pool is decreased (if applicable also the credit line in CLM).</p> <p>U2A The status of the demobilisation instruction in the marketable asset instruction list screen and the marketable asset instruction details screen is "confirmed".</p> <p>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.</p>

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	<p>This test case describes the steps whereby a counterparty successfully cancels a demobilisation of a marketable asset from its ECMS counterparty asset account.</p> <p>U2A The counterparty cancels the demobilisation instruction via the counterparty marketable asset instruction details screen..</p> <p>A2A The counterparty sends a securities transaction cancellation request sese.020.</p>
Preconditions/details	<p>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.</p> <p>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.</p> <p>For A2A: Message subscription exists for the securities settlement transaction status advice sese.024 and the securities transaction cancellation request status advice sese.027</p>

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	<p>The decrease of the amount of collateral available on the counterparty pool is reverted.</p> <p>U2A The status of the demobilisation instruction in the marketable asset instruction list screen and the marketable asset instruction details screen is "cancelled".</p> <p>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.</p>



1. Details on 4 ECMS UT Fundamental Test Cases
2. **Explanation: settlement via CCBM**
3. Settlement flows via 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.

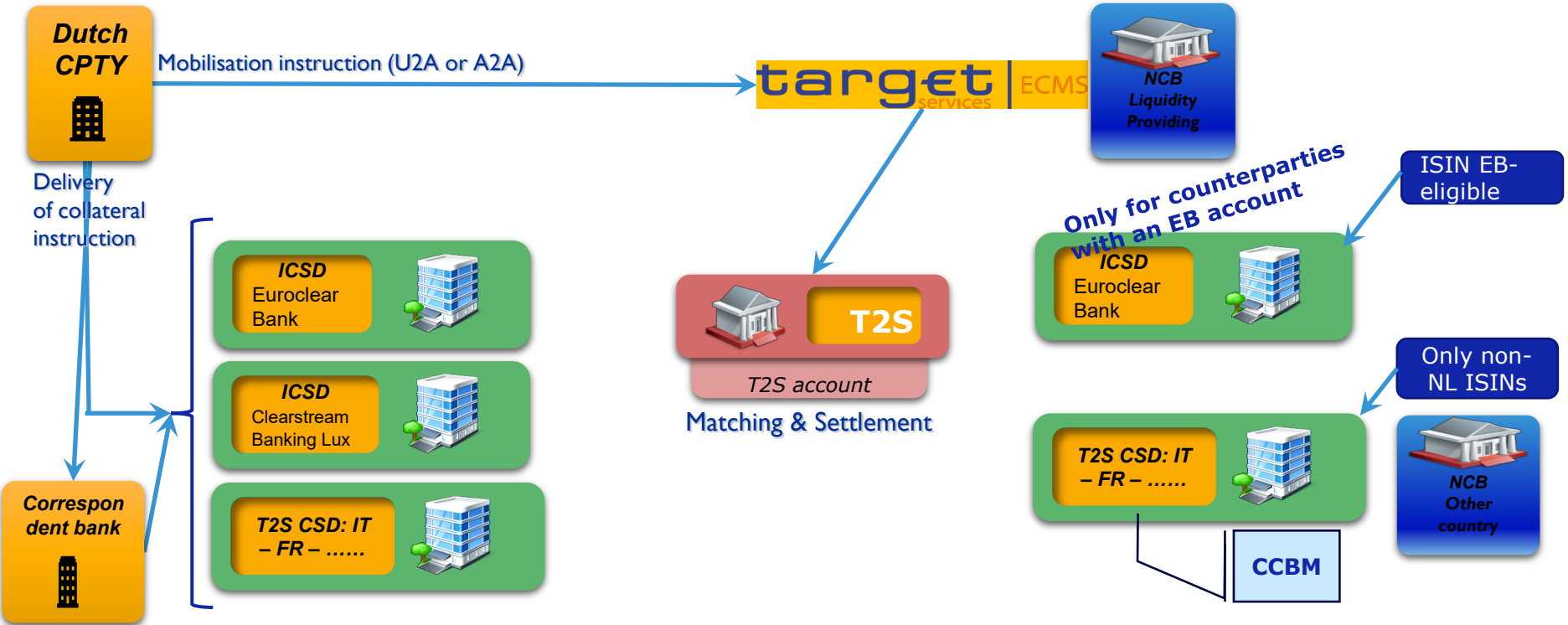
The collateral will then be made available to the central bank of the country where the respective investor SSS/TPA is located (i.e. the CCB), and it will hold the collateral on behalf of the central bank granting the credit (i.e. the HCB).

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

Eurosystem rules on mobilisation: Euroclear Bank

- As of go-live ECMS, two important policy changes:
 - 1) Introduction of 'T2S Settlement Policy'; i.e. NCBs only accept collateral delivered to a CSD connected to T2S.
 - 2) Abolishment of the rule: 'Remote Access Prohibition'; i.e. NCBs can use accounts with other (non-domestic) CSDs to receive collateral.
- Furthermore, Euroclear Bank will offer an account for NCBs in T2S.
- This means that DNB will accept –in principle- all eligible collateral in its EB-account. Due to some restrictions, it is however only:
 - i. for clients with an EB-account themselves, and
 - ii. for assets, for which EB has an eligible link with the issuing SSS.

Schematic overview of settlement possibilities non-NL ISIN



Settlement possibilities per ISIN

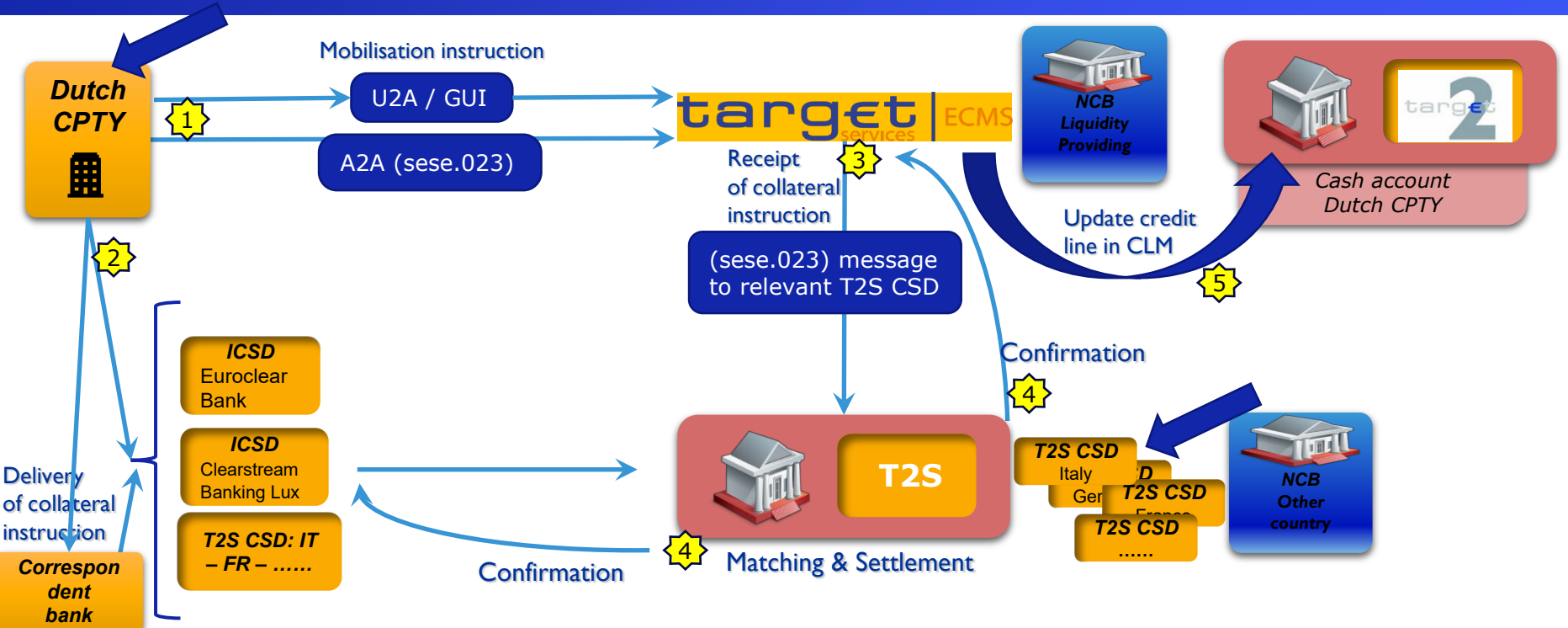
<u>ISIN issued:</u>	<u>CCBM</u>	<u>Euroclear Bank</u>	<u>Via eligible link</u>
AT	OK	OK	
BE	OK	OK	
CY			OK, via CBF (BuBa)
DE	OK	OK	
EE	OK		
ES	OK		
FI	OK	OK	OK, via EF (BdF)
FR	OK	OK	
GR	OK	OK	
HR	OK		
IE		OK	OK, via EF (BdF)
IT	OK	OK	
LT	OK		
LU	OK	OK	
LV	OK		
NL	OK	OK	
MT			OK, via CBF (BuBa)
PT	OK		
SI	OK	OK	
SK	OK	OK	
XS/EU	OK, via LU	OK	

More information: [Presentaties, nieuwsbrieven en onepagers \(dnb.nl\)](#)



1. Details on 4 ECMS UT Fundamental Test Cases
2. Explanation: settlement via CCBM
3. **Settlement flows via CCBM**

Process flow: assets not issued in NL, mobilisation via CCBM



message conform agreed process

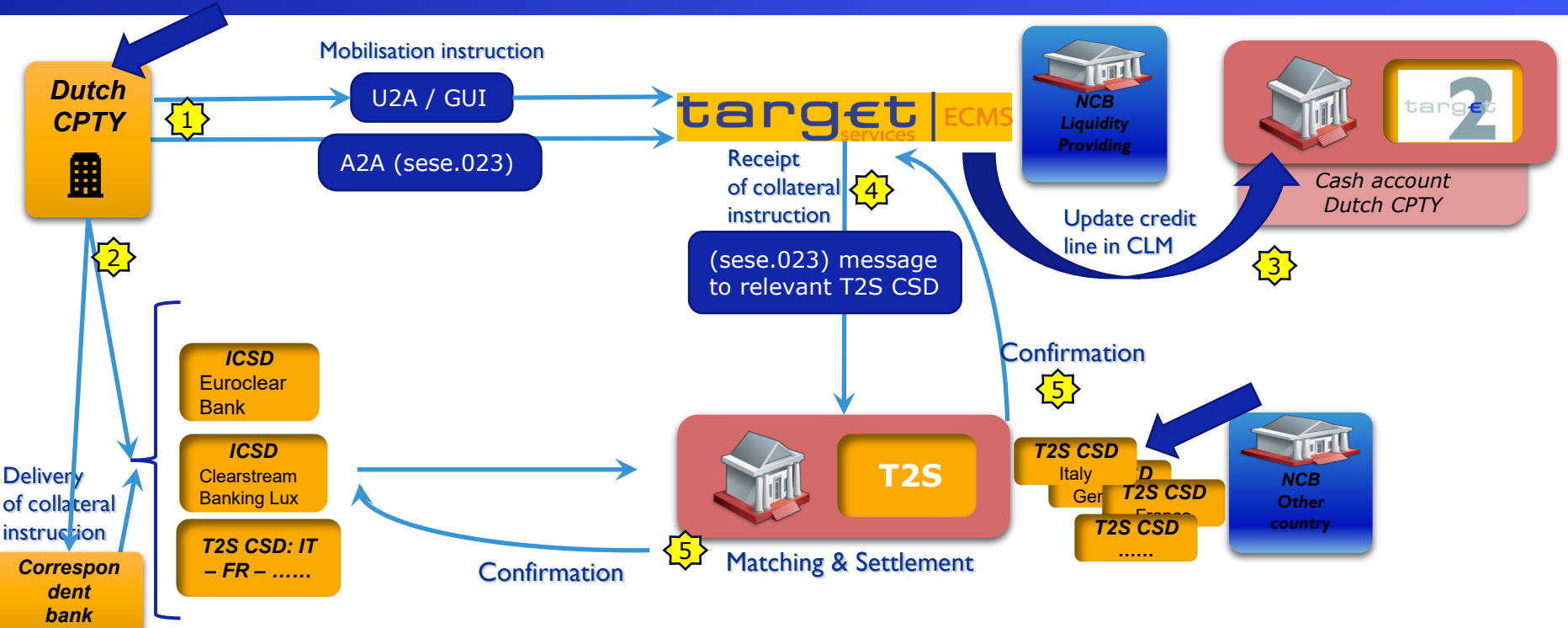
Process flow of mobilisation via CCBM

The steps, as visualised in the previous slide, describe a mobilisation via CCBM:

- 1) CPTY sends mobilisation instruction to ECMS (U2A or A2A)
- 2) CPTY sends delivery/transfer instruction to relevant party (T2S CSD of relevant ISIN)
 - *(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). The assets will be delivered to account CCB, favour of DNB.
- 5) Based on 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.

Process flow: assets not issued in NL, demobilisation via CCBM



message conform agreed process

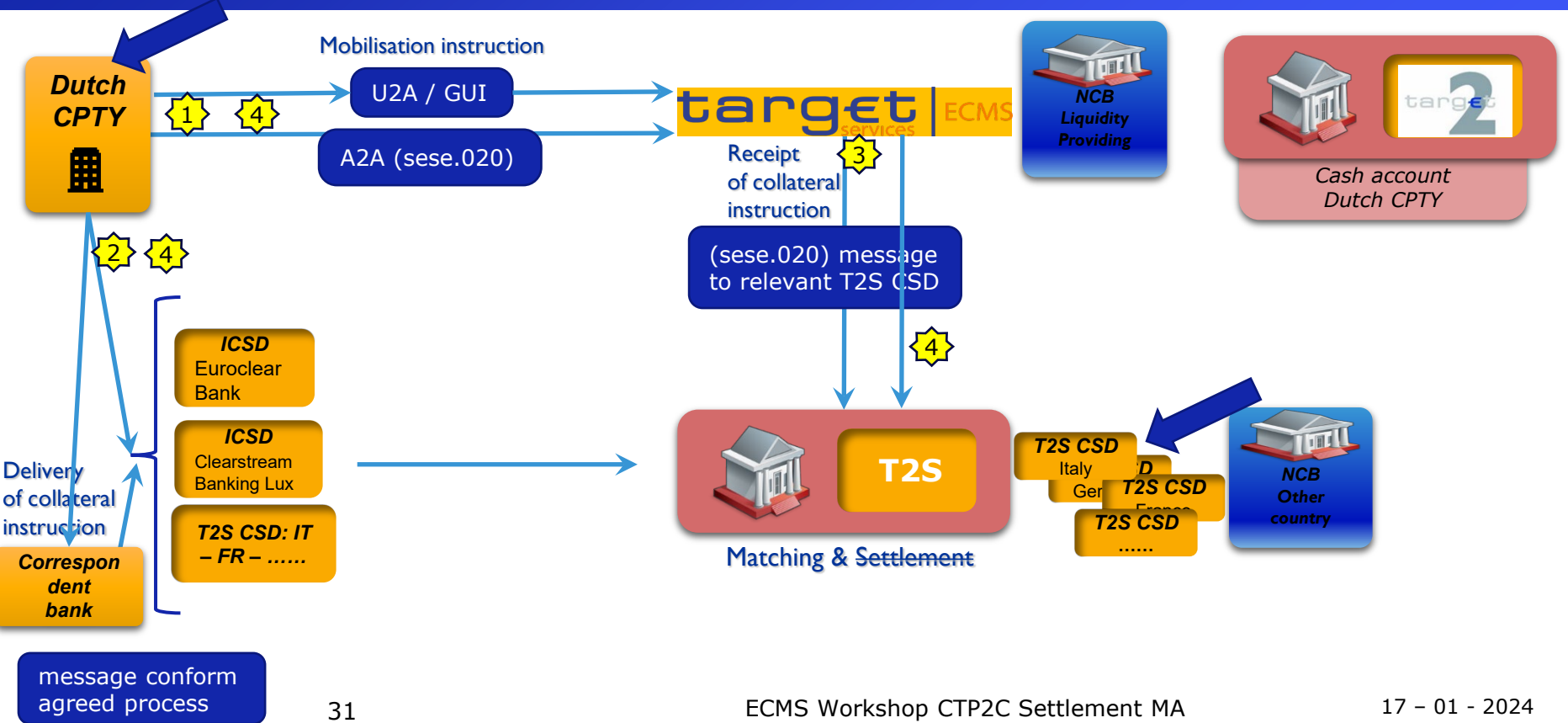
Process flow of demobilisation via CCBM

The steps, as visualised in the previous slide, describe a demobilisation via CCBM:

- 1) CPTY sends demobilisation instruction to ECMS (U2A or A2A)
- 2) CPTY sends receipt instruction to relevant party (T2S CSD of relevant ISIN)
 - *(i.e., (I)CSD directly or via correspondent bank/custodian)*
- 3) ECMS validates and processes instruction, ECMS will instruct CLM to adapt the credit line
- 4) After successful adaptation of the credit line, ECMS sends instruction to deliver to T2S
- 5) After successful matching and settlement, T2S sends confirmation to both parties (ECMS and CPTY). The assets will be returned to account CPTY.

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

Process flow: assets not issued in NL, cancellation of mobilisation via CCBM



Settlement details

Country code	CSD of the T2S Account for regular collateral	(A) Relevant for U2A		(B) Relevant for A2A		Central Bank
		CSD Name	External Asset Account	CSD BIC	NCB BIC	
AT	AT0000181225903	OeKB CSD GmbH	ATNLMAPOEKB	OCSDATWWXXX	NABAATWWXXX	CCBM Oesterreichische Nationalbank
BE	BE0203201340	NBBE	BENLMAPNBBE	NBBEBEBB216	ECMSBEBBCCB	CCBM Nationale Bank van België
DE	DE05722	CBF	DENLMAPDAKV	DAKVDEFFXXX	MARKDEFFCCB	CCBM Deutsche Bundesbank
EE	EE14306553	EE CSD	EE74000174	LCDELV22XXX	EPBEE2XXXX	CCBM Eesti Pank
ES	ESA82695677	Iberclear	ESNLMARIBRC	IBRCESMMXXX	ESPBESMMCCB	CCBM Banco de Espana
FI	FI10614460	Euroclear Finland	FINLMAPAPKE	APKEFIHHXXX	SPFBFIHHXXX	CCBM Suomen Pankki
FR	FR542058086	Euroclear France	FRNLMAPSICV	SICVFRPPXXX	BDFEFR2TXXX	CCBM Banque de France
GR	GR010	Bank of Greece	GRNLMAPBOGS	BNGRGRAASSS	BNGRGRAACCB	CCBM Bank of Greece
HR	HR64406809162	SREDISNJE KLIRINSKO DD	HRNLMAPSKDD	SDAHRHR22XXX	NBHRHR2XXXX	CCBM Croatian National Bank
IE	BE0429875591	Euroclear Bank	IENLMAPMGTC	no CCBM: via Euroclear Bank		CCBM Central Bank of Ireland
IT	IT0000139338170	ES-MIL	ITNLMAPMOTI	MOTITMMXXX	BITAITRRXXX	CCBM Banca d'Italia
LU	LURCSB0154449	CSD LU LuxCSD S.A.	LUNLMAPLUXC	LUXCLULLXXX	BCLXLULLXXX	CCBM Banque centrale du Luxembourg
LT	LT304602060	CSD LT Nasdaq CSD	LT188607684	LCDELV22XXX	LIABLT2XECM	CCBM Lietuvos bankas
LV	LV4000324287	Nasdaq CSD	LV90000158236	LCDELV22XXX	LACBLV2XXXX	CCBM Latvijas Banka
PT	PT502962275	Euronext Securities Porto	PTNLMAPIBLS	IBLSPTPPXXX	BGALPTPLXXX	CCBM Banco de Portugal
SI	SI5893194000	CSD SI	SINLMARKDDS	KDDSSI22XXX	BSLJSI2XXXX	CCBM Bank of Slovenia
SK	SK1338976	CSD SK	SKNLMARCSDS	CSDSSKBAXXX	NBSBSKBXXXX	CCBM National Bank of Slovakia

Settlement details

Custody Chain



CSD of the T2S Account for regular collateral

External Asset Account

External Asset Account owner

Code from table: column (A)



Automatically filled with Code from table: column (B)



Counterparty Details



Party CSD

Party BIC

Party Account

Code from table: column (A)
Code of CSD of CPTY



BIC of delivering or receiving agent
(DEAG / REAG)

Party 2 Details



BIC

Account ID

Your BIC

Planning & Way forward

All CPTY can start now with testing transactions via CCBM

- **(1) All CPTY have (ECMS-)positions in a selected number of ISINs & locations. You need to start with a demobilisation.**
- **(2) To use other ISINs and/or other locations, you need to arrange this with your CSD and/or custodian. It has to be created on your testing account.**

We ask you to do at least one CCBM-variant (four FTCs). Obviously, if you make use of multiple non-NL ISINs, it is strongly recommended to test them all.

All information: [Presentaties, nieuwsbrieven en onepagers \(dnb.nl\)](https://www.dnb.nl/presentaties-nieuwsbrieven-en-onepagers)



**Thanks very much for
your attention.**

Time for questions....

