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Diana Chan
Chief Executive Officer

5 May 2008

European Central Bank
Secretariat Division
Kaiserstrasse 29
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By email to: ecb.secretariat@ecb.int

Dear Sirs,

European Central Counterparty Limited (EuroCCP) appreciates the opportunity to comment on the Collateral Central Bank Management (CCBM2) draft User Requirements.

EuroCCP currently does not have an account with a central bank, as we use an agent bank as settlement agent, payment bank and collateral custodian. Nevertheless, we welcome the inclusion of features that will be helpful to CCPs. We hope that the Credit & Collateral Module's credit freezing, although optional, will be commonly adopted by participating central banks. The interface with external collateral management systems will increase efficiency, flexibility and choice for market participants, and we likewise hope that it will be commonly adopted.

Independent of our operations model, however, is the fact that liquidity and collateral arrangements are central to a CCP's risk management. We support initiatives such as CCBM2 that will make it easier for market participants to utilize collateral on a cross-border basis. The clearing participants of EuroCCP, like other market participants, will need to make the most use of the securities they have as collateral to obtain liquidity, preferably without restrictions on the location of the securities and the location where liquidity is needed.

In that regard, we would particularly like to comment on the use of non-euro collateral in the CCBM2 context, albeit currently a possibility only for emergency situations and subject to future decisions by the Governing Council of the European Central Bank.

A sister company of EuroCCP, The Depository Trust Company (DTC) of the United States, provides a robust collateral service which could be used for US Treasuries, a security widely used as collateral in the global financial markets. This service, called the Repurchase Account, is designed to maximise legal certainty and ease of administration. When securities are pledged, the ownership of the asset legally changes to the pledgee but the securities stay in a segregated sub-account of the pledgor, in order to ensure that all entitlements go to the pledgor. However, the pledgee can demand the collateral at any time, even after bankruptcy of the pledgor. This feature makes the Repurchase Account highly usable by central banks. In addition to US Treasuries, the arrangement can be used for other DTC-eligible issues. This service is already built, and there are effectively no entrance requirements for a "non-participant DTC pledgee" account. We would be happy to explore further how this arrangement could be used and assist the European Central Bank in its evaluation of non-euro collateral for emergency use in the Eurosystem.

Yours truly,

A handwritten signature in purple ink that reads "Diana Chan". The signature is written in a cursive, flowing style.