



4CB Governance: Towards a new integrated model

**Focus Session
Paris, 13th December 2017**

Agenda

I. The current 4CB organization for T2 and T2S

II. What results so far ?

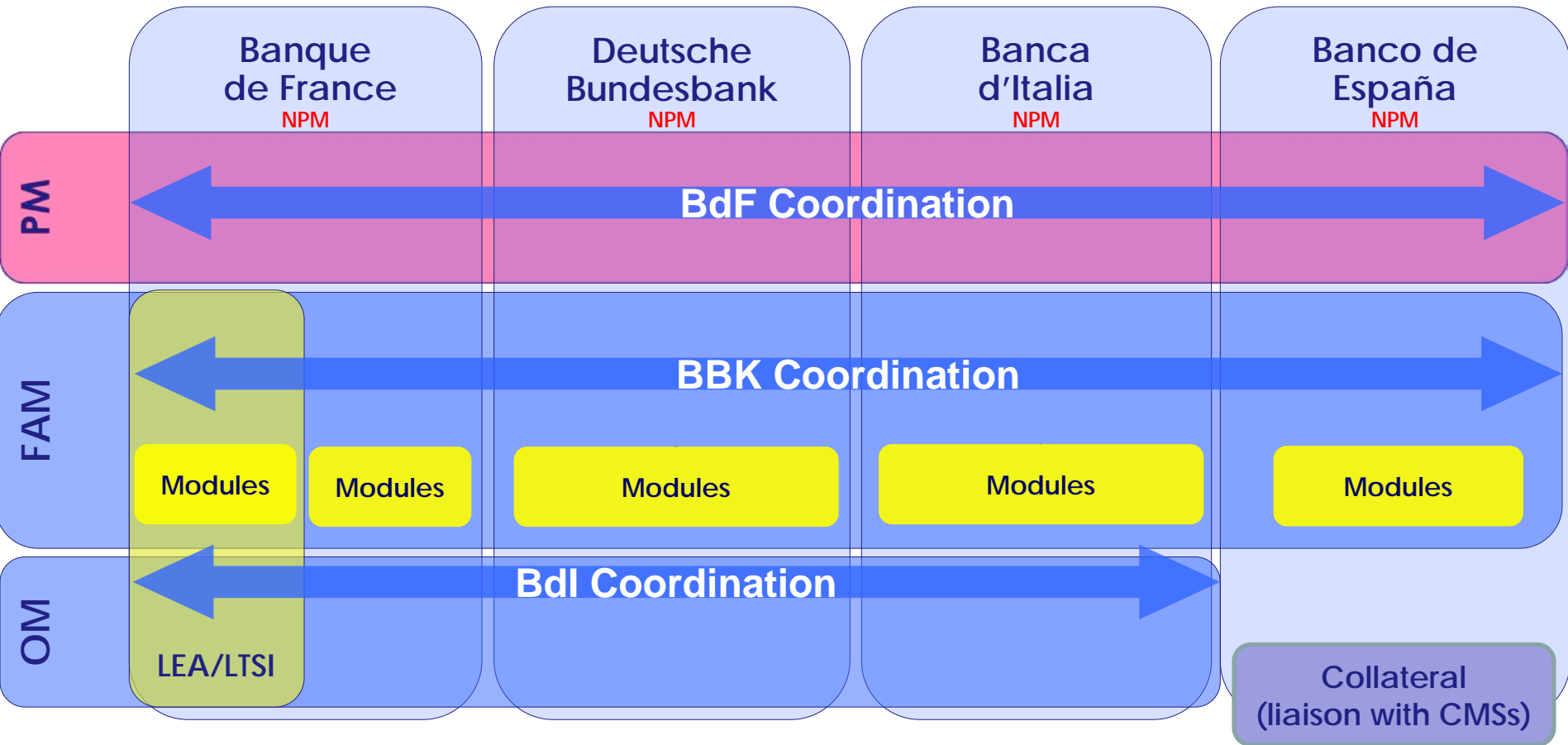
III. Reasons to change

IV. What's new ?

V. The ECMS project

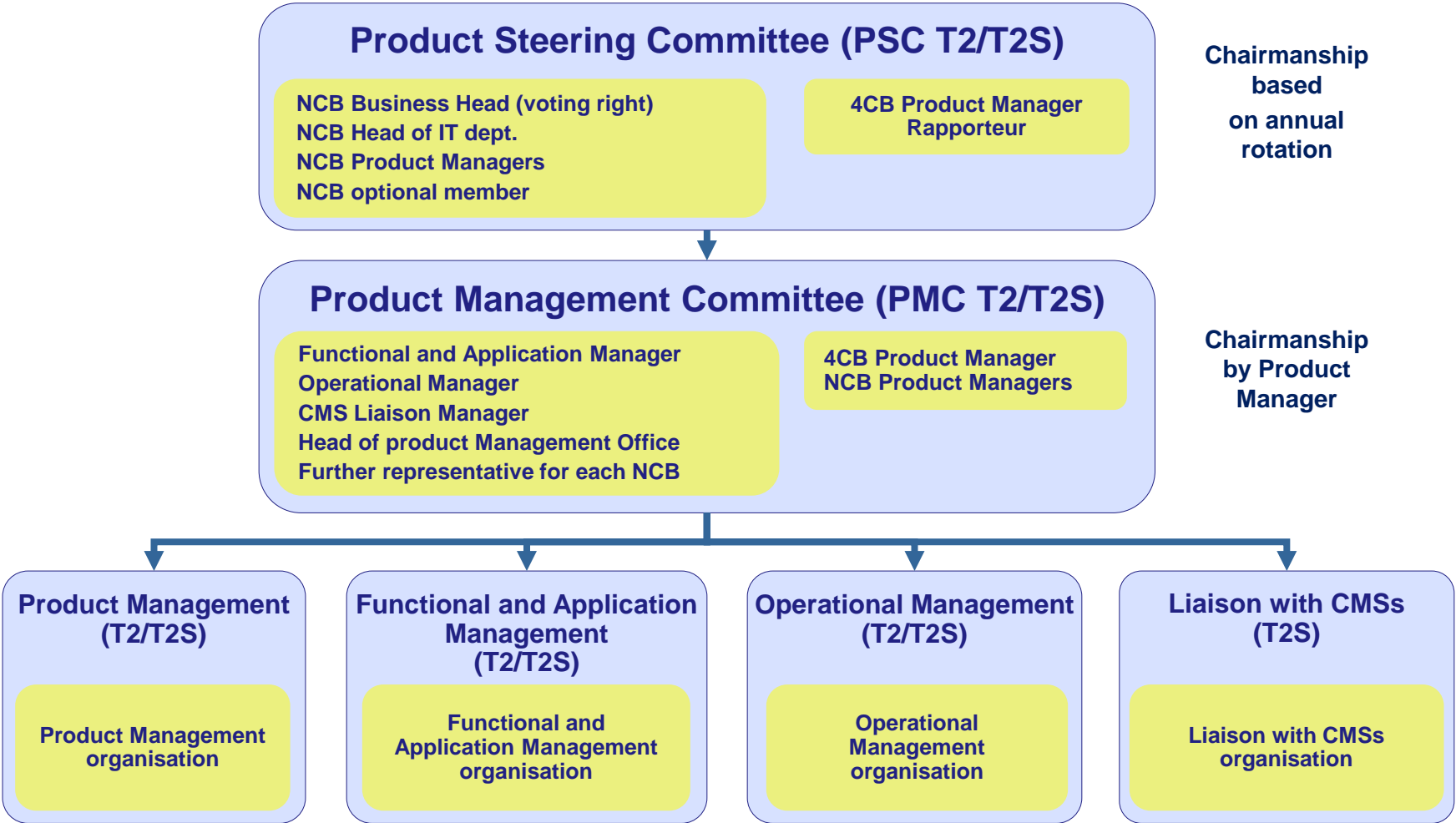
I. The current 4CB organization for T2 and T2S (cont'd)

T2S: 4 areas, 4 product managers, a matrix organisation



I. The current 4CB organization for T2 and T2S (cont'd)

The same three layers governance structure for T2 and T2S



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II. What results so far ?

Target 2 Securities

- **4CB delivered on time, in June 2015, one of the most complex platform ever built in the world of market infrastructures;**
- **Thanks to the combined efforts of ECB, 4CB, CSDs and NCBs the migration went smoothly along the five waves and the functioning of the platform is in line with expectations;**

In November 2017: Peak day (06/11) workload 732 255 settlements (Value: 871 Billion euros). Average day: 571 786 settled, Availability 100%, Settlement Efficiency (Value) 98%.

- **4CB organisation has proved its agile ability, capable of delivering several releases a year (with more than 600 CRs in total) during the migration period.**

II. What results so far ? (cont'd)

Target 2

- T2 is smoothly running for more than 10 year

In 2016:

- Has 100% availability ratio
- 92.8 Mio payments (3.3% increase compared to previous year)
892,155 Bio.€ overall value (9.22% increase compared to previous year)
- A platform in constant evolution (ex: support instant payment at the Target Ancillary System Interface in R11).

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III. And yet... reasons to change

- **Meet the challenges of Vision 2020 strategy : how to manage 2 products (T2 and T2S) with important evolutions (DKK,CSDR...) and three projects at the same time ?**
- **Optimise cost for projects and operational phases**
- **Reap the full benefits of T2 and T2S experience**
- **Reduce the complexity of a cooperation with 4 partners**

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IV. What's new ?

Two portfolios

Portfolio 1 will comprise T2, T2S, TIPS and the consolidated T2/T2S (replacing T2 with CLM, RTGS and Shared Services) . This portfolio will run on the *Eurosystem Market Infrastructure Structure Platform (EMIP)* managed by BBK and BDI.

Portfolio 2 will comprise ECMS. This portfolio will run on the *Eurosystem Shared Applications Platform (ESAP)* managed by BDE and BDF. Where ever feasible it will use Shared Services in Portfolio 1.

One 4CB Steering Board that will steer all 4CB activities and represent the 4CB towards the MIB and other relevant stakeholders

One external advisor to the 4CB Board

Two Central Managers for each portfolio (Operations and Evolution) who will have authority on the various national teams also on a cross-NCB basis

One Cyber Resilience and Information Security Manager

IV. What's new ?

Q1 2018

Setting up of 4CB Steering Board

Appointment of Central Managers

Draft mandate for 4CB advisor

Annual rotation of 4CB representatives (starting with BDI)

Q2 2018

New 4CB agreement
Detailed planning of projects

IV. What's new ?

The new Governance maintains the joint 4CB responsibility towards the Eurosystem over all products and projects that it manages.

The two portfolios structure will :

- enable teams to be more specialized from a technical and functional point of view;
- create coherent software set, maximizing functional synergies for the benefit of users ;
- increase the global resilience of 4CB infrastructures with two platforms (EMIP and ESAP).

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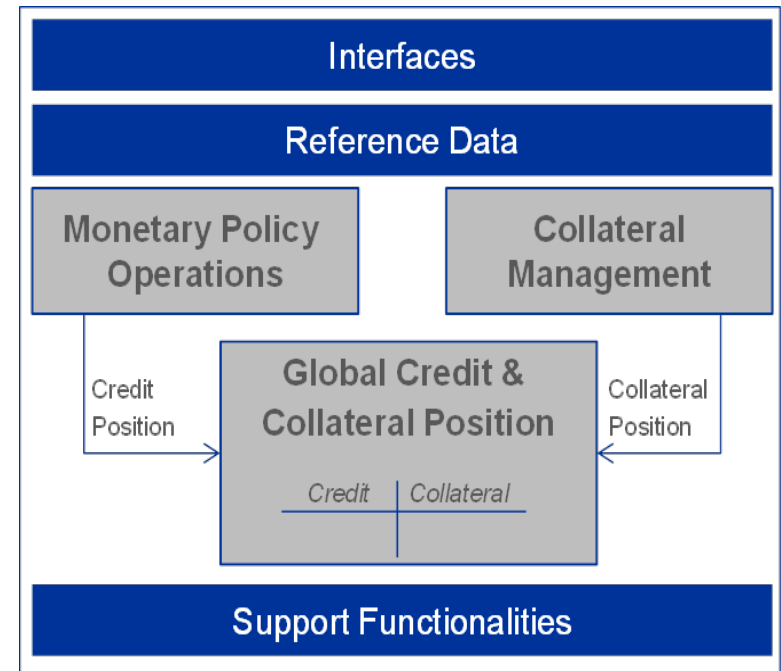
V. ECMS project: Objectives and planning

- The ECMS project is a part of the European Market Infrastructure Vision, together with the T2/T2S Consolidation project and TARGET Instant Payment Settlement (TIPS) project. These projects share multiple dependencies from which synergies are expected to be materialised.
- **ECMS Objectives**
 - ECMS aims at replacing 19 Eurosystem NCBs' CMS bringing the following expected benefits :
 - o cost savings as only one system will need to be tested, operated and maintained;
 - o improving operational efficiencies as the system will reduce manual intervention;
 - o contributing to the European Capital Markets Union (CMU) by reducing market fragmentation and allowing easy and efficient mobilisation of collateral to the Eurosystem both domestically and across borders.
- **Planning**
 - Pre-project phase of ECMS launched by Eurosystem in 2015
 - ECMS is foreseen to go live one year after T2-T2S consolidation in nov 2022):

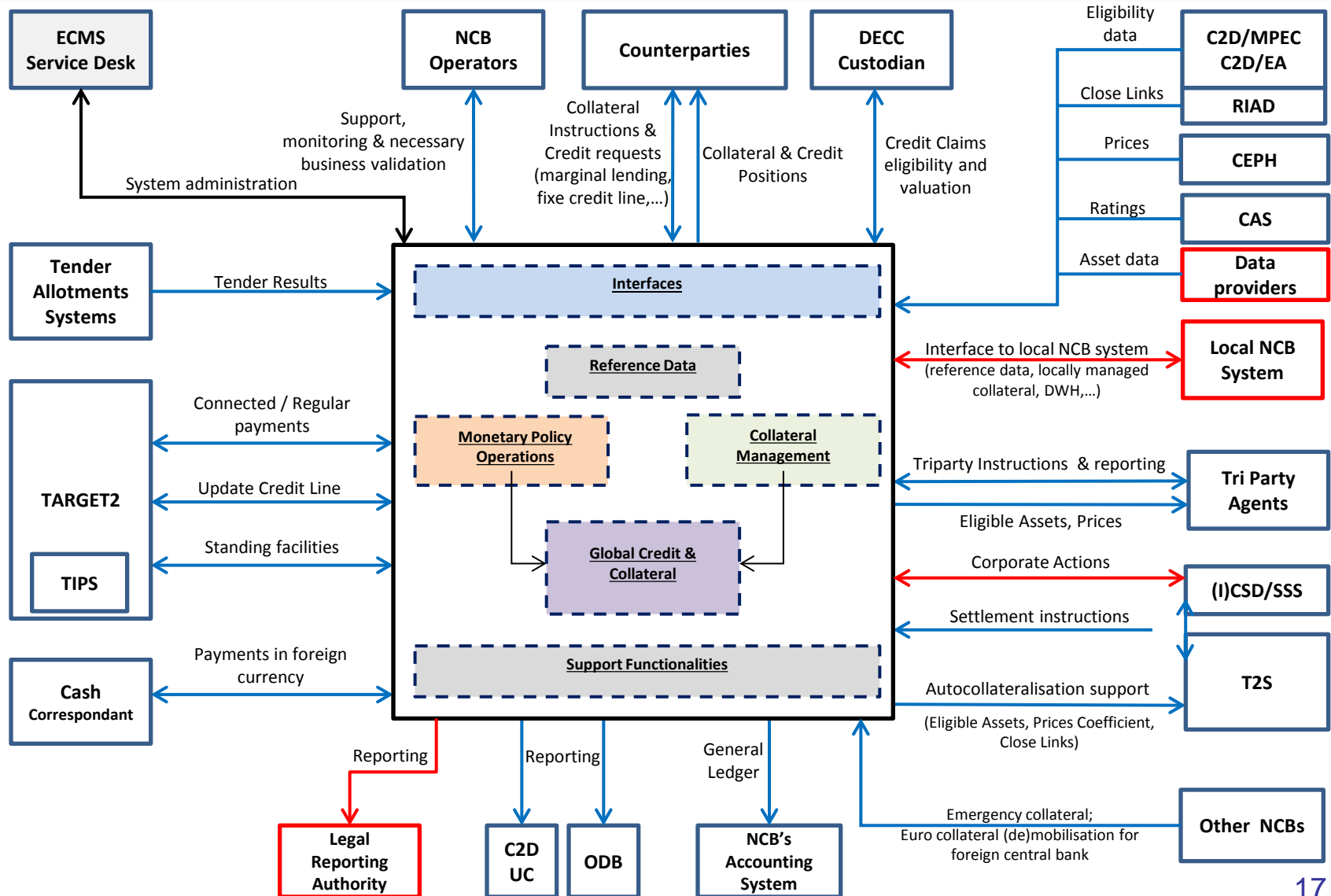


V. ECMS project: Functional scope

- **ECMS shall encompass following functionalities :**
 - Processing of marketable and non-marketable eligible assets (according to the General Documentation);
 - Settlement of monetary policy operations (liquidity providing and liquidity absorbing reverse transactions), and on-request marginal lending.
 - Other credit facilities provided via central bank money, like intraday credit or automatic marginal lending are also supported by ECMS.



V. ECMS project: Interactions with external actors



V. ECMS project: Scope

Interfaces

A2A

U2A

Exceptional Events

External system failure

Counterparty bankruptcy

Non Functional Requirements

Security

...

Reference Data

Reference data management

Import of ref data from external sources

Provision of ref data to external entities

Monetary Policy Operations

Open Market Operations
(preparation of the payments)

Standing Facilities

Global Credit & Collateral Position Management

Credit

Outstanding Credit Position

Credit Freezing

Credit Line

Collateral

Aggregated Collateral Value

External Collateral Value

ELA value

Margin Call

Collateral Management

Collateral Marketable Assets (incl. DECCs)	(de)Mobilisation	Collateral Credit Claims	Registration
	Eligibility		(de)Mobilisation
	Close links		Valuation
	Valuation		Close links
	Custody		Custody
	Corporate Actions		Eligibility
	T2S collateral relocation (autocollat)		DECC support
Collateral Tri-Party	Transactions	ACC	Fixed Term Deposit
	Reporting		Cash Collateral
Collateral Management Support			
Multi-pooling support	Concentration limits	Ex-post checks	

reporting

Support Functionalities

Monitoring

Reporting

Data Warehouse

Archiving

Billing

Accounting

V. ECMS project: Harmonisation issue

- **The harmonisation of processes was identified as a key success factor for ECMS project.**
- **An harmonisation workstream is under way since 2015 and has already delivered harmonised processes and workflows for most processes. ECMS UR delivered in august 2017 take on board those harmonisation proposals**
- **Some issues still being on going :**
 - **Triparty management : a single model is expected; messaging in ISO20022**
 - **Corporate actions workflows and conversion of messages in ISO20022**