



Febelfin response on : Public consultation on CCBM2

The Belgian market welcomes the initial consultation on the next generation of collateral management made by the ESCB.

It understands that the CCBM2 project (Collateral Central Bank Management2) is mainly a project that relates to the central bank internal systems for collateral management and appreciates to be consulted on some aspects of the project. It understands that some of its comments are not only linked to the project as such but also to the framework set by the Eurosystem as to where their home central bank may receive and return collateral.

It believes that CCBM2 is a good step towards an harmonisation of collateral handling procedures within the Eurosystem. It understands that the CCBM2 project is of a different nature than the Target2 Securities project and favours a different time line horizon for both projects.

- ***In general, with regard to the current collateral management handling procedures, what are the main imperfections that should be addressed and the main advantages that should be retained in the next generation of Eurosystem collateral management?***

The main imperfections are:

- repatriation: i.e in order to pledge Finnish or Portuguese securities via an ICSD account, Belgian banks have to transfer first these securities out of their ICSD account to the account of the NBB in the Finnish / Portuguese CSD. From there, the securities will be pledged to NBB using the CCBM. This procedure is cumbersome, time consuming and error prompt. It should disappear. The Eurosystem should take the securities in collateral as much as possible where they are. This means that the NCB's have to open a custody account with all the ICSD's to collect the collateral for all the countries. This is also cost efficient because these are internal transactions for the banks.
- lack of harmonisation: banks operating in several countries are confronted to different set of procedures and business dialogues with their central banks; this is the case not only for technical aspects (format of messages, telecommunication,...) but also for more fundamental aspects like eligibility of collateral. For instance when implementing credit claims, one bank had to implement different procedures in Belgium and in Italy. An other one regret that due to different legal set up it can't use credit claims located in the Netherlands as easily as those in Belgium.

The main advantages of the current Belgian collateral management handling procedures are

- the use of the same collateral pool for both monetary policy operations and intraday credit;
 - the fact that all collateral pledged with the central bank is always used. The balance not used to cover monetary policy transactions or other external collateral needs is automatically used to increase the intraday credit capacity in Target;
 - the use of the collateral pledged with their central bank to provide a central bank guarantee to external systems like Clearnet: banks do not have to take care of their collateral management towards Clearnet or other external systems.
- ***Do the CCBM2 principles as formulated above address your needs for improving the current Eurosystem collateral handling procedures (in particular, for the cross-border use of collateral through the CCBM)?***

The principles formulated above are a good starting point to address our needs. In the future, when all central banks have joined the new platform, principle 6 would probably need to be amended in order to allow more flexibility in the way central banks may receive cross-border collateral, so that repatriation in a domestic CSD should not be necessary anymore.

- ***What enhancements should the CCBM2 be able to achieve in comparison with the current CCBM beyond the principles expressed above?***

The same procedures, speed and efficiency should be possible to use all eligible collateral, is it safe-kept domestically or abroad. Real time straight through processing (STP) should speed up collateral substitution.

The recourse to Triparty services or collateral management agents should also be possible even for the credit claims.

The CCBM2 must be mandatory for all NCB's so that we have one system for our collateral.

- ***Apart from the components internal to the Eurosystem, what types of feature should be covered by the CCBM2 user requirements, from your perspective?***

It should be possible to monitor on-line collateral positions as well as the status of the instructions. Banks who do not wish to develop automated systems based on SWIFT messages, should be able to introduce instructions manually in the CCBM2 system in a secure user friendly way.

Banking groups should be able to visualize the collateral positions of their branches & subsidiaries.

- ***Do you have specific technical requirements that should be considered in the user requirements of CCBM2 (such as type of technical access, monitoring functions, opening hours/days, customer support requirements)?***

SWIFT messaging should be kept and counterparts should be able to visualize their collateral positions on-line, preferably via a web-browser or through the ICM module of Target2. Opening hours/days should be in-line with those of Target 2.

- ***Are you aware of planned market initiatives that might have an impact on the design and the business case of CCBM2 as outlined along the principles mentioned above?***

Increased use of Triparty services should be taken into account (Principles of autoselection, re-use and re-hypothecation)

Also a possible solution for the need of ‘ fresh ‘ collateral in the CM of T2

- ***How do you wish to conduct dialogue with the Eurosystem on the project in the future? For instance, the Eurosystem intends to continue consulting the market on an elaborated version of the user requirements. Would this level of interaction be appropriate? Do you think it could take place through the relevant market consultation groups, at Eurosystem and national level, or would you like to suggest another level of interaction (e.g. a contact group at Eurosystem level)?***

The dialogue with the Eurosystem should take place at two levels:

- _ at the domestic level through national groups
- _ at the Eurosystem level, through EBF