

CCBM2 and T2S

Where do we stand?

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What's coming up

CCBM2

- project status
- a closer look into CCBM2 features

T2S

- project status
- benefits for the market

Introduction (I)



CCBM2: Collateral Central Bank Management

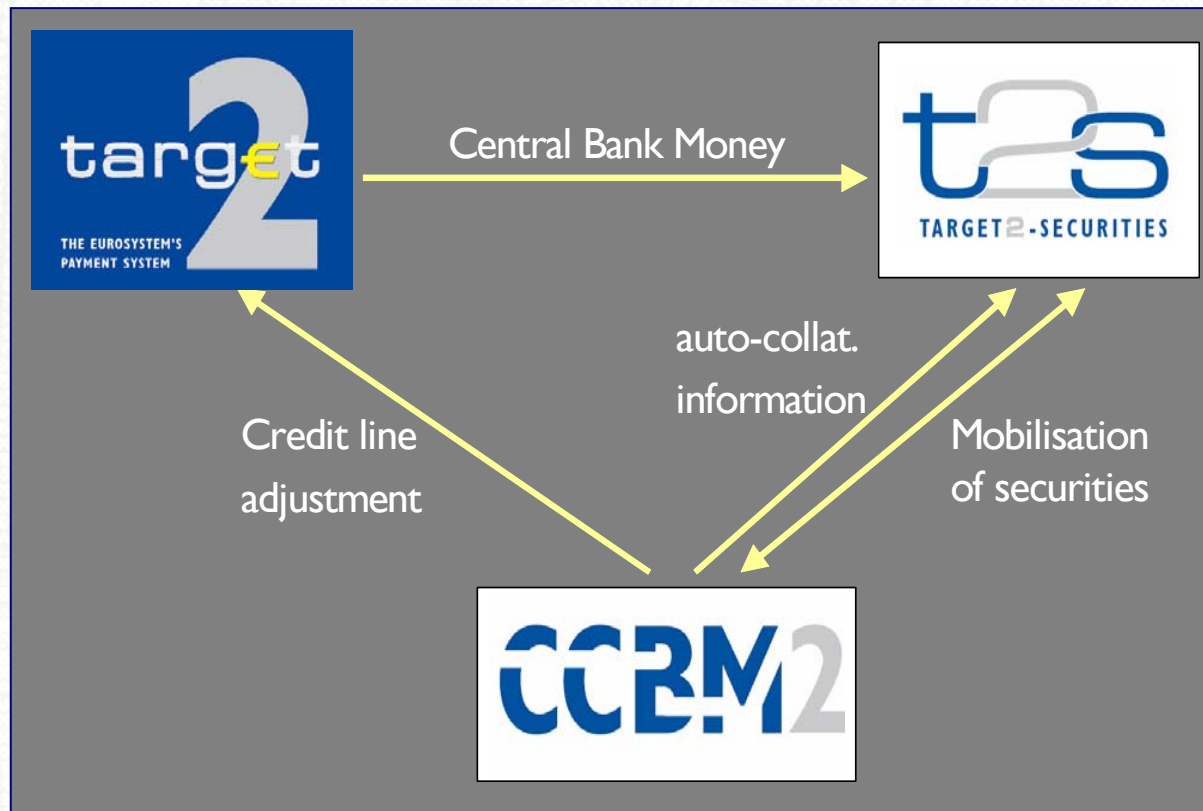
A harmonised collateral management system for the Eurosystem central banks

T2S: Integrated securities settlement in central bank money for the whole of Europe

⇒ “settling without borders”

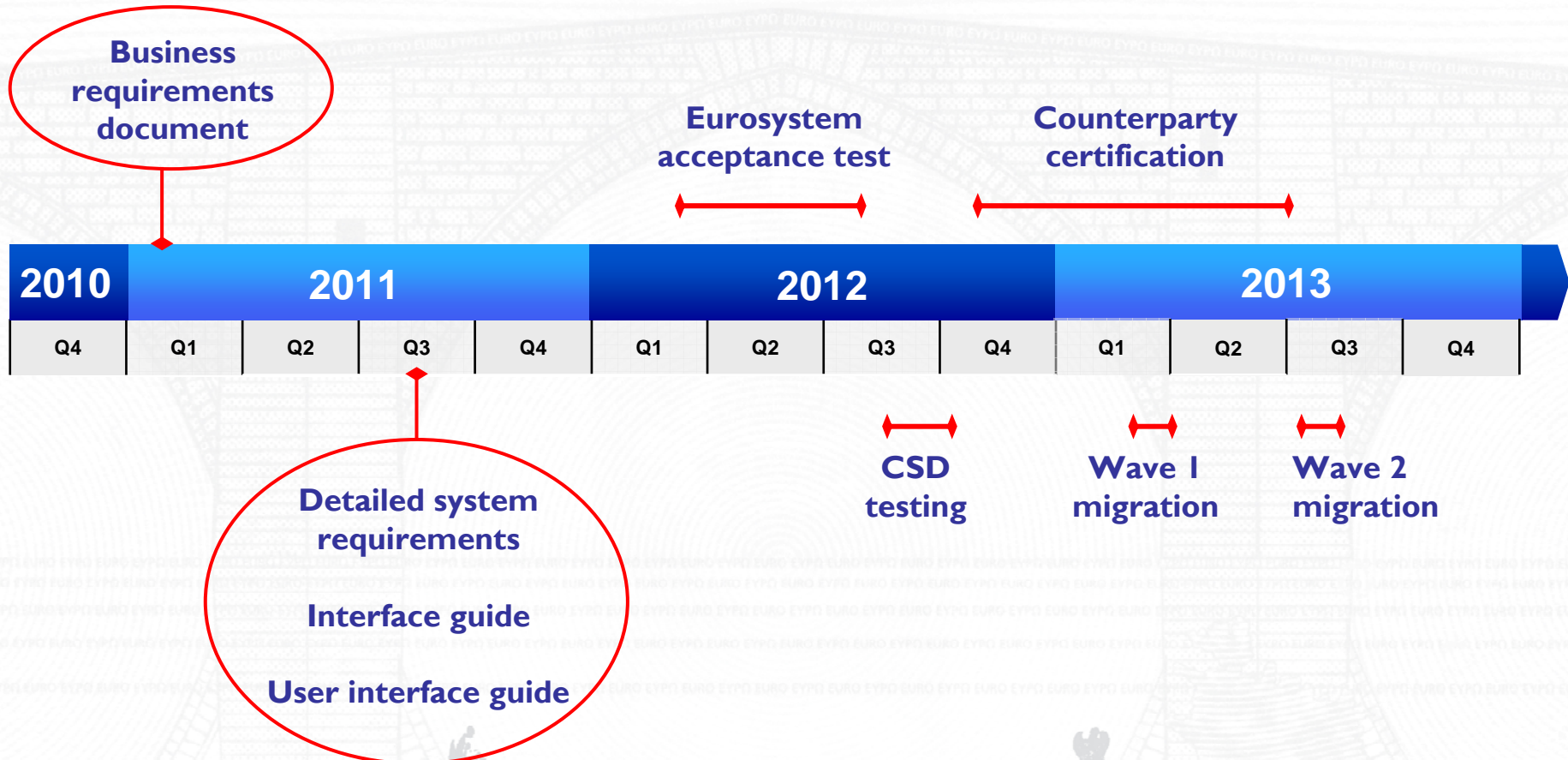
Introduction (2)

The Eurosystem “magic triangle”



CCBM2 Project – Status Update

CCBM2 Milestones



CCBM2 participation

Governing Council 15/09/2010 approved 2 CBs offer and committed participation

NCB	Yes/ No	Message Router	Securities	Credit and Collateral	Credit Claims
Národná Banka Slovenska	Yes	X			
Banca d'Italia	Yes	X	X	X	
Banco de Portugal	Yes	X	X	X	X
Banco de España	Yes	X	X	X	X
Bank Centrali ta' Malta	Yes	X	X	X	X
Banque de France	Yes	X	X	X	X
Central Bank of Cyprus	Yes	X	X	X	X
Banka Slovenije	Yes	X	X	X	X
Bank of Greece	Yes	X	X	X	
De Nederlandsche Bank	Yes	X	X	X	X
Banque centrale du Luxembourg	Yes	X	X	X	X
Central Bank of Ireland	Yes	X	X	X	X
Suomen Pankki	Yes	X	X	X	X
Deutsche Bundesbank	Yes	X	X	X	
Nationale Bank van België	Yes	X	X	X	X
Oesterreichische Nationalbank	Yes	X	X	X	X

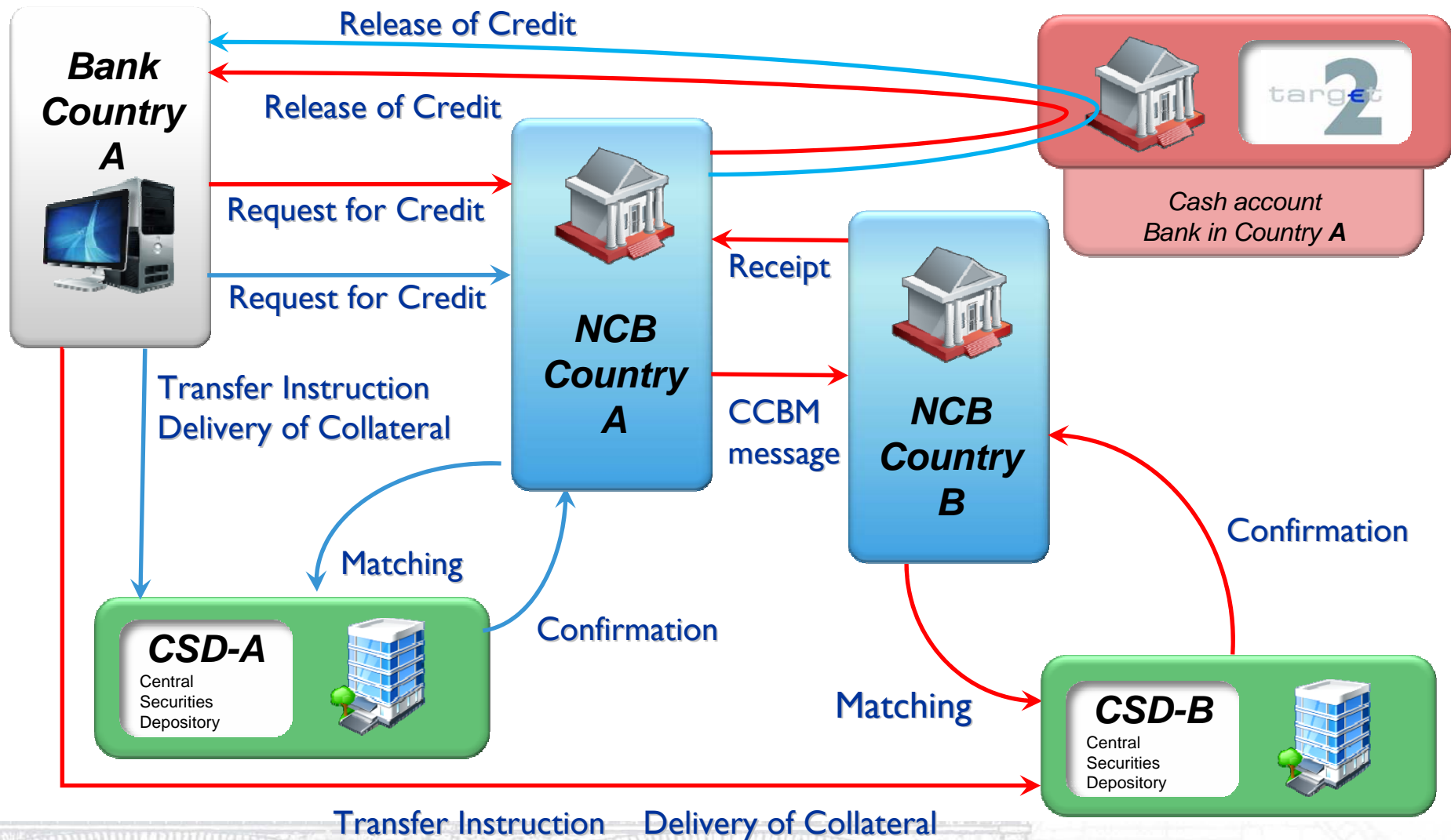
Shortcomings of present collateral management services

- technically decentralised
- procedures vary depending on location of collateral (for counterparties and NCBs)
- high complexity => low efficiency
- not supportive to further market integration

Way Forward

- development of a common technical platform CCBM2
- facilitating swift and efficient handling of collateral
- in compliance with market developments and needs

Current framework for collateral delivery (domestic and cross-border)



CCBM2 features (I)



- centralised collateral management platform complying with the decentralised access to credit

- fully compatible with T2 and T2S

i.e. with the **communication interfaces** and **securities settlement procedures** of T2S

- domestic & cross-border, pooling & earmarking, repo & pledge

- real-time straight-through processing

No repatriation requirement anymore

- able to use all eligible SSS and eligible links between SSS

CCBM2 features (2)

- use of collateral for joint purposes e.g. guarantees
- collateral pooling – global view on global positions of entities of the same group
- integration with existing market solutions
Tri-party collateral management services, including cross-border
- support of auto-collateralisation procedures in current CSD/SSS infrastructures and in T2S

Main changes with CCBM2

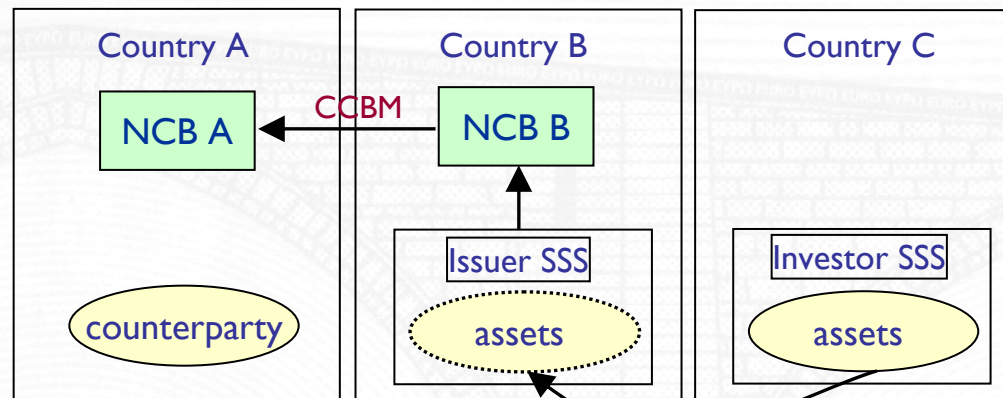
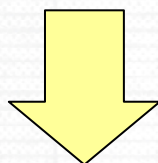


- removal of the Repatriation Requirement allows for new collateral route: CCBM and links
 - incorporation of cross-border triparty collateral management services
 - euro-denominated collateral from out-countries becomes eligible

Removal of Repatriation Requirement

Combination of CCBM and Links will be accommodated for in CCBM2

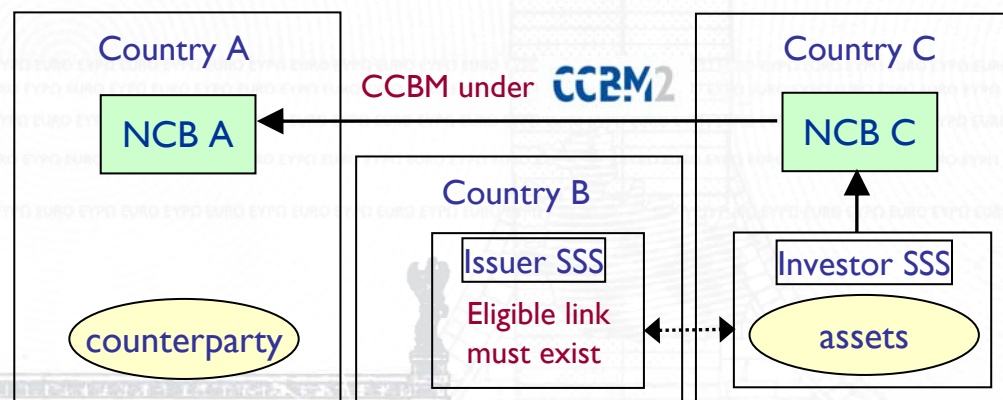
With the **removal** of the **repatriation requirement** it will no longer be necessary to move assets from the investor SSS to the issuer SSS to get Eurosystem credit



Counterparty in country A holds assets in SSS C which are issued in SSS B

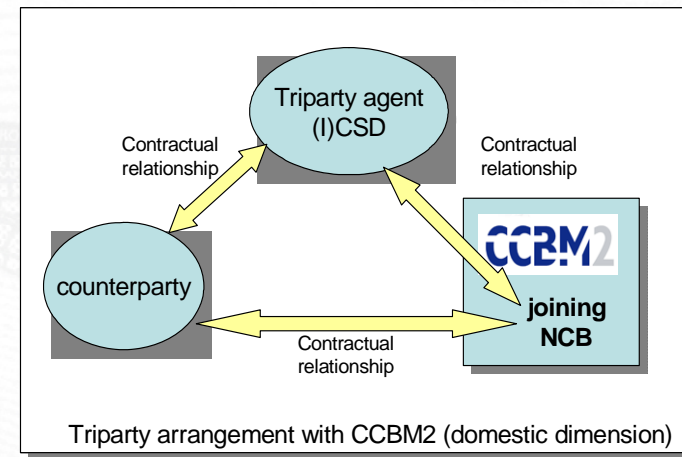
Repatriation to SSS where collateral was issued

- Keep collateral in the (I)CSD of the counterparties' choice
- Facilitate same-day settlement in a cross-border context
- Cost efficiency gains for counterparties



CCBM2 and triparty collateral management services

- Third party (ICSD) acting as an agent for both collateral taker (Eurosystem) and collateral provider (counterparty). Collateral taker and provider enter into an agreement with triparty agent on the level of outsourcing



- Delegation of tasks to third party could take different forms and include e.g. eligibility checks/screening, valuation, margin and haircut facilities, automatic collateral allocation and substitution, monitoring and reporting
- The three existing variations in the euro area will be facilitated by CCBM2, including the cross-border use.

CBF/XEMAC, CBL/CmaX and Euroclear Group/Autoselect

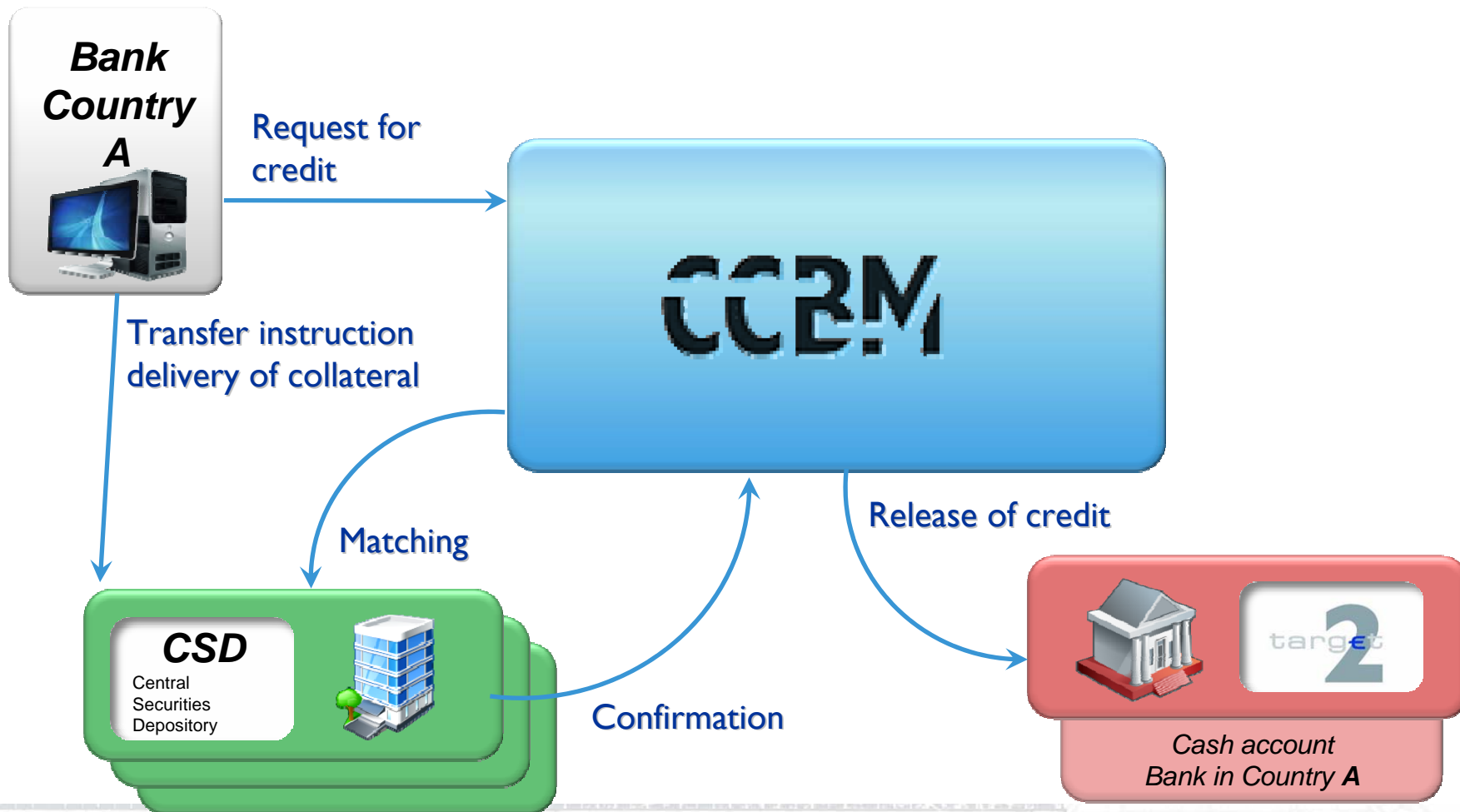
CCBM2 and out-collateral

■ In CCBM2 out-collateral again eligible:

- Via eligible links the condition of settlement within the euro area is met, and
- Collateral is equally available to all Eurosystem counterparties

CCBM2 framework for delivering collateral

Harmonised procedures for domestic and cross-border mobilisation



CCBM2 credit and collateral functionality

Global position per counterparty View on global collateral & credit position

Bank A

Collateral	Credit
<ul style="list-style-type: none">• Collateral Position<ul style="list-style-type: none">• Securities• Credit Claims• Other collateral (e.g. tri-party)	<ul style="list-style-type: none">• Credit Position<ul style="list-style-type: none">• Open Market Operations• Marginal Lending• Other Credit (e.g. Guarantees)
TOTAL COLLATERAL	TOTAL CREDIT

Remaining Credit Line = COLLATERAL – CREDIT = available intraday credit

How will stakeholders receive information?

Main communication channel is decentralised to the NCBs

- business relationships with CSDs and counterparties
- local practice of national Information Desks or creation of User Groups
- organise and co-ordinate national activities of testing and migration

General information sessions for market participants

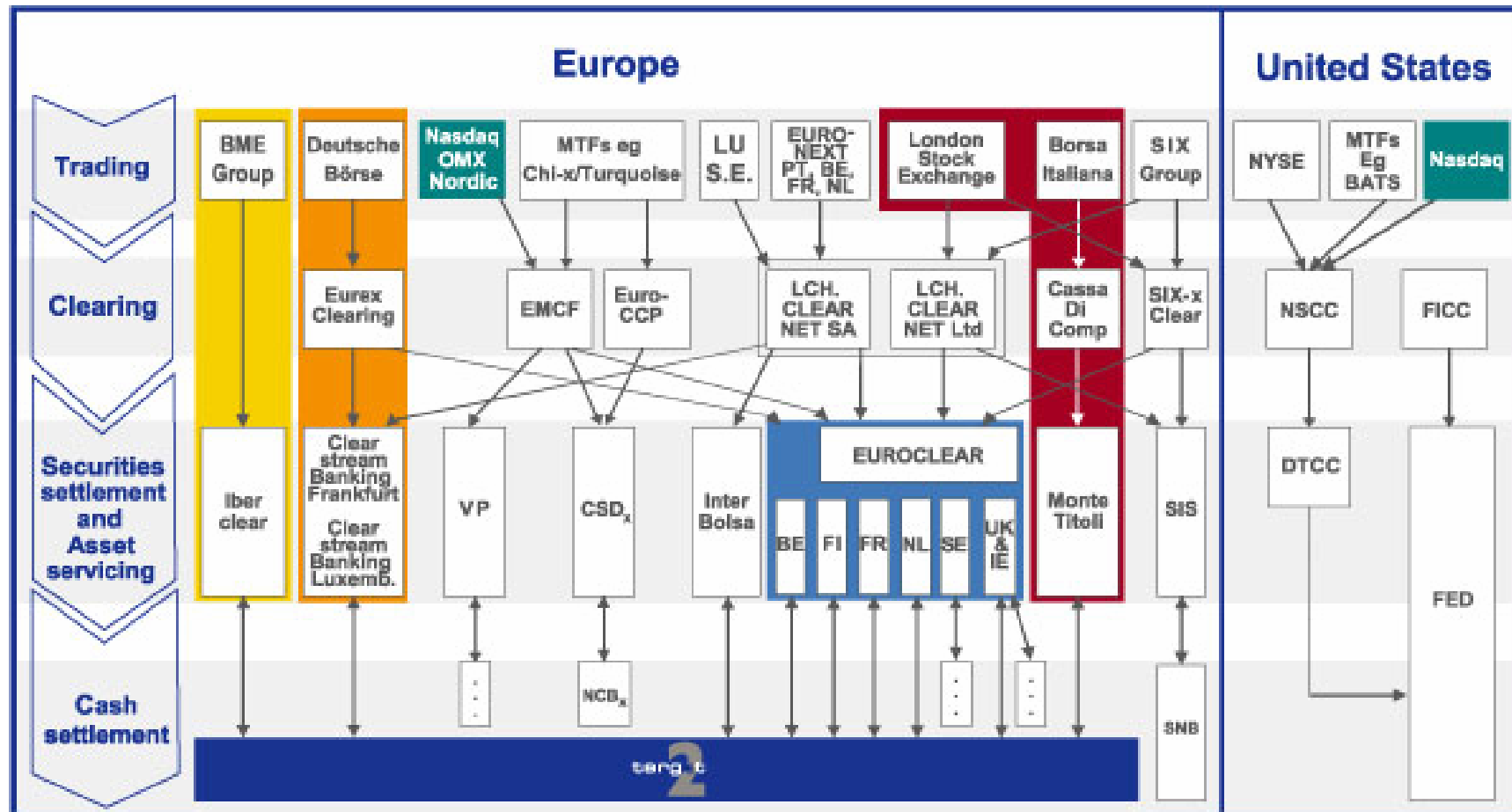
- organised to introduce deliverables of general interest, and/or at key project milestones
- revamp the CCBM2 website

T2S status update

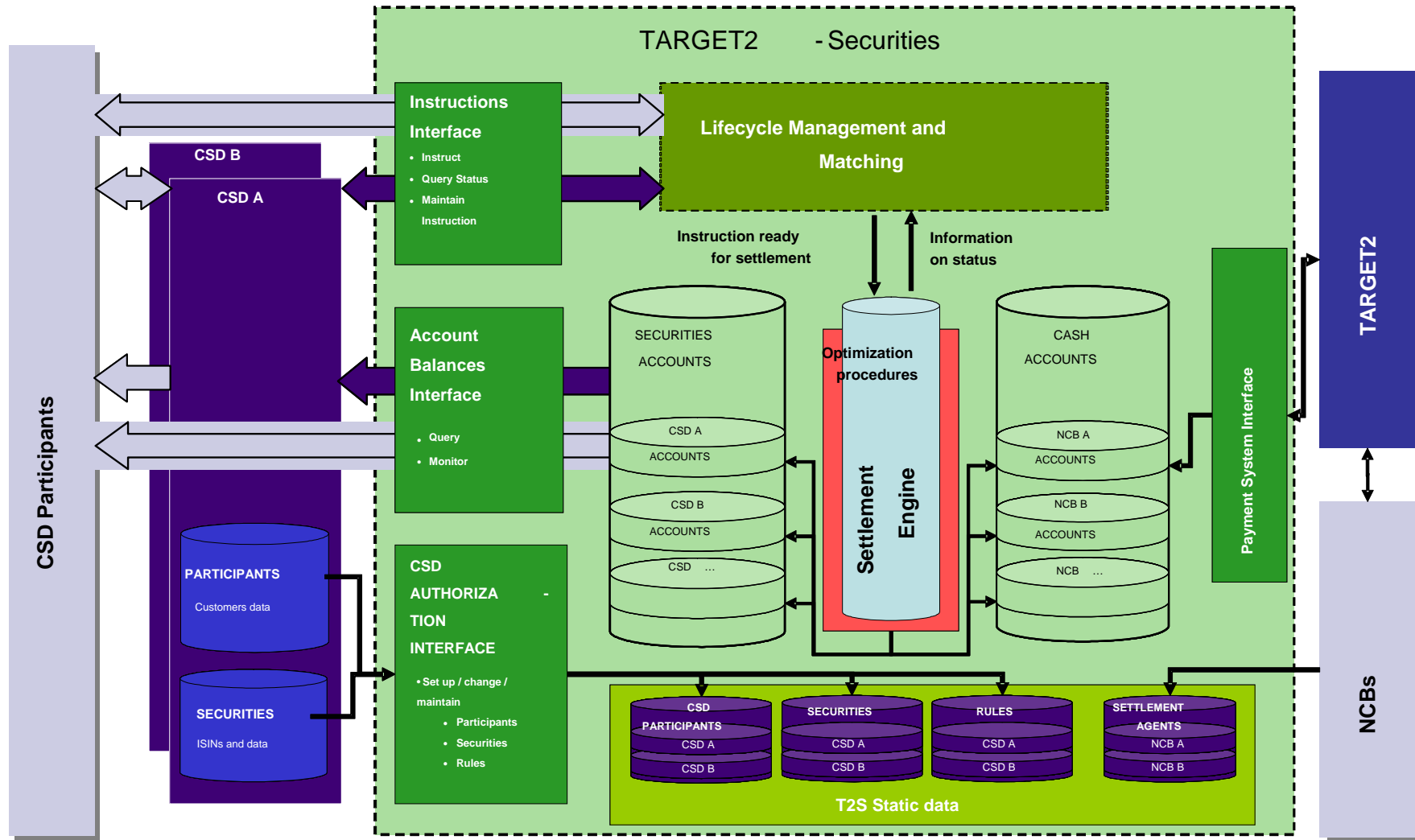
Helmut Wacket

Why do we need T2S?

Securities trading and settlement today

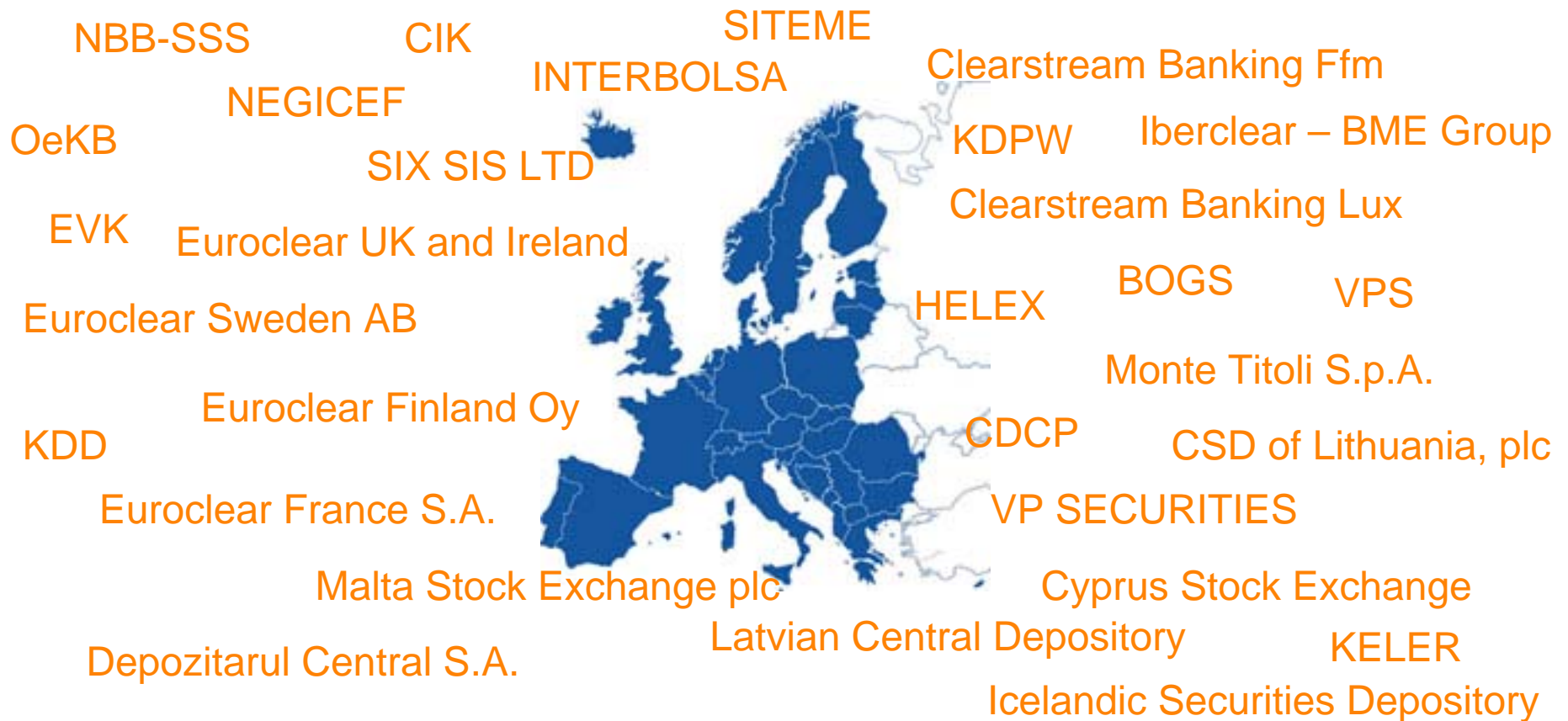


What is T2S?



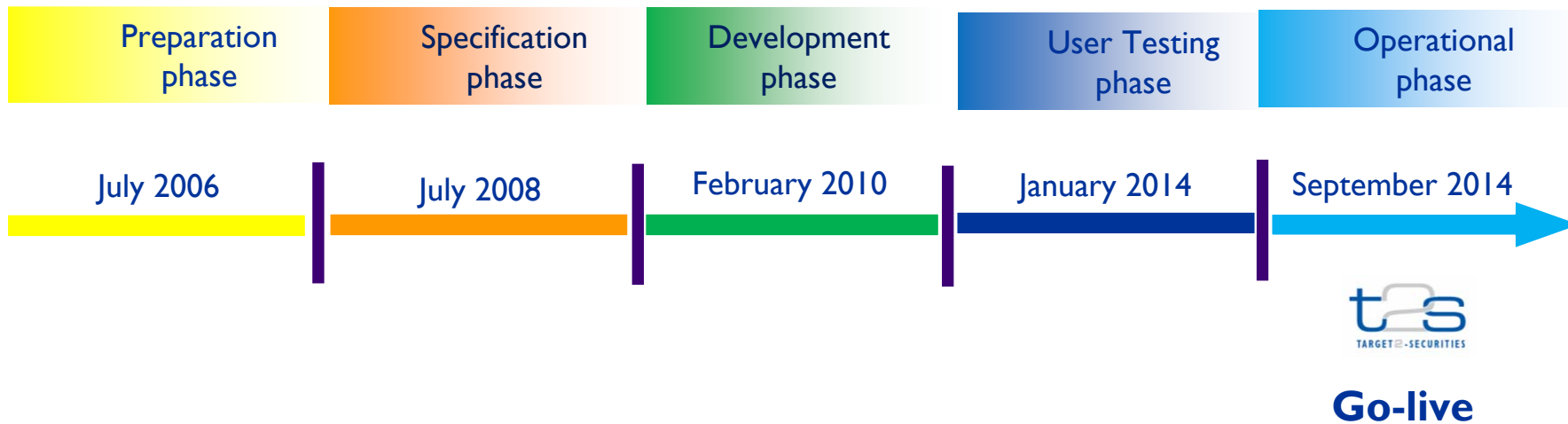
T2S community

So far, 30 CSDs have committed to work towards joining T2S

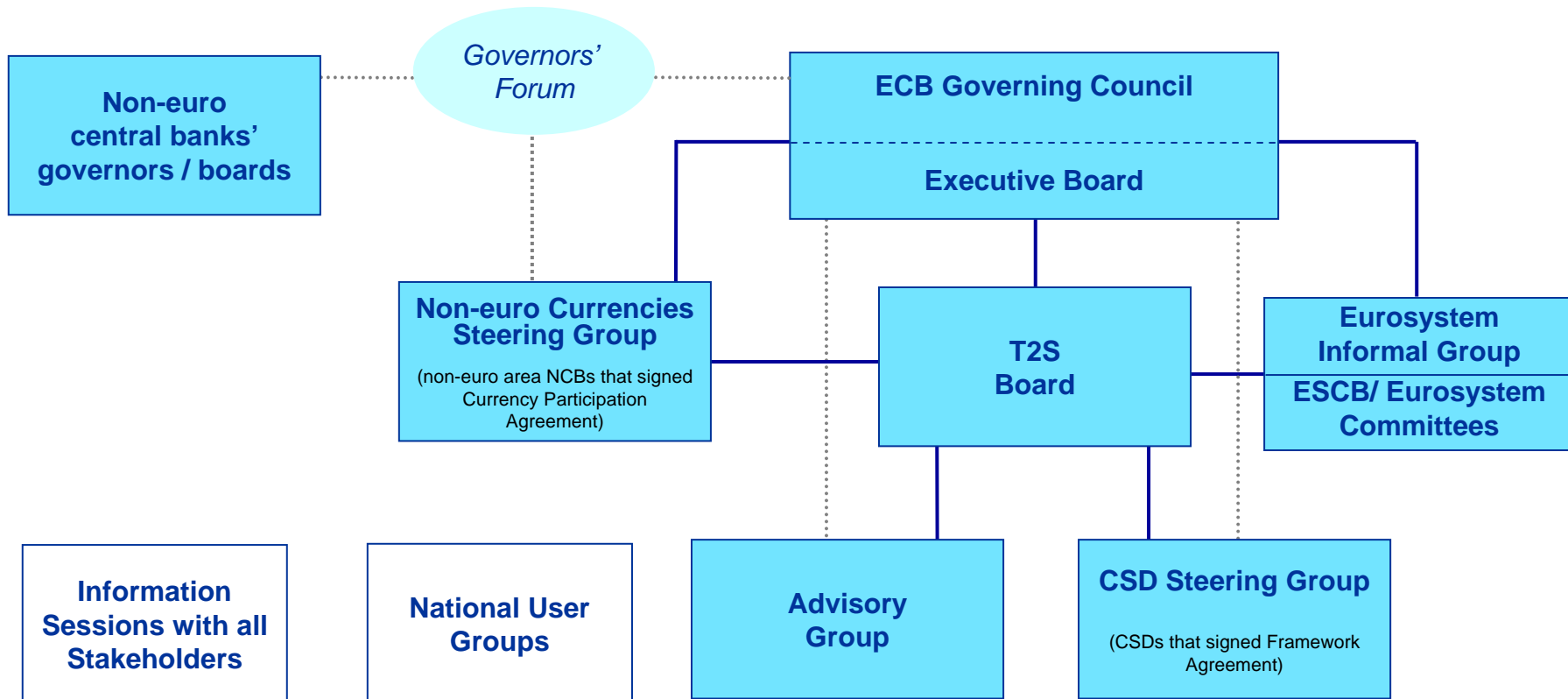


Settlement in euro and the three Scandinavian currencies

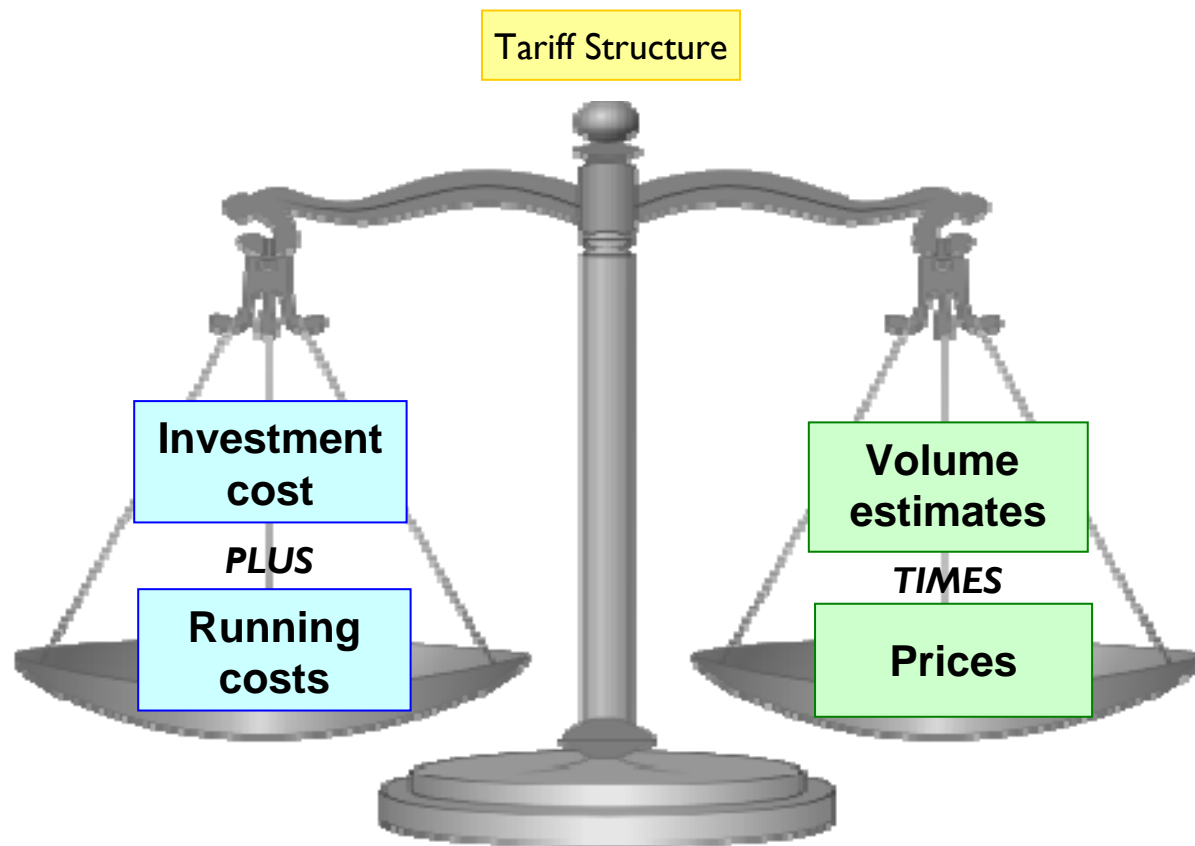
T2S Timeline Overview



Proposed T2S Governance structure



Financial equilibrium in T2S



T2S costs

- Development phase (total, from Jan. 2008 to Sep. 2014):
4CB: € 256.4 million
ECB: € 90.2 million
- Migration and running phase (annual average, from Sep. 2014 to Sep 2022)
4CB: € 51.0 million
ECB: € 9.2 million
- Capital cost over development and migration/running phase of eight years:
€ 88.9 million in total
- Contingency provision during migration and running phase:
€ 41.1 million over eight years

Volume estimates for future years

<i>(in million securities settlement transactions)</i>	Full 2010 (projected)
1) all euro settlement of euro area CSDs	146.6
2) all euro settlement and Scandinavian non-euro business	185.5
3) all settlement from CSDs having signed the MoU	271.4

Estimates of future annual growth rates based on March 2010 AG questionnaire:

	Expected annual growth rates
2011	+3.2%
until T2S go-live	+4.7%
after T2S go-live	+6.3%

T2S pricing policy

- Governing Council decided to fix the **DvP price at 15 cent per instruction** for the period Sep. 2014 to Dec. 2018
- Commitment not to increase T2S fees by more than 10% per year between 2019 and the end of the cost recovery period, i.e. September 2022
- This pricing policy is subject to the following conditions:
 - i. in addition to the euro settlement volume, non-euro currencies add at least 20% to the total volume;
 - ii. the securities settlement volume in the EU is no more than 10% lower than the volumes projected by the T2S Programme Office, which are based on information provided by market participants; and
 - iii. the tax authorities confirm that the Eurosystem will not be charged VAT for the T2S services it provides.



The T2S Programme Board aims at further lowering settlement prices below 15 cents

Harmonisation in T2S

List A

- T2S Functionalities and Rules
- (Common operating times, ISO 20022, etc)
- Already in 2008 as a part of the approved URD

List B

- Harmonisation that could not be included in the 2008 URD.
- Related to T2S specifications
- **Concluded end 2009**

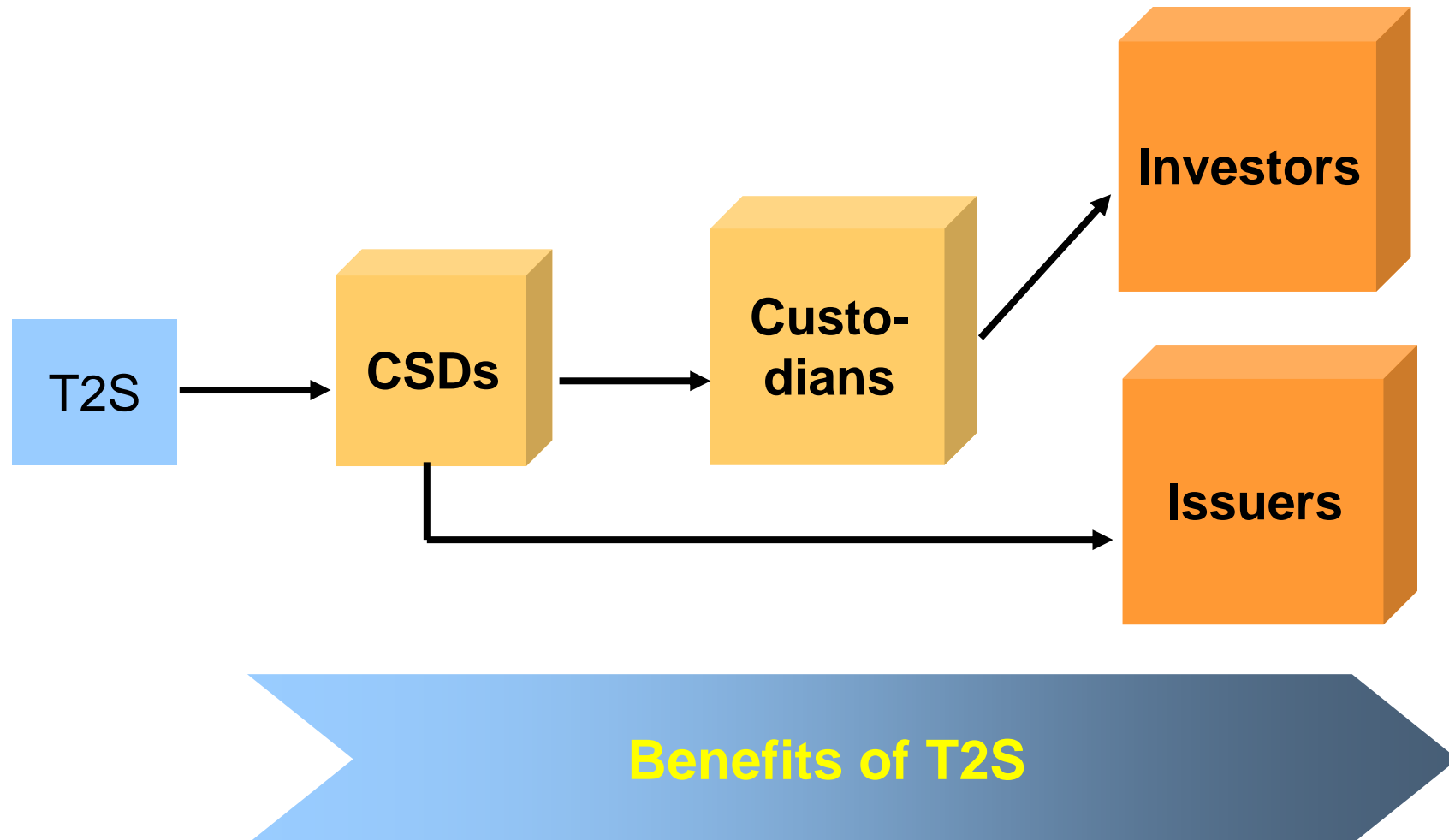
List C

- General market harmonization
- No influence on T2S specifications
- **EGMI holds the lead**

Several AG sub-structures deal with issues related to harmonisation

AG decided in December 2010 that T2S should play an even more active role in harmonisation

T2S Benefits



T2S benefits for the markets

- Facilitating **easier access to foreign markets**, thus fostering **competition** in Europe's post-trade industry
- **Reduced settlement cost** due to significant economies of scale
- **Reducing collateral and liquidity needs** by means of single collateral and liquidity pools, accessible in real-time; sophisticated system features (e.g. auto-collateralisation, optimisation)
- **Back-office cost savings** because of further reduction of complexity as a result of European (technical, legal and regulatory) harmonisation.
- Promoting a Single Market for financial services through the **harmonisation** of clearing and settlement in Europe.
- Positively impacting **financial stability** by reducing settlement risks on cross-border transactions.
- Contributing to **economic growth** by reducing capital costs for firms.

New business opportunities

Conclusion

CCBM2 and T2S synergies

- T2S will facilitate securities settlement in Europe – “settling without borders”
- CCBM2 will facilitate collateral management in the Eurosystem
- Both systems will closely interact for an efficient use of collateral (e.g. auto-collateralisation)
- T2 will allow for efficient transfer of central bank money
- All systems are closely interlinked and allow for more efficient back-office processes

CCRM
CCRM



TARGET²-SECURITIES