Collateral management in Eurosystem credit operations

Information for Eurosystem counterparties

June 2025

Contents

1 Introduction

1.1 Purpose of this document

1.1.1   Eligible counterparties may only obtain credit from the central bank of the country in which they are based – their home central bank (HCB) – by mobilising eligible marketable and non-marketable assets as collateral. The process by which these assets are mobilised (transferred) to their HCB, and any subsequent handling of the collateral until it is given back to the counterparty, is referred to as collateral management.

1.1.2   The purpose of this document is to provide Eurosystem counterparties ("counterparties") with information on the key processes, procedures and arrangements involved in the mobilisation and management of collateral in Eurosystem credit operations.

1.1.3   The accompanying legal framework for the mobilisation and management of collateral is set out in the Guideline on the management of collateral in Eurosystem credit operations[1] (Collateral Management Guideline).

1.2 Structure of this document

This document starts (**Chapter 1**) with information on its purpose and structure.

Chapter 2 provides a high-level introduction to Eurosystem collateral management.

Chapter 3 contains information on the accounts and collateral pools used to mobilise and manage collateral.

Chapter 4 provides an overview of the different channels by which counterparties may mobilise collateral.

The applicable processes and procedures for the mobilisation of (i) marketable assets and DECCs, and (ii) non-marketable assets other than DECCs are described in **Chapters 5 and 6** respectively.

Chapter 7 describes the arrangements in place for the provision of triparty collateral management services by eligible triparty agents.

Chapter 8 specifies the procedures in place for the execution of auto-collateralisation transactions.

Chapter 9 explains how the credit positions in the collateral pool are managed.

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[1]   Guideline (EU) 2024/3129 of the European Central Bank of 13 August 2024 on the management of collateral in Eurosystem credit operations (ECB/2024/22).

Chapter 10 details the applicable processes and procedures for managing corporate events relating to marketable assets and DECCs mobilised as collateral.

Chapter 11 describes the daily activities to be performed in order to manage collateral.

Chapter 12 presents the applicable policies for the recovery of costs incurred by NCBs in connection with the mobilisation of collateral.

Chapter 13 documents the procedures for the reallocation and realisation of collateral.

Chapter 14 provides information on contingency arrangements.

Chapter 15 describes those aspects of the settlement discipline regime that are relevant to the mobilisation of marketable assets and DECCs as collateral.

Further relevant information on matters introduced in Chapters 1 to 15 is included in the **Annex**.

2 Background

2.1.1   In line with Article 18.1 of the ESCB Statute, all Eurosystem credit operations conducted with credit institutions and market participants are based on the provision of adequate collateral. Adequate collateral refers to the provision of marketable assets and/or non-marketable assets that fulfil the Eurosystem's eligibility criteria. The term "eligible asset" is used for assets that the Eurosystem may accept as collateral.

2.1.2   Eurosystem credit operations comprise the following:

- liquidity-providing reverse transactions, i.e. liquidity-providing Eurosystem monetary policy operations excluding foreign exchange swaps for monetary policy purposes and outright purchases;

- intraday credit operations (i.e. intraday credit in TARGET and T2S auto-collateralisation);

- ECONS credit.

Figure 1
Overview of Eurosystem credit operations
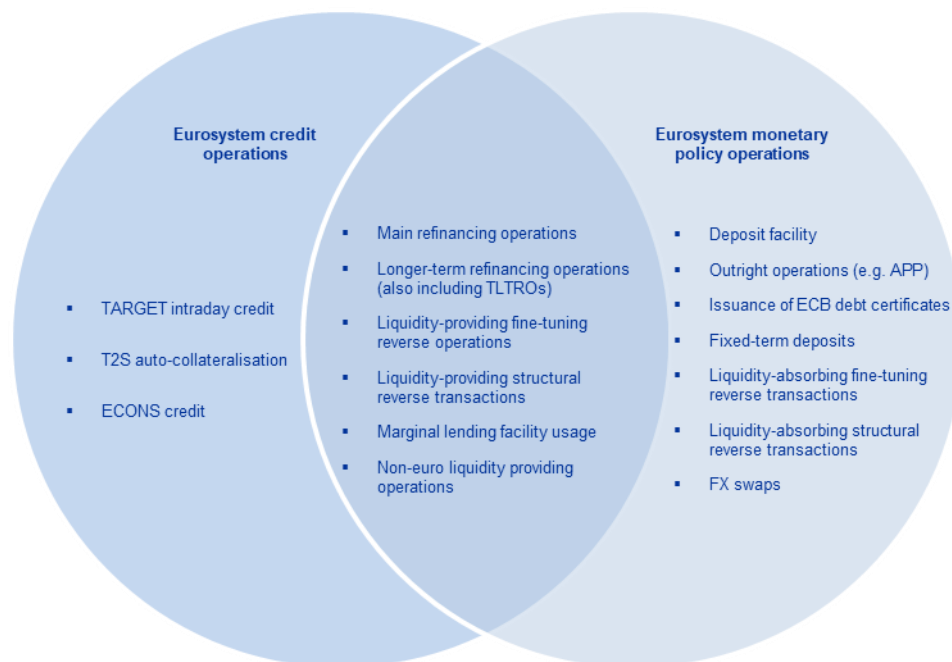
2.1.3   In order to participate in Eurosystem credit operations, a counterparty must fulfil the Eurosystem's counterparty eligibility criteria. Each counterparty may be eligible to participate in some or all of the categories of Eurosystem credit operations outlined in Table 1:

- Monetary policy counterparties may participate in some[2] or all Eurosystem credit operations.

- Intraday credit counterparties have access to intraday credit only.

Table 1

Categories of Eurosystem credit operations

Category	Type (and legal nature) of transactions	Maturity	Frequency	Settlement of cash
Open market operations				
Main refinancing operations	Reverse transactions (repo or collateralised loan)	One week	Weekly	TARGET (MCA)
Longer-term refinancing operations	Reverse transactions (repo or collateralised loan)	Three months (General Framework) to 48 months (Temporary Framework)	Monthly or ad hoc	TARGET (MCA)
Fine-tuning operations	Reverse transactions (repo or collateralised loan)	Non-standardised	Non-regular	TARGET (MCA)
Structural operations	Reverse transactions (repo or collateralised loan)	Standardised / non-standardised	Non-regular	TARGET (MCA)
Standing facilities				
Marginal lending facility – marginal lending on request	Reverse transactions (repo or collateralised loan)	Overnight	Daily (access at the discretion of counterparties)	TARGET (MCA)
Marginal lending facility – automatic marginal lending	Reverse transactions (repo or collateralised loan)	Overnight	Daily	TARGET (MCA)
Intraday credit				
TARGET intraday credit	Reverse transactions (repo or collateralised loan)	Intraday	Access at the discretion of counterparties	TARGET (MCA)
T2S auto-collateralisation	Reverse transactions (repo or collateralised loan)	Intraday	Access at the discretion of counterparties	TARGET (T2S DCA for auto-collateralisation and MCA for relocations)
Contingency credit				
ECONS credit	Reverse transactions (repo or collateralised loan)	Non-standardised	Non-regular	ECONS II

2.1.4   Eligible counterparties may only obtain credit from the central bank of the country in which they are based – their home central bank (HCB) – while, in the case of marketable assets, eligible assets may be issued in any European Economic Area (EEA) country and, for non-marketable assets, the credit claim agreement may be governed by the law of any Member State whose currency is the euro.[3]

2.1.5   The Eurosystem has therefore put in place a series of arrangements to ensure that all marketable and non-marketable assets eligible for use in Eurosystem credit operations are made available to all counterparties, regardless of where the assets or the counterparties are situated. After mobilisation, a Eurosystem national central bank (NCB) or a designated third party (a triparty agent (TPA)) is responsible for the

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2   For fine-tuning operations that are executed by means of quick tender procedures, counterparties are selected in accordance with the participation criteria described in Article 57 of the General Documentation.

3   The overall number of laws governing a credit claim must not exceed two.

daily management of the assets mobilised as collateral. The Eurosystem Collateral Management System (ECMS) is the single Eurosystem platform used by Eurosystem NCBs for managing eligible assets and cash[4] mobilised as collateral in Eurosystem credit operations. [5]

2.1.6   Figure 2 provides a high-level overview of the main activities involved in the management of collateral from the time the collateral is delivered from the counterparty to its HCB. The arrows depict the flow of collateral (to the HCB) and the flow of credit (to the counterparty).

Figure 2

Eurosystem collateral management

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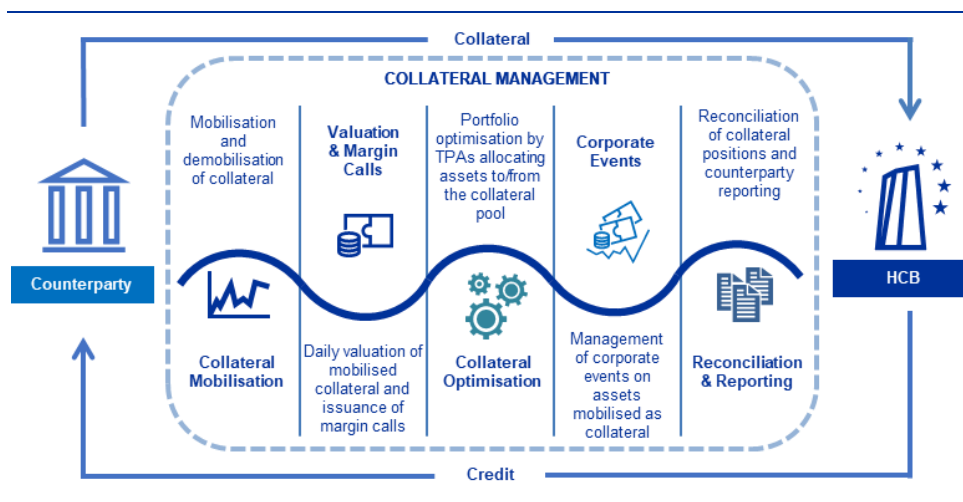
[4]   Cash may only be accepted as collateral in the event of a margin call in accordance with Article 15(1)(c) of the GD.

[5]   The domestic mobilisation of (additional) credit claims may be managed outside the ECMS.

3   Account and pool structure

This chapter provides information on the accounts and collateral pools used to mobilise and manage collateral.

3.1   Asset accounts

3.1.1   To facilitate the mobilisation of collateral, counterparties need to maintain asset accounts.

3.1.2   Asset accounts include both internal asset accounts (maintained by NCBs) and external asset accounts (maintained by a central securities depository (CSD) or a correspondent central bank (CCB)).

3.1.3   External accounts comprise the following:

- Accounts held with eligible securities settlement systems (eligible SSSs) for the purposes of receiving eligible marketable assets and debt instruments backed by eligible credit claims (DECCs) as collateral in Eurosystem credit operations. These accounts comprise the following:

    - *Regular collateral accounts* – securities accounts in T2S where the marketable assets and DECCs mobilised via the Domestic, Links[6], Direct Access and CCBM mobilisation channels are transferred or retained.

    - *Triparty collateral accounts* – securities accounts in T2S where the marketable assets and DECCs mobilised via a triparty agent are transferred or retained.

    - *Collateral receiving accounts* – securities accounts in T2S where the marketable assets and DECCs mobilised via an auto-collateralisation transaction are held on an intraday basis.

- Accounts held with other NCBs that act as CCB for marketable and non-marketable assets mobilised by counterparties of the HCB.

3.1.4   Internal accounts comprise the following:

- *Counterparty asset accounts* – accounts maintained to record details of the marketable and non-marketable assets mobilised by counterparties.

3.1.5   Figure 3 provides a simplified overview of the account structure.

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[6]   As shown in Table 2, DECCs may not be mobilised via the Links mobilisation channel.

Figure 3
Account structure
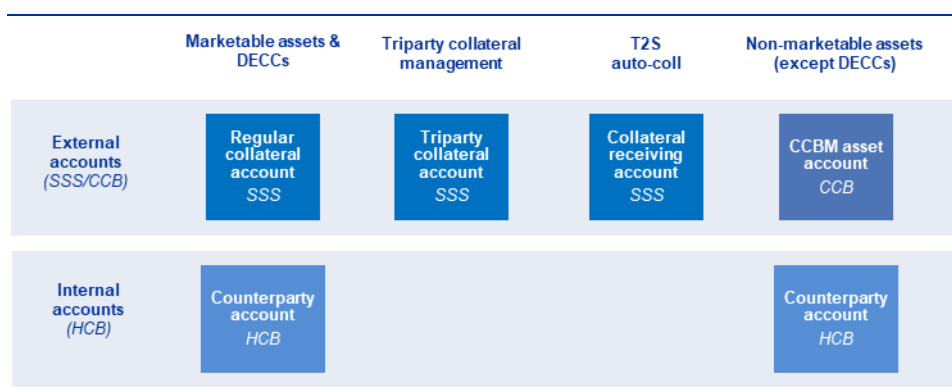
Account opening

External accounts

3.1.6   External accounts in SSSs may be opened with any eligible SSS (the list of eligible SSSs is published on the ECB's website).[7] These accounts may be opened in the name of either (i) the NCB or (ii) the counterparty.

- For collateral mobilised via a triparty agent, one external asset account must be opened per triparty transaction, i.e. a dedicated account for each counterparty using triparty collateral management services.

- For T2S auto-collateralisation transactions, the collateral receiving account (CRA) and the regular collateral account (RCA) must be opened with the same eligible SSS.

Internal accounts

3.1.7   NCBs open and maintain the internal accounts required for collateral management purposes on behalf of their counterparties.

- If an NCB permits the use of more than one collateralisation arrangement,[8] then separate internal asset accounts are opened per collateralisation arrangement.

- NCBs maintain separate internal asset accounts to segregate holdings of marketable and non-marketable assets.

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[7]   To be eligible, an SSS must fulfil the eligibility criteria laid down in Annex I of the Collateral Management Guideline. The operator of the SSS must establish and maintain technical connectivity between the SSS and the ECMS, in accordance with the procedure set out by the respective NCB.

[8]   Please refer to Section 4.4 for more information on the different collateralisation arrangements accepted by each NCB.

Account naming conventions

3.1.8   Asset accounts are named in accordance with the harmonised naming conventions set out in Annex 16.1 to this document.

Account management

3.1.9   NCBs allow counterparties to mandate a third party to manage asset accounts on their behalf whereby:

(a)   the counterparty account in an SSS in which securities are held prior to mobilisation may be owned by a third party;

(b)   the counterparty asset accounts are opened in the name of the counterparty, while the counterparty has the possibility to appoint a third party to send instructions to, and receive notices from, its HCB on its behalf with regard to collateral management activity on these accounts;

(c)   NCBs will not act as the third party referred to under point (b) (exceptions are possible in contingency situations).

3.2   Cash accounts

3.2.1   Counterparties also need to maintain cash accounts in order to support the execution of collateral management activities.

3.2.2   Cash accounts comprise the following:

- *Main cash accounts* – cash accounts in Central Liquidity Management (CLM)

- *Contingency cash accounts* – cash accounts in the Enhanced Contingency Solution (ECONS II)

- *Dedicated cash accounts* – cash accounts in T2S

- *Non-euro cash accounts* – cash accounts in correspondent banks

3.2.3   Each counterparty needs to maintain:

- a main cash account (MCA) (i) opened in its own name and managed by the counterparty itself, (ii) opened in its own name and managed by a third party (referred to as a co-manager), or (iii) belonging to another TARGET participant, in order to facilitate:

  - the settlement of Eurosystem credit operations;

  - the management of the credit line (relevant for counterparties having access to intraday credit);

- the collection of fees owed on a monthly basis;

- the processing of cash flows stemming from corporate action events on mobilised collateral;

- the relocation of collateral in the context of an auto-collateralisation transaction (relevant for counterparties using T2S auto-collateralisation);

- the (de)mobilisation of cash as collateral[9].

- a dedicated cash account (DCA) per securities account to facilitate the settlement of auto-collateralisation transactions in a T2S CSD (relevant for counterparties using T2S auto-collateralisation);

- a non-euro cash account where relevant to facilitate the settlement of:

- corporate event proceeds on non-euro-denominated securities (relevant for counterparties wishing to mobilise non-euro-denominated assets);

- non-euro Eurosystem credit operations (relevant for counterparties wishing to participate in non-euro Eurosystem credit operations).

- A contingency cash account to support the execution of collateral management operations in the event that CLM is unavailable (this account is mandatory only for participants considered to be critical by its NCB and for participants that settle very critical transactions).

3.3 Collateralisation method

3.3.1   NCBs use the pooling collateralisation method to maintain collateral mobilised by counterparties. Under this method, the counterparty makes collateral available to an NCB to collateralise credit from that NCB, and in which individual eligible assets are not linked to any specific Eurosystem credit operation, with the exception of RMBDs which are linked to a specific credit operation.

3.3.2   The collateral pool includes all collateral positions that are linked to that pool.

3.3.3   The total value of a counterparty's collateral position is equal to the sum of the collateral value after haircuts of the individual collateral positions in that pool minus the total value of any limits that may be applied to the pool.

3.3.4   Figure 4 below provides a simplified overview of a collateral pool with a floating credit line.

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[9]   Cash may only be accepted as collateral in the event of a margin call in accordance with Article 15(1)(c) of the GD.

Figure 4
Collateral pool

Collateral Pool				
Collateral Position		**Credit Position**		
Marketable Assets & DECCs	A	Open Market Operations	G	
(Additional) Credit Claims	B	Marginal Lending Operations	H	
Triparty Collateral	C	Credit Freezing (including ECONS)	I	
Fixed-Term Deposit	D			
Cash Collateral	E			
Externally Managed Collateral	F			
Total Collateral Position ($\sum$Co)	= A+B+C+D+E+F	Total Credit Position ($\sum$Cr)	= G+H+I	
		Credit Line (Floating)	= $\sum$Co - $\sum$Cr	

3.3.5   In addition to the collateralisation of Eurosystem credit operations, collateral may also be mobilised for other purposes. The list of (other) purposes for which collateral may be mobilised with an NCB is provided in Annex 16.2.

3.3.6   Collateral mobilised for the purposes of collateralising Eurosystem credit operations must be held in a separate collateral pool from collateral mobilised for purposes other than the collateralisation of Eurosystem credit operations. NCBs maintain as many collateral pools per counterparty as required for this purpose.

3.3.7   Each collateral pool is identified in accordance with the harmonised pool-naming conventions set out in Annex 16.1.

3.3.8   Collateral mobilised for other purposes is managed in accordance with the procedures in place for the mobilisation and management of collateral used to collateralise Eurosystem credit operations.

Reservation of collateral

3.3.9   Mobilised collateral may be reserved for a specific purpose within a counterparty's collateral pool in accordance with the HCB's terms and conditions. This concept is known as credit freezing (as the reserved collateral is considered to be consumed credit from a collateral management perspective and thus appears in the credit position of the collateral pool, as illustrated in Figure 4).

3.3.10   To reserve collateral, a counterparty must send a credit freezing instruction to its HCB specifying:

- the amount of collateral to be reserved;

- the purpose for which the collateral is reserved (which must correspond to one of the Purpose Type Identifiers set out in Annex 16.2);

- the collateral pool in which the collateral should be reserved;

- the intended settlement date (which must be the same as the day on which the instruction is sent).

3.3.11   The amount of collateral may be adjusted (increased, decreased, set to zero) at any time during the day subject to the availability of sufficient collateral.

3.3.12   The HCB reserves the right to adjust the amount of collateral reserved in a counterparty's collateral pool if it deems this appropriate (in order, for example, to resolve a margin call).

4   Collateral mobilisation

Mobilisation refers to the process by which collateral is transferred from the counterparty to an account designated by the HCB. In order to ensure that all counterparties have access to all Eurosystem-eligible collateral regardless of the location of the counterparty or the collateral, a series of mobilisation channels has been established. This chapter provides an overview of the different channels by which eligible collateral may be mobilised by counterparties.

4.1   Introduction

Mobilisation of marketable assets and DECCs

4.1.1   Marketable assets and DECCs issued in a CSD in the European Economic Area (EEA) that fulfil the Eurosystem collateral eligibility criteria may be used to collateralise Eurosystem credit operations. The list of eligible marketable assets is updated every business day and can be found on the ECB's website.

4.1.2   To mobilise marketable assets and DECCs as collateral, counterparties must arrange with one of the following parties to transfer (mobilise) these assets to an asset account designated by the HCB (or the CCB in the case of CCBM mobilisations).

- The issuer SSS (the SSS operated by the CSD in which the securities have been issued) provided that the SSS is an eligible SSS. The list of eligible SSSs is published on the ECB's website.

- The investor SSS (the SSS in which the securities are held), provided that an eligible link exists from the issuer SSS to the investor SSS. The list of eligible links is published on the ECB's website.

- A triparty agent (TPA) provided that the TPA is an eligible TPA. The list of eligible TPAs is published on the ECB's website.

4.1.3   The counterparty's source account (i.e. the account in which the counterparty holds the collateral prior to mobilisation) may be held in a non-T2S SSS.

4.1.4   As (eligible) links do not exist between all SSSs, NCBs also act as custodians (correspondents) for each other in order to ensure that all Eurosystem-eligible assets can be mobilised by all counterparties regardless of the location of the counterparty or the asset. The asset will then be made available to the NCB of the country where the corresponding investor SSS is located (i.e. the CCB), and it will hold the collateral on behalf of the NCB granting the credit (i.e. the HCB). This arrangement is known as the correspondent central banking model (CCBM).

4.1.5   As an alternative to the use of the CCBM, NCBs may also open accounts directly in non-domestic eligible SSSs for the purpose of receiving collateral from their counterparties.

Mobilisation of non-marketable assets other than DECCs

4.1.6   Non-marketable assets, with the exception of DECCs, cannot be settled in an SSS. Accordingly, the Eurosystem has developed specific procedures for the mobilisation of the following non-marketable assets:

- credit claims and additional credit claims (ACCs);

- retail mortgage-backed debt instruments (RMBDs);

- fixed-term deposits (FTDs).

4.1.7   In order to mobilise non-marketable assets as collateral, counterparties must arrange with their HCB to transfer these assets to an asset account designated by the NCB.

4.1.8   Although classified as non-marketable assets, DECCs are transferrable through an SSS and can therefore be mobilised using the procedures in place for the mobilisation of marketable assets.

Mobilisation of cash as collateral

4.1.9   Cash is not classified as an eligible asset and may only be mobilised as collateral in exceptional circumstances.

4.1.10   For collateral pools dedicated to the collateralisation of Eurosystem credit operations, mobilisation of cash as collateral is only possible if the counterparty has a pending margin call and does not have eligible assets available to satisfy this margin call. Cash is automatically mobilised as collateral at 16:55 CET if the margin call remains outstanding at that time (please refer to Section 11.4 for further details). If the collateral pool is not used for the collateralisation of Eurosystem credit operations, then the mobilisation of cash is possible at any time during the day (i.e. even if the counterparty does not have a pending margin call).[10]

4.2   Mobilisation channels

The series of procedures and arrangements by which collateral may be mobilised are collectively known as mobilisation channels.

Mobilisation of marketable assets and DECCs

4.2.1   The following mobilisation channels have been established to facilitate the mobilisation of eligible marketable assets and DECCs:

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[10]   Each NCB may still decide to accept cash only in exceptional circumstances.

- *Domestic:* mobilisation of marketable assets and DECCs issued and held in a CSD located in the same country as the NCB.

- *Links:* mobilisation of marketable assets[11] using links between SSSs operated by CSDs in order to allow participants in one (investor) CSD to hold and mobilise securities issued in another (issuer) CSD.

- *CCBM:* mobilisation of marketable assets and DECCs issued in a CSD located in a different country from the NCB, using another NCB as custodian.

- *Direct Access:* mobilisation of marketable assets and DECCs issued or held in a CSD located in a different country from the NCB, using an NCB account held in that CSD.

Mobilisation of non-marketable assets (except DECCs)

4.2.2 The following mobilisation channels have been established to facilitate the mobilisation of non-marketable assets:

- *Domestic:* mobilisation of:

  - credit claims (including additional credit claims) where:

    (i) the credit claim agreement is governed by the laws of the Member State of the HCB; or

    (ii) the HCB decides to use domestic procedures (rather than the CCBM) when the law governing the credit claim is not that of the counterparty's Member State, but the debtor/guarantor is located in the counterparty's Member State; or

    (iii) the HCB decides to use domestic procedures (rather than the CCBM) when the debtor is located in the jurisdiction of the law governing the credit claim and this jurisdiction is different from the counterparty's Member State;

  - RMBDs issued by entities established in the Member State of the HCB;

  - fixed-term deposits (FTDs).

- *CCBM:* mobilisation of credit claims using the NCB of the country whose law governs the assets as a correspondent (CCB).

Mobilisation of cash as collateral

4.2.3 The following mobilisation channel has been established to facilitate the mobilisation of cash as collateral:

- *Domestic:* mobilisation of cash as collateral is possible on a domestic basis only.

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[11] As shown in Table 2, DECCs may not be mobilised via the Links mobilisation channel.

Overview of mobilisation channels per collateral type

4.2.4   The table below provides an overview of the different channels by which assets or cash may be mobilised.

Table 2
Overview of mobilisation channels per collateral type

Collateral type	Domestic	Links	CCBM	Direct Access
Marketable assets	✓	✓	✓	✓
Debt instruments backed by eligible credit claims (DECCs)	✓	–	✓	✓
Credit claims	✓	–	✓	–
Additional credit claims (ACCs)	✓	–	–	–
Retail mortgage-backed debt instruments (RMBDs)	✓	–	–	–
Fixed-term deposits	✓	–	–	–
Cash as collateral	✓	–	–	–

4.3   Procedures for the mobilisation of assets

Further details on the procedures for (i) the mobilisation of marketable assets and DECCs, (ii) non-marketable assets other than DECCs, (iii) the mobilisation of collateral via a triparty agent, and (iv) T2S auto-collateralisation transactions are provided in Chapters 5, 6, 7 and 8 respectively.

4.4   Collateralisation arrangement and booking mode

Collateralisation arrangement (legal instrument)

4.4.1   The term "collateralisation arrangements" refers to the legal instruments used for collateralisation. Two arrangements are available:

- the transfer of ownership, i.e. a repo[12], which takes the legal form of a repurchase agreement;

- the creation of a security interest, i.e. a pledge[13], assignment or charge granted over the relevant assets, which takes the legal form of a collateralised loan.

4.4.2   The arrangements to be used vary depending on the type of asset being provided as collateral. Each NCB advises the legal instrument(s) to be used as set out in Table 3 below.

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[12]   The Financial Collateral Directive defines a repo as a form of title transfer financial collateral arrangement.

[13]   The Financial Collateral Directive defines a pledge as a form of security financial collateral arrangement.

4.4.3   For marketable assets and DECCs, NCBs can opt to provide either:

- repo only;

- pledge only;

- or repo and pledge.

4.4.4   If more than one arrangement is supported, the counterparty must decide which collateralisation arrangement it wishes to use and must specify this in the Securities Transaction Type field in the mobilisation instruction message (sese.023) as follows:

- the code REPU (Repo) is used for repo transactions;

- the code COLI (Collateral In) is used for pledge transactions.

4.4.5   For marketable assets and DECCs mobilised via the CCBM, the preferences of the CCB should be followed to the extent possible.

4.4.6   For credit claims mobilised via the CCBM, only the collateralisation arrangement(s) specified by the CCB may be used.

Table 3
Collateralisation arrangements supported by NCBs

	For marketable assets and DECCs[1]		For non-marketable assets (except DECCs)		
	Pledge	Repo	Pledge	Assignment	Floating charge
AT	✓	✓	✓	✓	–
BE	✓	✓	✓	–	–
CY	✓	–	–	✓	–
DE	✓	✓	–	✓	–
EE	✓[2]	✓[3]	✓	–	–
ES	✓	✓[4]	✓	–	–
FI	✓	✓	✓	–	–
FR	✓	✓	✓	–	–
GR	✓	✓	✓	–	–
HR	✓	✓	–	✓	–
IE	✓[5]	–	–	–	✓
IT	✓	✓[6]	✓	–	–
LU	✓	✓	✓	–	–
LV	✓	✓	✓	–	–
LT	✓	–	✓	–	–
MT	✓	✓	✓	–	–
NL	✓	✓	–	✓	–
PT	✓	✓[7]	✓	–	–
SI	✓[8]	✓	✓	–	–
SK	✓[9]	✓	–	✓	–

1) Where applicable, i.e. if eligible DECCs are issued in the corresponding NCBs' local CSD.
2) When Eesti Pank is acting as HCB, a security interest is created over domestic marketable assets in the form of an assignment; for non-domestic marketable assets, it is created in the form of a pledge.

3) When Eesti Pank is acting as CCB, only repo is supported.
4) Only supported when the Banco de España is acting as CCB. When the Banco de España is acting as HCB, only the pledge arrangement is accepted for the mobilisation of assets by domestic counterparties.
5) In the case of Ireland, the pledge arrangement is subject to a fixed charge.
6) Only supported when the Banca d'Italia is acting as CCB. When the Banca d''Italia is acting as HCB, only the pledge arrangement is accepted for the mobilisation of assets by domestic counterparties.
7) Although the pledge arrangement is the collateralisation arrangement preferred by the Banco de Portugal for the mobilisation of collateral deposited with Euronext Securities Porto, the repo arrangement can be used if this is required by the HCB/foreign counterparty.
8) Counterparties wanting to use the pledge collateralisation arrangement must open an account in the Slovenian SSS's registration system.
9) Counterparties wanting to use the pledge collateralisation arrangement must open an account in the Slovak SSS's registration system.

Booking mode (operational technique)

4.4.7   Booking mode refers to the operational technique used for mobilisation. Two modes are available:

- **Transfer:** the transfer mode indicates that the assets provided as collateral are transferred from a securities account of the counterparty to a securities account of the NCB.

- **Retain:** the retain mode indicates that the assets provided as collateral remain on an account of the counterparty.

4.5   Opening hours

4.5.1   Mobilisation and demobilisation of collateral is possible each day on which TARGET is open.

4.5.2   TARGET is open every day except Saturday and Sunday and:

- 1 January (New Year's Day)

- Good Friday

- Easter Monday

- 1 May (Labour Day)

- 25 December (Christmas Day)

- 26 December

4.5.3   Requests to (de)mobilise marketable assets and DECCs intended for same day settlement should be transmitted to the NCB by 17:45 CET.[14]

4.5.4   Requests to (de)mobilise credit claims intended for same day settlement sent in Application-to-Application (A2A) mode should be transmitted to the NCB by 16:00 CET. For instructions submitted in User-to-Application (U2A) mode, the cut-off is aligned with that applied for marketable assets (i.e. 17:45 CET).[15]

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[14]   Instructions that are not matched at CSD level at 17:30 CET are subject to cancellation. See 5.1.18 and 5.2.24 for more details.

[15]   For NCBs managing the domestic mobilisation of credit claims outside the ECMS, the cut-off time may be earlier.

4.5.5   Requests to adjust the principal amount of a triparty collateral transaction must be submitted to the corresponding TPA by 17:00 CET.

4.5.6   Requests received outside these times will be processed on the next business day subject to fulfilment of the corresponding instruction acceptance criteria set out in Chapters 5, 6 and 7.[16]

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[16]   For the instruction to be accepted for further processing, for example, the intended settlement date (ISD) specified in the instruction must not be in the past. Therefore, if an instruction is sent after the daily cut-off time, the ISD must be (at least) the same as the current business day for it to be accepted.

5 Mobilisation and demobilisation of marketable assets and DECCs

This chapter describes the applicable processes and procedures for the (de)mobilisation of marketable assets or DECCs using the Domestic, Links, Direct Access and CCBM mobilisation channels.

5.1 Mobilisation

5.1.1 In order to mobilise marketable assets or DECCs as collateral using the Domestic, Links, Direct Access and CCBM mobilisation channels (as described in Section 4.2 of this document), a counterparty must send a mobilisation instruction to its HCB. Figure 5 below provides a simplified overview of the mobilisation process.

Figure 5

Mobilisation of marketable assets and DECCs

1. The Counterparty (or its custodian) sends a *Mobilisation Instruction* to the HCB and a *Settlement Instruction* to the CSD.

2. The HCB checks the validity of the request and sends a matching *Settlement Instruction* to the CSD.

3. The CSD adjusts the asset position held in the account in the SSS and sends a *Settlement Confirmation* to the Counterparty and the HCB.

4. The HCB adjusts the asset position in its internal accounts and sends a *Mobilisation Confirmation* to the Counterparty.

5.1.2 This mobilisation instruction must contain sufficient information to enable the HCB to identify, among other things, the asset being mobilised and the account to which the asset will be delivered. The information that must be provided in the mobilisation instruction is set out in Annex 16.3.

5.1.3 Prior to accepting the mobilisation instruction, a series of validation checks is performed on the mobilisation instruction by the HCB. Instructions must comply at a minimum with the following rules in order to be accepted for further processing.

1. The ISIN specified in the mobilisation instruction must be eligible on the intended settlement date.

2. The intended settlement date specified in the mobilisation instruction must be the same as, or at most 20 business days after, the date on which the mobilisation instruction is submitted. Accordingly, instructions with an intended settlement date in the past are not accepted.

3. The trade date specified in the mobilisation instruction must be the same as, or earlier than, the intended settlement date.

4. The ISIN specified in the mobilisation instruction must be denominated in face amount (FAMT).

5. The mobilisation instruction must be submitted on a free of payment (FOP) basis.

6. If specified, the partial settlement indicator must be populated with "Partial Not Allowed", as partial settlement of mobilisation instructions is not permitted.

7. The market claims opt-out indicator "No Market Claims" must be specified in the mobilisation instruction, as market claims will not be processed on mobilised collateral.

8. The ISIN specified in the mobilisation instruction must not have a forbidden close link with the counterparty mobilising the security.

9. For mobilisations via links, the Receiving CSD specified in the mobilisation instruction must have an eligible link to the Issuer CSD of the ISIN specified in the mobilisation instruction.

10. For the mobilisation of DECCs, the Receiving CSD specified in the mobilisation instruction must be the Issuer CSD of the ISIN specified in the mobilisation instruction.

11. The instructing party and the counterparty must be authorised to mobilise collateral to the account specified in the mobilisation instruction.

12. The instruction must comply with technical validation rules (e.g. it must adhere to XML schema if XML files are used).

5.1.4   In addition to the validation checks specified in 5.1.3, if the asset subject to mobilisation is issued by an entity located in one of five non-EEA G10 countries (Canada, Japan, Switzerland, the United Kingdom and the United States), the mobilisation instruction may be put on hold if the information and documentation required to comply with the relevant withholding tax regulations has not been provided by the counterparty. Please refer to Chapter 10 of this document for further information.

5.1.5   Subject to fulfilment of the above criteria, mobilisation instructions are immediately released for matching through the generation of a settlement instruction, which is sent to T2S (via the CCB in the case of CCBM mobilisations).

5.1.6   Mobilisation instructions failing at a minimum of one of the validation checks listed under 5.1.3 or the rules listed under 5.1.4 are rejected or put on hold.

5.1.7   The above rules are without prejudice to the HCBs' right to block the mobilisation of collateral due to an event of default or on the grounds of prudence.

Confirmation of settlement

5.1.8   If the settlement of the security is successful, T2S will send a settlement confirmation message to the HCB (via the CCB in the case of CCBM mobilisations).

5.1.9   Upon receipt of the settlement confirmation, the asset position is updated in the applicable asset accounts and the HCB updates the counterparties' total collateral position, collateral pool and, if applicable, credit line. A settlement confirmation notification is sent to the counterparty accordingly.

5.1.10   If the instruction fails to settle, T2S will send a settlement status advice message to the HCB (or the CCB in the case of CCBM mobilisations). In this case no update to the counterparties' asset position, collateral pool and credit line (where applicable) is performed. A settlement rejection notification is sent to the counterparty accordingly.

Cancellation of mobilisation instructions

5.1.11   To cancel a mobilisation instruction, a counterparty must send a cancellation instruction to its HCB.

5.1.12   Cancellation of mobilisation instructions is possible in the following circumstances:

- the mobilisation instruction has been sent to T2S for settlement but is not yet settled or has not reached any other final status (e.g. rejected, etc.).

- the mobilisation instruction has not yet been sent to T2S for settlement or has not reached any other final status (e.g. rejected, etc.).

5.1.13   The cancellation instruction must contain a reference to the mobilisation instruction to be cancelled. The information contained in the cancellation instruction must be consistent with the information in the underlying instruction subject to cancellation; otherwise the cancellation request is rejected.

5.1.14   Subject to fulfilment of the above criteria, in the case where the instruction to be cancelled has already been sent to T2S for settlement but is not yet settled or has not reached any other final status, cancellation instructions are released through the generation of a cancellation request sent to T2S (via the CCB in the case of CCBM mobilisations).

5.1.15   If the instruction to be cancelled is already matched, the cancellation request sent by the HCB to T2S (via the CCB in the case of CCBM mobilisations) will be effective only when the counterparty's (sub)custodian has also submitted a cancellation instruction (i.e. bilateral cancellation).

5.1.16   The HCB is notified of the outcome of the cancellation process via a cancellation request status advice message sent by T2S (via the CCB in the case of CCBM mobilisations). A cancellation confirmation notification is sent to the counterparty accordingly.

5.1.17   Otherwise, in the case where the instruction to be cancelled has not yet been sent to T2S for settlement and has not reached any other final status, the mobilisation instruction is directly cancelled. A cancellation confirmation notification is sent to the counterparty accordingly.

Cancellation of unmatched instructions

5.1.18   Instructions that are not yet matched at CSD level should be cancelled by counterparties by 17:30 CET. Instructions not cancelled by the counterparty will be cancelled by the HCB at 17:30 CET even if there is no cancellation request from the counterparty. Any instructions received after 17:30 CET and prior to 17:45 CET that are not matched at CSD level will also be cancelled by the HCB.

5.2   Demobilisation

5.2.1   In order to demobilise marketable assets or DECCs as collateral using the Domestic, Links, Direct Access and CCBM mobilisation channels (as described in Section 4.2 of this document), a counterparty must send a demobilisation instruction to its HCB.

5.2.2   This demobilisation instruction must contain sufficient information to enable the HCB to identify, among other things, the asset being demobilised and the account from which the asset should be removed. The information that must be provided in the demobilisation instruction is set out in Annex 16.3.

5.2.3   Prior to accepting the demobilisation instruction, a series of validation checks is performed on the demobilisation instruction by the HCB. Instructions must comply at a minimum with the following rules in order to be accepted for further processing.

1.   The intended settlement date specified in the demobilisation instruction must be the same as, or at most 20 business days after, the date on which the demobilisation instruction is submitted. Accordingly, instructions with an intended settlement date in the past will not be accepted.

2.   The trade date specified in the demobilisation instruction must be the same as, or earlier than, the intended settlement date.

3.   The quantity of the asset held by the counterparty in the account specified in the demobilisation instruction must be equal to or greater than the quantity specified in the demobilisation instruction.

4.   The quantity type specified in the demobilisation instruction must be in face amount (FAMT).

5. The demobilisation instruction must be submitted on a free of payment (FOP) basis.

6. If specified, the partial settlement indicator must be populated with "Partial Not Allowed", as partial settlement of demobilisation instructions is not permitted.

7. The instructing party and the counterparty must be authorised to demobilise collateral from the account specified in the mobilisation instruction.

8. The instruction must comply with technical validation rules (e.g. it must adhere to XML schema if XML files are used).

5.2.4 Demobilisation instructions failing at a minimum of one of the validation checks listed under 5.2.3 are rejected or put on hold.

5.2.5 Before a request is sent to T2S to demobilise an asset, the value of the collateral pool and, if relevant, the credit line must also be reduced by an amount equal to the collateral value of the security being demobilised.

5.2.6 If this reduction in the value of the collateral pool would result in the counterparties' total collateral position becoming lower than the total credit position, no adjustment to the collateral pool and, if relevant, the credit line is performed and the demobilisation request is put on hold.

5.2.7 The HCB will periodically attempt to re-process the demobilisation request in order to ascertain whether sufficient collateral has become available to successfully process that request. The demobilisation request will be rejected if it cannot be successfully processed by 17:45 CET on the intended settlement date.

5.2.8 Demobilisation requests are processed on the intended settlement date only.

5.2.9 Demobilisation requests received prior to the intended settlement date are queued for further processing until the intended settlement date is reached. The demobilisation request is only released for settlement on the intended settlement date if the value of the collateral pool can be successfully reduced in accordance with 5.2.6 above.

5.2.10 Subject to fulfilment of the above criteria, demobilisation instructions are released for matching through the generation of a settlement instruction sent to T2S (via the CCB in the case of CCBM demobilisations).

5.2.11 The above rules are without prejudice to the HCBs' right to block the demobilisation of collateral due to an event of default or on the grounds of prudence.

Confirmation of settlement

5.2.12 If the security can be settled, T2S will send a settlement confirmation message to the HCB (via the CCB in the case of CCBM demobilisations).

5.2.13 Upon receipt of the settlement confirmation, the HCB updates the collateral position of the counterparty accordingly. In accordance with 5.2.5, no updates to the total

value of the counterparties' collateral pool and, if applicable, credit line are performed. A settlement confirmation notification is sent to the counterparty accordingly.

5.2.14   If the instruction fails to settle, T2S will send a settlement status advice message to the HCB (via the CCB in the case of CCBM demobilisations).

5.2.15   In this case, the impact of the demobilisation instruction on the collateral pool and, if applicable, the credit line is unwound, i.e. by increasing the value of the collateral pool and, if applicable, the credit line by an amount equal to the collateral value of the security subject to the failed demobilisation request. A settlement status notification is sent to the counterparty accordingly.

Cancellation of demobilisation instructions

5.2.16   In order to cancel a demobilisation instruction, a counterparty must send a cancellation instruction to its HCB.

5.2.17   Cancellation of demobilisation instructions is possible in the following circumstances:

- the demobilisation instruction has been sent to T2S for settlement but is not yet settled and has not reached any other final status;

- the demobilisation instruction has not yet been sent to T2S for settlement or has not reached any other final status (e.g. rejected, etc.).

5.2.18   The cancellation instruction must contain a reference to the demobilisation instruction to be cancelled. The information contained in the cancellation instruction must be consistent with the information in the underlying instruction subject to cancellation; otherwise the cancellation request is rejected.

5.2.19   Subject to fulfilment of the above criteria, in the case where the instruction to be cancelled has already been sent to T2S for settlement but is not yet settled or has not reached any other final status, cancellation instructions are released through the generation of a cancellation request sent to T2S (via the CCB in the case of CCBM demobilisations).

5.2.20   If the instruction to be cancelled is already matched, the cancellation request sent by the HCB to T2S (via the CCB in the case of CCBM demobilisations) will be effective only when the counterparty's (sub)custodian has also submitted a cancellation instruction (i.e. bilateral cancellation).

5.2.21   The HCB is notified of the outcome of the cancellation process via a cancellation request status advice sent by T2S (via the CCB in the case of CCBM demobilisations). A cancellation status notification is sent to the counterparty accordingly.

5.2.22   If T2S successfully accepts the cancellation request sent by the NCB, the impact of the demobilisation instruction on the collateral pool is unwound, i.e. by increasing the value of the collateral pool and, if relevant, the credit line, by an amount equal to the collateral value of the security subject to the failed demobilisation request.

5.2.23   Otherwise, in the case where the instruction to be cancelled has not yet been sent to T2S for settlement and has not reached any other final status, the demobilisation instruction is directly cancelled. A cancellation confirmation notification is sent to the counterparty accordingly.

5.2.24   If relevant, the impact of the demobilisation instruction on the collateral pool is also unwound, i.e. by increasing the value of the collateral pool and, if relevant, the credit line, by an amount equal to the collateral value of the security subject to the failed demobilisation request.

Cancellation of unmatched instructions

5.2.25   Instructions that are not yet matched at CSD level should be cancelled by counterparties by 17:30 CET. Instructions not cancelled by the counterparty will be cancelled by the HCB at 17:30 CET even if there is no cancellation request from the counterparty. Any instructions received after 17:30 CET and prior to 17:45 CET that are not matched at CSD level will be cancelled by the HCB.

6 Mobilisation and demobilisation of non-marketable assets other than DECCs

This chapter describes the applicable processes and procedures for the (de)mobilisation of non-marketable assets using the Domestic and CCBM mobilisation channels.

6.1 Credit claims

In order to mobilise credit claims as collateral using the Domestic or CCBM mobilisation channels (as described in Section 4.2 above), a counterparty must first register the credit claim with the HCB (or the CCB in the case of CCBM mobilisations). Once successfully registered, the credit claim may then be mobilised as collateral (subject to the credit claim being assessed as eligible as part of the mobilisation process). This section describes the applicable processes and procedures in the management of credit claims as collateral as depicted in Figure 6.

Figure 6
Lifecycle of a credit claim
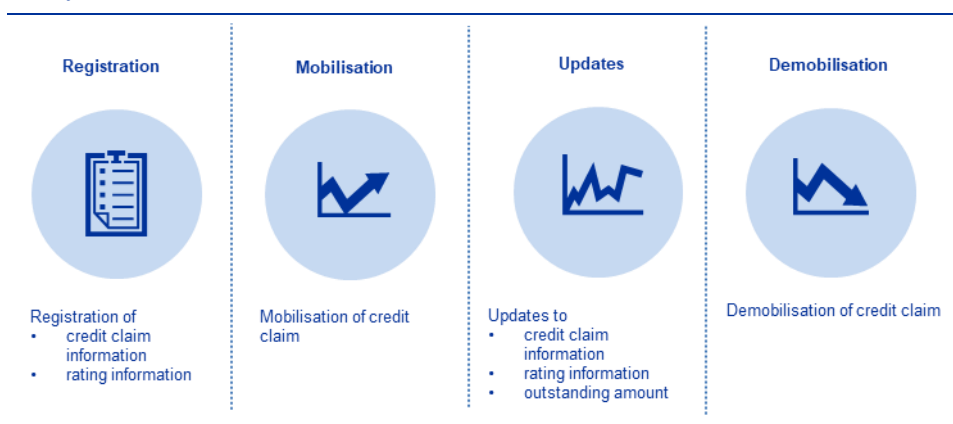
Note: The registration request and the mobilisation request may be submitted in the same file.

6.1.1 Registration

6.1.2   Counterparties must register the credit claim(s) they intend to mobilise as collateral with the HCB (or the CCB in the case of CCBM mobilisations). Multiple registration requests (including requests concerning credit claims with different governing laws) may be submitted in a single file. The counterparty sends all requests (files) to its HCB.

6.1.3   Registered credit claims may only be used as collateral if they are assessed as eligible as part of the mobilisation process. The counterparty may submit a registration and mobilisation request within the same file.

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6.1.4   Counterparties must provide at a minimum the core data elements listed in Table 4 as part of the registration process.

Table 4
Data elements for the credit claim registration process

No	Check	Description
Instruction information		
1	Operation Type	Identifies the action the counterparty wants to undertake, in this case, to register a credit claim
2	Intended Settlement Date	Date on which the credit claim should be registered
3	Credit Claim Reference	Reference assigned to the credit claim by the counterparty
4	Instruction Reference	Reference assigned to the instruction by the counterparty
Creditor information		
4	Creditor RIAD Code	RIAD code of the creditor (if different from the counterparty)
Debtor information		
5	Debtor Reference	Identifier of the debtor (including the type of code used to identify the debtor)
6	Debtor Name	Name of the debtor
Guarantee information (if a guarantor is used)		
8	Guarantor Reference	Identifier of the guarantor (including the type of code used to identify the guarantor)
9	Guarantor Name	Name of the guarantor
10	Guarantee Reference	Reference assigned to the guarantee by the counterparty
Credit claim information		
11	Credit Claim Contract Number	Contract number of the credit claim as known by the debtor
12	Loan Type	Type of loan (e.g. regular loan, syndicated loan, drawn credit line) – see Annex 16.7
13	Subordination Indicator	Identifies whether the rights to the principal and/or interest of the credit claim are subordinated
14	Origination Date	Date on which the loan was extended to the debtor
15	Maturity Date	Date on which the loan is due to be repaid
16	Outstanding Amount	Outstanding amount of the loan
17	Currency	Currency in which the loan is denominated
18	Interest Rate Type	Indicates whether the interest rate of the loan is fixed or variable
19	Resetting Period More Than One Year	Indicates whether the interest rate resetting period is greater than 12 months (relevant if the interest rate is variable)
20	Changing Interest Rate Indicator (O)	Indicates whether the credit claim includes a condition whereby the interest rate type can be changed from variable into fixed or vice versa
21	Changing Interest Rate Indicator Date (O)	Date on which the interest rate type will change (relevant if the changing interest rate indicator applies)
22	Negative Cash Flow	Indicates whether the interest rate may result in a negative cash flow, i.e. a transfer of proceeds from the creditor to the debtor
23	Agent Bank	RIAD code identifying the agent bank (relevant for syndicated loans)
24	Reference Index	Identification of the reference index used, e.g. €STR (relevant if the interest rate is variable)
25	Cap Indicator	Indicates whether the interest rate is capped (relevant if the interest rate is variable)
26	Governing Law Country Code	ISO country code of the governing law of the credit claim
27	Set-Off Risk Indicator	Identifies if there is a set-off risk
AnaCredit information (required if the credit claim falls within the scope of AnaCredit reporting obligations)		
28	Observed Agent Identifier	Counterparty identifier for the observed agent (as reported to AnaCredit)
29	Contract Identifier	Identifier applied by the reporting agent to uniquely identify each contract (as reported to AnaCredit)
30	Instrument Identifier	Identifier applied by the reporting agent to uniquely identify each instrument under a single contract (as reported to AnaCredit)

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No	Check	Description
Rating information		
31	Operation Type	Identifies the action the counterparty wants to undertake, in this case, to register a rating
32	Instruction Reference	Reference assigned to the instruction by the counterparty
33	Rating Type	Indicates the type of rating being registered (i.e. IRB)
34	Obligor Code Type	Type of code used to identify the obligor
35	Obligor Reference	Identifier of the obligor
36	Obligor Name	Name of the obligor
37	Credit Assessment System Code	Identifier of the provider of the rating chosen by the counterparty
38	Default Probability	Probability of default given by the IRB (relevant if the rating source = IRB)
39	Rating Date	Date of the rating (relevant if the rating source = IRB)
40	Rating Validity Date	First date on which the rating is valid (relevant if the rating source = IRB)

6.1.5   As part of the registration request process (in addition to technical validation checks), the HCB (or the CCB in the case of CCBM transactions) checks that a credit claim with the same contract number or same contract reference has not previously been registered.

6.1.6   If the request is valid, a standardised Eurosystem credit claim identifier is assigned to each credit claim by the HCB (or the CCB in the case of CCBM transactions) as part of the registration process, in accordance with the convention described in Box 1.[17]

Box 1
Eurosystem credit claim identifier naming convention

The Eurosystem credit claim identifier is composed of 15 digits as follows:

- The ISO code of the country of the credit claim (two digits)

- The identification number used by the relevant NCB (12 digits) composed by ECMS as follows: the first four characters of the BIC code of the creditor + YY (the last two digits of the year of the registration) + six-digit incremental counter per creditor

- A control key (one digit)

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[17]   For NCBs managing the domestic mobilisation of credit claims outside the ECMS, it may happen that a standard identification number in accordance with the Eurosystem rules is assigned by the counterparty and reported in the initial registration file.

6.1.7   In cases where the law governing the credit claim is not the law of the counterparty's HCB, the HCB may opt to use the CCBM to mobilise these credit claims. The NCB of the country whose law governs the credit claim will act as CCB.

6.1.8   In order to be able to mobilise credit claims via the CCBM, the counterparty of the HCB must accept the terms and conditions set out by the CCB in accordance with the template contained in Annex III to the Collateral Management Guideline.

6.1.9   For the cross-border mobilisation of credit claims, NCBs apply a minimum threshold of €500,000 at the time of submission (i.e. the outstanding amount of the credit claim must be greater than or equal to €500,000).

6.1.10   When it has met the legal and technical prerequisites,[18] the counterparty will transfer the credit claims to the CCB in favour and in the name of the HCB. If the counterparty submits a request to register multiple credit claims with different governing laws to its HCB in a single file, the HCB will share information on the relevant credit claims with the CCB.

6.1.11   The CCB processes the registration request and notifies the HCB of the outcome. The HCB notifies the counterparty accordingly.

Mobilisation

6.1.12   Once registered, a credit claim may be mobilised as collateral.

6.1.13   In order to mobilise credit claims as collateral, a counterparty must send a mobilisation instruction to its HCB.[19]

6.1.14   Mobilisation requests may be sent up to ten business days prior to the intended settlement date.

6.1.15   This mobilisation instruction must contain sufficient information to enable the HCB to identify, among other things, the asset being mobilised and the account to which the asset should be delivered. This minimum information to be provided in the mobilisation instruction includes:

- the Eurosystem credit claim identifier;

- the counterparty asset account that will be used for the safekeeping of the asset;

- the intended settlement date of the instruction.

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[18] A high-level overview of the legal and procedural requirements per NCB can be found in Annex 16.4.

[19] In accordance with 6.1.2, the registration instruction and mobilisation instruction may be submitted in a single file.

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6.1.16   The HCB (or the CCB in the case of CCBM mobilisations) checks whether the credit claim is eligible prior to accepting the mobilisation request.

Table 5

Ex ante checks performed upon receipt of a credit claim mobilisation request

No	Check	Description
Instruction information		
1	Technical data validation	Technical validation of data fields against XML schema if XML files are used
2	Intended settlement date	The intended settlement date must not be in the past
3	Asset account	The counterparty must be allowed to mobilise credit claims to the account specified in the instruction
Creditor information		
4	Existence of creditor	The creditor must exist in RIAD
Debtor information		
5	Type of debtor	The debtor must be one of the debtor types accepted by the Eurosystem (cf. GD, Article 95)
6	Debtor location	The debtor must be located in a euro area country (not relevant in the case of supranational issuers)
7	Existence of debtor	The debtor must exist in RIAD
Guarantee information (if a guarantor is used)		
8	Type of guarantor	The guarantor must be one of the guarantor types accepted by the Eurosystem (cf. GD, Article 95)
9	Guarantor location	The guarantor must be located in a euro area country (not relevant in the case of supranational guarantors)
10	Existence of guarantor	The guarantor must exist in RIAD
11	Existence of guarantee	The guarantee referenced by the counterparty in its registration instruction must exist
12	Guarantee amount	The sum of the outstanding amounts of all the mobilised credit claims linked to the guarantee must not exceed the guarantee amount (which may be unlimited, e.g. in the case of a government guarantee) following the mobilisation
13	Guarantee validity	The maturity date of the credit claims to be mobilised must be before or the same as the validity end date of the guarantee
Credit claim information		
14	Type of loan	The type of loan must be one of the types accepted by the HCB (or CCB in the case of CCBM mobilisations) – see Annex 16.7
15	Non-subordination	The claim must not be subordinated (cf. GD, Article 91)
16	Interest rate type	The interest rate type (e.g. zero coupon, fixed, variable) must be one of the interest rate types accepted by the Eurosystem (cf. GD, Article 90b)
17	Cash flow sign	The cash flow sign must be greater than or equal to zero
18	Interest reference index	The interest rate reference index must be one of the interest rate reference indexes accepted by, and included in, a reference rates codelist maintained by the Eurosystem (cf. GD, Article 90b). A reference rate not indicated in the reference rate codelist (reported as Other with a description of the reference rate in the registration instruction) may also be accepted if this complies with the reference rates accepted by the Eurosystem
19	Currency	The currency must be euro or one of the former currencies of the Member States whose currency is the euro (cf. GD, Article 94)
20	Governing law(s)	The governing law(s) of the credit claim must be one of a Member State whose currency is the euro (cf. GD, Article 97)
21	Number of involved laws	The number of involved laws must be no more than two (cf. GD, Article 97)
22	Minimum threshold	The outstanding amount of the credit claim must be at least 500,000 for CCBM mobilisations. For domestic mobilisations the threshold must be at least equal to the minimum value determined by the HCB – see Annex 16.4 (cf. GD, Article 93)
23	Set-off risk	The set-off risk must be excluded or significantly mitigated (cf. GD, Article 104.3a)
24	Origination date	The origination date must be before or the same as the date on which the credit claim is mobilised and must be prior to the maturity date of the credit claim

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No	Check	Description
25	Close links	There must not be a forbidden close link between the debtor / guarantor and the counterparty
26	Maturity date	The maturity date must be after the intended settlement date of the mobilisation
27	Changing interest rate indicator date	The changing interest rate indicator date must be after the intended settlement date and prior to the maturity date
Rating information		
28	Existence of obligor	The obligor must exist in RIAD
29	ICAS rating mode	The ICAS rating mode must be Full ICAS (relevant if ICAS is part of the credit assessment system(s) chosen by the counterparty)
30	Credit assessment source	The credit assessment source must be ECAI, ICAS or IRB. If ICAS or IRB is selected, the counterparty must be authorised to select an ICAS or IRB as a credit assessment source
31	Rating date	The rating date should be before or the same as the date on which the credit claim is mobilised and should be after the rating date of the last obligor rating
32	Credit quality step	The credit quality step value must be 1, 2 or 3

6.1.17   The counterparty is informed of the outcome of these checks.

6.1.18   If the credit claim is eligible, the position is updated in the relevant asset accounts and the HCB updates the total value of the counterparties' collateral pool and, if applicable, credit line.

Updates

Updates initiated by counterparties

6.1.19   Information on credit claims may change between (i) the date on which the credit claim is registered, and (ii) the maturity date of the credit claim. For this reason, counterparties must send updates to data on mobilised credit claims at the latest on the next business day after the updated information is available to them.

6.1.20   Updates can relate to:

- a change in the outstanding amount of the credit claim;

- a change in the previously registered rating information[20] (rating source, probability of default, etc.);

- a change in any other credit claim data originally submitted as part of the registration process.

6.1.21   Updates can be sent to the HCB up to ten business days in advance of the effective date of these changes.

6.1.22   If the updates affect the collateral value of the counterparties' collateral pool, the HCB immediately updates the total value of the counterparties' collateral pool and, if applicable, credit line as of the effective date of the changes.

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[20]   Please refer to the "Rating information" block in Table 4 for details.

6.1.23   If the updated credit claim is no longer eligible, the credit claim position is valued at zero. The ineligible credit claim is not automatically demobilised – the counterparty must send a demobilisation instruction for this purpose.

Updates initiated by NCBs

6.1.24   When the maturity date of the credit claim is reached, the outstanding amount of the credit claim (and accordingly the credit claim collateral position) is automatically set to zero by the HCB (or the CCB in the case of CCBM transactions). No demobilisation instruction is therefore required in the case of matured credit claims. If the maturity date of the credit claim falls on a non-business day, the outstanding amount of the credit claim is set to zero on the last business day preceding the maturity date (for example, credit claims maturing on a Sunday are valued at zero by the HCB as of close of business on the preceding Friday).

6.1.25   The HCB performs checks for close links between the debtor / guarantor and the counterparty on a daily basis. If a forbidden close link is detected, the credit claim is valued at zero by the HCB.

6.1.26   The HCB updates rating information on a daily basis and, where relevant, adjusts the total value of the credit claim, the counterparties' collateral pool and, if applicable, credit line.

6.1.27   The HCB may also perform ex post checks on mobilised credit claims. The outcome of these checks can trigger an update to the information provided on a mobilised credit claim. If the updates affect the collateral value of the counterparties' collateral pool, the HCB immediately updates the total value of the counterparties' collateral pool and, if applicable, credit line.

Demobilisation

6.1.28   In order to demobilise credit claims as collateral, a counterparty must send a demobilisation instruction to its HCB. No demobilisation instruction is required in the case of matured credit claims.

6.1.29   Demobilisation requests are processed on the intended settlement date only.

6.1.30   This demobilisation instruction must contain sufficient information to enable the HCB to identify, among other things, the asset being demobilised and the account from which the asset should be removed. This minimum information to be provided in the demobilisation instruction includes:

- the Eurosystem credit claim identifier;

- the counterparty asset account that has been used for the safekeeping of the asset;

- the intended settlement date of the instruction.

6.1.31   Before the demobilisation request is accepted, the value of the collateral pool is (notionally) reduced by an amount equal to the sum of the collateral value of all the credit claims being demobilised.

6.1.32   If this reduction in the value of the collateral pool would result in the total value of the collateral pool becoming lower than the total credit position, no adjustment to the collateral pool is performed and the demobilisation request is put on hold.[21]

6.1.33   The HCB will periodically attempt to re-process the demobilisation request in order to ascertain whether sufficient collateral has become available to successfully process that request. The demobilisation request will be rejected if it cannot be successfully processed by the end of the intended settlement date.

6.1.34   If the instruction fails to settle, the impact of the demobilisation instruction on the collateral pool is unwound, i.e. by increasing the value of the collateral pool by an amount equal to the collateral value of the credit claim(s) subject to the failed demobilisation request.

6.1.35   Registration, mobilisation, reference data updates and demobilisation requests may be transmitted in a single file. If a credit claim file is submitted which contains multiple instructions, any demobilisation instructions contained in the file are processed last:

- all instructions relating to updates to credit claim and rating information and all instructions relating to the mobilisation of credit claims are processed first, followed by

- the sum of demobilisation requests.

6.2   Additional credit claims

6.2.1   Individual additional credit claims (ACCs) are mobilised in accordance with the procedures specified in Section 6.1.[22]

6.2.2   For individual ACCs, the validation checks to be performed by the HCB prior to accepting the mobilisation request are those indicated in Table 5, with the following exceptions:

- the type of loan – the type of loan to be accepted is determined by the HCB;

- the credit quality step – the credit quality step may be 1, 2, 3, 4 or 5;

- the currency – the list of accepted currencies is determined by the HCB;

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[21]   Some NCBs managing the domestic mobilisation of credit claims outside the ECMS might consider demobilisation requests as compulsory and issue a margin call if the collateral pool becomes insufficient.

[22]   As shown in Table 2, ACCs may not be mobilised via the CCBM mobilisation channel.

- the residual maturity – the minimum and maximum acceptable residual maturity values are determined by the HCB;

- the ICAS rating mode – the ICAS rating mode may be either Full ICAS or Statistical ICAS.

6.2.3   Procedures for the mobilisation of portfolios of ACCs are determined by the relevant HCB.

6.3   Retail mortgage-backed debt instruments

6.3.1   Procedures for the mobilisation of retail mortgage-backed debt instruments (RMBDs) are determined by the relevant HCB.

6.4   Fixed-term deposits

6.4.1   Fixed-term deposits (FTDs) are automatically mobilised as collateral as part of the settlement of the FTD.

6.4.2   Settlement takes place in CLM in the MCA designated by the counterparty.

6.4.3   Following successful confirmation of the settlement in CLM, the FTD collateral position is updated accordingly.

6.4.4   In accordance with 11.3.2, the value of the FTD collateral position is adjusted on a daily basis to take into account the applicable interest rate:

- the collateral position will be increased if the applicable interest rate is positive;

- the collateral position will be decreased if the applicable interest rate is negative.

6.4.5   When the maturity date is reached, the counterparty's MCA is credited for an amount equal to the value of the FTD (i.e. principal and accrued interest).

6.4.6   Following successful confirmation of the settlement in CLM, the FTD collateral position is reduced accordingly by the value of the FTD.

6.4.7   If a margin call is outstanding at the time when an FTD matures, the maturing FTD can be converted into cash as collateral as set out in 11.4.14 and 11.4.15 below.

Collateral management in Eurosystem credit operations – Mobilisation and demobilisation of non-marketable assets other than DECCs

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7 Triparty collateral management services

This chapter describes the arrangements in place for the provision of triparty collateral management services by eligible triparty agents.

7.1 Introduction

7.1.1 Triparty collateral management services (TCMS) provided by triparty agents (TPAs) allow market participants to optimise the use of their securities portfolios when collateralising credit and other exposures stemming from different products and instruments (e.g. repo, securities lending, central bank credit, secured loans and exposures arising from over-the-counter transactions).

7.1.2 Counterparties may use the services of eligible triparty agents to mobilise collateral to HCBs. The list of eligible triparty agents is published on the ECB's website.

7.1.3 Where the CCBM is used, the NCB located in the same country as the eligible SSS where the triparty collateral is held acts as CCB.

7.1.4 Figure 7 provides a simplified overview of the process of (de)mobilising assets using a triparty agent.

Figure 7
(De)mobilisation of marketable assets and DECCs via a triparty agent

1. The Counterparty sends a *Triparty Collateral Instruction* to its Triparty Agent.

2. If the request leads to a reduction in the value of the Triparty Transaction, the Triparty Agent will seek consent from the HCB prior to processing the request.

3. The HCB checks whether the asset position can be reduced and informs the Triparty Agent accordingly.

4. The Triparty Agent sends a *Confirmation* to the Counterparty and the HCB.

7.2 Initiation of a triparty transaction

7.2.1 In order to use triparty collateral management services to mobilise collateral, a triparty transaction must be initiated by the counterparty.

7.2.2 As a pre-condition to the use of triparty collateral management services, the counterparty should already be a customer of the relevant TPA. If this is not the

case, the counterparty should first contact the TPA directly to get the relevant source accounts and documentation setup.

7.2.3   The counterparty must also notify its HCB of its intention to use the services of an eligible TPA.

7.2.4   Upon receipt of the request and prior to notifying the TPA, the HCB (or the CCB if the CCBM is used) assigns a Common Transaction Identifier to the transaction based on the following convention:

ISO country code of the HCB (in the case of CCBM transactions, the ISO country code of the CCB is used) + three-digit code used to identify the TPA[23] + RIAD code of the counterparty + NCB identifier (optional)

7.2.5   For example, DECBLNL123 would be used to identify a triparty transaction where the Deutsche Bundesbank acts as CCB and Clearstream Banking Luxembourg acts as TPA for a transaction entered into by a Dutch counterparty NL123.

7.2.6   A complete overview of the steps involved in opening a triparty transaction is provided in Box 2.

Box 2
Overview of the steps involved in opening a triparty transaction

1.   The counterparty first informs the HCB of its intention to mobilise collateral using triparty collateral management services provided by an eligible TPA.

2.   The HCB (or the CCB in the case of CCBM transactions) contacts the TPA to initiate setting up the transaction.

3.   The TPA sends the necessary legal documentation to the counterparty and the HCB (or the CCB in the case of CCBM transactions) for (electronic) signature.

4.   The counterparty and the HCB (or the CCB in the case of CCBM transactions) return the (electronically) signed documentation to the TPA.

5.   Upon receipt of the (electronically) signed legal documents from both parties, the TPA triggers the account opening process.

6.   The TPA then confirms the account number to which the collateral will be allocated to both the counterparty and the HCB (or the CCB in the case of CCBM transactions).

7.   The HCB (or CCB in the case of CCBM transactions) then configures the transaction in the ECMS.

8.   The HCB notifies the counterparty once this process is complete. The counterparty can now instruct the TPA to allocate collateral to the triparty transaction.

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[23]   The following three-digit code is used to identify eligible TPAs: CBL (Clearstream Banking Luxembourg).

7.3 Lifecycle of a triparty transaction

7.3.1 Triparty collateral management transactions are managed in accordance with the Triparty Collateral Management Standards set out in the Single Collateral Management Rulebook for Europe. The Standards establish common rules for managing each stage of the lifecycle of a triparty transaction, providing a harmonised set of business processes, workflows and data elements for each.

7.3.2 The Standards establish that all communication between the collateral giver (the counterparty) and the collateral taker (the NCB) is managed via the TPA. Accordingly, there is no direct communication between the collateral giver and collateral taker during the lifecycle of the triparty transaction.

7.3.3 This section provides an overview of the key business processes involved in the lifecycle of a triparty transaction, as depicted in Figure 8.

Figure 8
Overview of the lifecycle of a triparty transaction
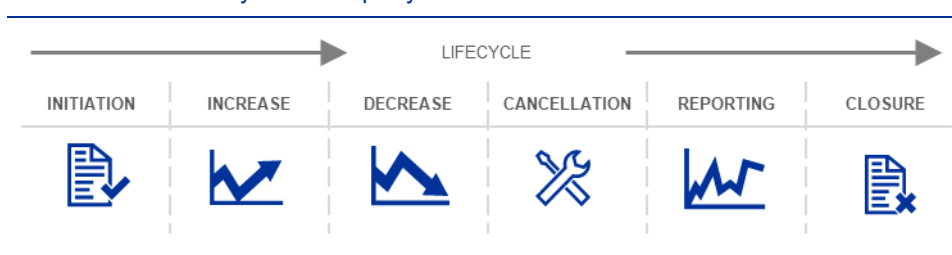
Initiation /increase of the triparty transaction

7.3.4 Once the triparty transaction has been created, the counterparty must send an instruction to the TPA in order to allocate securities to the transaction. The minimum information to be provided in the triparty instruction includes the following:

- the transaction type, i.e. initiation (for the first allocation) or principal adjustment for subsequent changes to the transaction amount;

- the Common Transaction Identifier assigned by the HCB (or the CCB in the case of CCBM transactions);

- the transaction amount to be collateralised;

- the exposure type (i.e. Central Bank Credit Operations);

- the requested execution date (which must be the same day the instruction is sent).

7.3.5   If the request is valid, the TPA then seeks to allocate securities to collateralise the transaction amount requested by the counterparty (to the extent that collateral is available) and sends the delta report on flows referred to in 7.3.17 to the HCB (or the CCB in the case of CCBM transactions) as confirmation that collateral has been allocated. Upon receipt of the delta report the HCB updates the asset position, triparty transaction, total value of the collateral pool and, where relevant, credit line accordingly. If insufficient collateral is available, the request may remain open, in which case the TPA will seek to fully collateralise the requested transaction amount as and when additional eligible securities become available.

Decrease /closure of the triparty transaction

7.3.6   At any time during the lifecycle of the transaction, the collateral giver may seek to decrease the amount of collateral allocated to the HCB (the transaction amount) by sending a decrease request to the TPA. The minimum information to be provided in the triparty instruction includes the following:

- the transaction type, i.e. principal adjustment (in the case of a decrease) or termination (in the case of a closure);

- the Common Transaction Identifier assigned by the HCB (or the CCB in the case of CCBM transactions);

- the transaction amount to be collateralised;

- the exposure type (i.e. Central Bank Credit Operations);

- the requested execution date (which must be the same day the instruction is sent).

7.3.7   The TPA sends the request to the HCB (via the CCB in the case of CCBM transactions) to check whether the transaction amount can be reduced.

7.3.8   Upon receipt of the request, the HCB will seek to reduce the value of the collateral pool and, if relevant, the credit line by an amount equal to the difference between (i) the current value of the triparty transaction, and (ii) the newly requested transaction amount.

7.3.9   If this reduction in the value of the collateral pool would result in the total value of the collateral pool becoming lower than the total credit position, then no adjustment to the collateral pool and, if relevant, the credit line is performed and the request is put on hold. In this case, the HCB does not respond and periodically rechecks the collateralisation status throughout the day. The TPA will automatically cancel the request at 17:15 CET if no response is received from the HCB (via the CCB in the case of CCBM transactions).

7.3.10   If the collateral sufficiency check referred to in 7.3.9 shows that there is sufficient collateral available, the HCB (via the CCB in the case of CCBM transactions) sends a message to the TPA approving the request.

7.3.11   The TPA sends a message to the HCB (via the CCB in the case of CCBM transactions) to provide information on the processing status of the instruction.

- If the request is accepted, the TPA will also send the delta report referred to in 7.3.17 to the HCB (via the CCB in the case of CCBM transactions) as confirmation that the triparty transaction amount has been effectively decreased.

- If the request is rejected (because the underlying instruction has been cancelled as described in 7.3.15 below), the impact of the original decrease/closure instruction on the collateral pool is unwound, i.e. by increasing the value of the triparty transaction, the value of the collateral pool and, if relevant, the credit line, by an amount equal to the earlier reduction.

7.3.12   Upon receipt of the delta report the HCB (or the CCB in the case of CCBM transactions) performs validation checks. If the outcome of these checks results in the collateral value becoming lower than the transaction amount, the HCB updates the collateral value of the triparty transaction, the total value of the collateral pool and, where relevant, the credit line accordingly.

7.3.13   The same business process is applied for requests to terminate the transaction amount, in which case the transaction is permanently closed and future amendments are not possible.

Cancellation of a triparty instruction

7.3.14   If a counterparty wishes to cancel a triparty instruction, it must send a cancellation instruction to its TPA.

7.3.15   A cancellation instruction may be sent from the TPA to the HCB (or the CCB in the case of CCBM transactions) if a pending instruction to either (i) decrease the triparty transaction amount, or (ii) close the triparty transaction has not been approved (matched) by the HCB due, among other things to insufficient collateral. In such cases, the decrease/closure request is cancelled by the HCB (and the CCB in the case of CCBM transactions) upon receipt of the cancellation instruction:

- The cancellation does not have any impact on the value of the triparty transaction, the value of the collateral pool and, where relevant, the credit line in cases where the original instruction was not yet approved (matched) by the HCB.

- If the original instruction was approved (matched) by the HCB at the time the cancellation request was received from the TPA, the impact of the original decrease/closure instruction on the collateral pool is unwound, i.e. by increasing the value of the triparty transaction, the value of the collateral pool and, if relevant, the credit line, by an amount equal to the earlier reduction.

Unilateral removal

7.3.16   If necessary, the HCB reserves the right to request that the TPA remove specific assets from the triparty transaction, for example due to the identification of a breach of risk control measures as part of an ex post check or in order to implement discretionary measures.

Reporting

7.3.17   The TPA sends a delta report to the HCB (or the CCB in the case of CCBM transactions) each time throughout the day that there is a change in the composition of assets allocated to a triparty transaction. The delta report serves as confirmation of the balance of each asset that has been allocated to or removed from the triparty transaction following:

- an initiation / increase / decrease / closure;

- an optimisation cycle;

- a substitution;

- a unilateral removal of a specific security.

7.3.18   Upon receipt of the delta report, the HCB (and the CCB in the case of CCBM transactions) updates (i) the list of securities allocated to the transaction, and (ii) the collateral value assigned to the transaction. The collateral value is equal to the lower of the following two values:

- the triparty transaction amount;

- the collateral value after haircuts of all securities allocated to the triparty transaction.

7.3.19   The total value of the collateral pool and, where relevant, the credit line is also updated accordingly.

7.4   Handling of corporate event proceeds

7.4.1   Corporate events (as described in Chapter 10) can occur in relation to securities mobilised as collateral via a TPA. Two choices are available to the collateral giver (counterparty) in advance of the corporate event:

1.   if the collateral giver opts for substitution, the TPA is responsible for the processing of the corporate event without the involvement of the collateral taker (NCB);

2.   if the collateral giver does not opt for substitution, or if the substitution fails, the NCB will be in receipt of all relevant messaging (please refer to Chapter 10 for

further details) and the cash proceeds will be transferred to an NCB cash account (T2S DCA in the case of euro payments or a CSD cash account in the case of non-euro payments) on the payment date.

7.4.2   In case (2), the TPA will transfer the cash proceeds to the NCB's cash account on the payment date of the corporate event. Upon receipt of the cash proceeds, the HCB performs a collateral sufficiency check taking into account both the TPA collateral and the sum of all other collateral mobilised with the HCB.

- If the counterparty is sufficiently collateralised, then the HCB (via the CCB in the case of CCBM transactions) sends a message to the TPA authorising it to debit the cash proceeds from the NCB's cash account and credit the proceeds to the relevant parties, i.e. the collateral giver (or other parties in the case of re-hypothecation of collateral).

- If the overall collateral is insufficient no debit authorisation message is sent to the TPA. The HCB (or the CCB in the case of CCBM transactions) retains full control over the corporate event proceeds.

7.4.3   If the corporate event results in a negative cash flow (i.e. a transfer of cash from the holder of the security to the issuer of the security) or is subject to reversal, then the TPA has a compensation mechanism in place to credit the amount of the negative cash flow or reversal to the collateral taker's cash account prior to the debit of the cash proceeds by the CSD. No prior authorisation for the debit of the collateral giver's and the collateral taker's respective cash accounts will be required in such cases.

7.5   Operating days and operating hours

7.5.1   Eligible TPAs operate in accordance with the harmonised operational day schedule set out in the Single Collateral Management Rulebook for Europe (as described below).

7.5.2   Eligible TPAs provide access to triparty services on the days on which TARGET is open (according to the calendar published on the ECB's website).

7.5.3   Allocations to triparty transactions involving NCBs as collateral takers are possible between 07:00 and 17:45 CET on the days on which TARGET is open.

7.5.4   The relevant cut-off times for transactions involving NCBs as collateral takers are described below.

- *Cut-off time for receipt of new requests to decrease the triparty exposure amount*

    New requests from the collateral giver to decrease the triparty exposure amount must be sent to the TPA no later than 17:00 CET on each business day.

- *Timing of automatic cancellation of pending instructions*

If a decrease request cannot be fulfilled by the end of the requested settlement date, the request will be cancelled by the TPA at 17:15 CET on the business day in question.

7.5.5   In addition to the standard rules set out in the Single Collateral Management Rulebook for Europe, TPAs also have measures in place making it possible to extend these operating times in contingency situations.

8 Auto-collateralisation

8.1 Introduction

This chapter describes the procedures in place for the execution of T2S auto-collateralisation transactions.[24]

8.1.1   Auto-collateralisation is a Eurosystem credit operation in the form of an intraday credit that is triggered when a buyer of securities (a counterparty) does not have sufficient funds available in its dedicated cash account (DCA) in T2S to settle a securities transaction and uses either the securities that are being purchased (auto-collateralisation on flow) or securities already held by the buyer (auto-collateralisation on stock) as collateral in order to generate the liquidity needed to settle the securities transaction.

8.1.2   The securities to be used as collateral are selected based on the following logic:

1. the securities being purchased are first used as collateral, i.e. auto-collateralisation on flow;

2. if the liquidity generated by the auto-collateralisation on flow is insufficient, then (part of) the securities already present in the counterparty's securities account may also be used as collateral, i.e. auto-collateralisation on stock.

8.1.3   In all instances, the securities must be Eurosystem-eligible in order to be accepted as collateral.

8.1.4   The HCB determines the maximum amount of credit (the auto-collateralisation limit) that may be extended to each T2S DCA owned by its counterparty. By default, this limit is set at the maximum value allowed by T2S (it can be adjusted subsequently by the HCB as needed).

8.1.5   During the business day, once the counterparty has sufficient cash in its T2S DCA, it can initiate the reimbursement of the credit by releasing a reimbursement instruction, i.e. a reverse auto-collateralisation settlement instruction, which is generated and put on hold by T2S automatically when an auto-collateralisation transaction is triggered.

8.1.6   If the counterparty does not initiate the reimbursement on time,[25] an automatic reimbursement is triggered. Further details on this process are provided in Section 8.3.

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[24] The conditions and modalities (including static data management, settlement flows, etc.) for the provision of auto-collateralisation in T2S are described in Schedule 5 to the T2S Framework Agreement (T2S SD.SETT 064 Auto-collateralisation service component) and in the relevant sections of the T2S Scope Defining Documents (including the T2S UDFS, UHB, URD and GFS). This chapter provides an overview of the information relevant from a Eurosystem collateral management perspective.

[25] The End-of-Day Intraday Credit Reimbursement event (the RMIC event) normally takes place in T2S at 16:30 on each business day.

8.2 Configuration of an auto-collateralisation transaction

8.2.1   In order to enter into an auto-collateralisation transaction, a counterparty must:

- hold a securities account (and, if the retain booking mode is used, a collateral receiving account) in a T2S CSD;

- hold a dedicated cash account (DCA) in T2S with its HCB – this is the cash account to which the liquidity will be provided by the HCB;

- hold a main cash account (MCA) to perform the flow of cash from its MCA to the HCB's MCA in the event of a relocation of collateral (see 8.3.5 for more details).

8.2.2   If it does not hold the above accounts, the counterparty should contact the relevant CSD and its HCB in order to open the necessary accounts.

Account setup rules

8.2.3   In accordance with 3.1.6 above, for each eligible SSS in which the HCB holds, or permits its counterparties to hold, a collateral receiving account (CRA) to be used for T2S auto-collateralisation, the HCB checks that it, or the CCB in the case of CCBM transactions, has a regular collateral account (RCA) held with the same SSS.

8.2.4   In accordance with current T2S static data requirements, if the counterparty intends to mobilise securities through T2S auto-collateralisation held in more than one CSD whose SSSs are not linked through eligible links, a separate DCA must be opened per counterparty and per CSD.[26]

CCBM

8.2.5   Each NCB, at any HCB's request, acts as CCB on behalf of the HCB for T2S auto-collateralisation transactions.

8.2.6   CCBM auto-collateralisation transactions may be supported using either the transfer booking mode or the retain booking mode.[27]

8.3 Reimbursement of an auto-collateralisation transaction

8.3.1   If the counterparty has not reimbursed the credit at the end of the business day, a process to automatically reimburse the credit is initiated at 16:30 CET.

8.3.2   Automatic reimbursement may also be triggered during the day if the HCB reduces the auto-collateralisation limit below the outstanding amount of credit.

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[26]   A T2S change request (CR-784) is currently under consideration. If approved, this will result in an amendment to this provision.

[27]   Information on the booking mode (and collateralisation arrangement) per NCB can be found in Annex 16.5.

8.3.3   As part of the reimbursement process, T2S checks whether the counterparty has sufficient funds in the T2S DCA to which the credit was granted or in a different T2S DCA also held by the counterparty. If sufficient funds are available in any of these accounts, T2S uses the available funds to reimburse the auto-collateralisation credit and closes the auto-collateralisation transaction.

8.3.4   If full reimbursement is not possible, T2S moves (relocates) the required amount of collateral (i.e. an amount equal to the non-reimbursed credit) from the CRA to the RCA and informs the holder (or the beneficiary when the retain booking mode is used) of the RCA accordingly (i.e. the HCB or, in the case of CCBM transactions, the CCB).

8.3.5   The HCB then instructs TARGET to increase the counterparty's credit line to reflect the additional collateral received in the collateral pool (taking into account any maximum credit line that might be in place) and to simultaneously debit the counterparty's main cash account (MCA) for an amount equal to the non-reimbursed funds.

8.3.6   The counterparty is notified accordingly.

8.3.7   The collateral is managed in accordance with the standard collateral management procedures described in this document after it has been moved to the regular collateral account.

8.3.8   A simplified overview of the relocation process is provided in Figure 9.

Figure 9
Relocation of collateral procedure

1. At the start of the auto-collateralisation process, the security is transferred to the CRA.
2. The security is later transferred to the counterparty's securities account to redeem the auto-collateralisation.
3. If there is insufficient liquidity available in the DCA, the security is transferred (relocated) to the RCA.
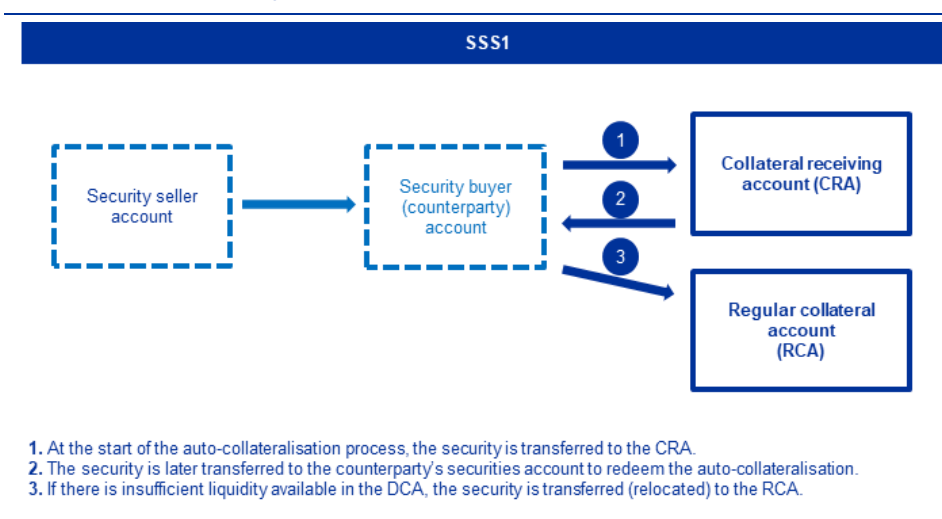
9 Credit position management

The collateral pool is comprised of collateral positions and credit positions. This chapter explains how the credit positions in the collateral pool are managed.

9.1 Settlement of Eurosystem credit operations

9.1.1 As described in Chapter 2, Eurosystem credit operations comprise the following:

- liquidity-providing reverse transactions, i.e. liquidity-providing Eurosystem monetary policy operations excluding foreign exchange swaps for monetary policy purposes and outright purchases;

- intraday credit operations, i.e. intraday credit in TARGET and T2S auto-collateralisation;

- ECONS credit.

9.1.2 For open market credit operations, the relevant information required for collateral management purposes is obtained from the allotted bids submitted by counterparties to the HCB.

9.1.3 An open market credit operation can include the possibility for a counterparty to partially or fully reimburse the credit prior to the maturity date of the operation (known as early repayment operations). Information on, among other things, the amount to be reimbursed and the early repayment date is also obtained from the bids submitted by counterparties to the HCB. On the early repayment date, the amount of outstanding credit in the collateral pool is reduced by an amount equal to the reimbursed amount (including accrued interest).

Information on marginal lending operations required for collateral management purposes

9.1.4 Automatic marginal lending is triggered automatically at the end of the day when the counterparty has insufficient cash available to reimburse an outstanding intraday credit. Accordingly, no instructions are required from counterparties for these operations as the collateral required has already been reserved at the time the intraday credit is granted.

9.1.5 For marginal lending on request operations, the relevant information for collateral management purposes is obtained directly from the counterparty, which sends an instruction to its HCB indicating the following:

- the amount of credit requested;

- the identifier of the collateral pool to be used to collateralise the operation;

- the intended settlement date.

9.1.6 In order to be accepted for further processing, the intended settlement date specified in the instruction must be either the current business day (D) or the next business day (D+1). Requests for settlement on D+1 are only accepted if the counterparty also has a credit operation maturing on D+1.

9.1.7 If the intended settlement date is the current business day, the operation is settled immediately. Otherwise, settlement takes place at the start of the next business day (in which case the proceeds are netted against the proceeds of any other Eurosystem credit operation settling or maturing on the same business day in accordance with 9.1.13 below).

9.1.8 Marginal lending on request operations are settled in CLM prior to the settlement of automatic marginal lending.

9.1.9 Maturing marginal lending on request operations are settled on a net basis on the maturity date.

Settlement procedures

9.1.10 All credit operations in euro are settled, and credit lines are provided, during the day in TARGET only.

9.1.11 Settlement takes place in the MCA designated by the counterparty.

9.1.12 Settlement occurs at the start of the business day in CLM, i.e. between 19:00 and 19:30 CET on the day preceding the settlement date.

9.1.13 Eurosystem credit operations are settled by NCBs on a net basis by default.

9.1.14 An example of settlement on a net basis is provided in Figure 10.

Figure 10
Illustration of settlement of Eurosystem credit operations on a net basis

Operation	Action	Principal	Interest	Payment amount
Main refinancing operation (MRO)	Mature	1,000,000	1,000	- 1,001,000
Marginal lending on request (MLOR)	Mature	100,000	100	- 100,100
Long-term refinancing operation (LTRO)	Settle	1,600,000	N/A	+ 1,600,000
Early repayment operation (ERO)	Mature	500,000	- 50	- 499,950
				-1,050

€ 1,050

Counterparty pays net amount to the HCB

9.1.15   The HCB may settle operations on a gross basis under extraordinary circumstances, for example if there is a need to mature a credit operation without simultaneously settling a new credit operation.

9.1.16   Open market credit operations may be settled partially if the relevant counterparty does not have sufficient collateral.[28]

9.1.17   If a counterparty has access to a credit line, payments are settled by means of a connected payment.

9.1.18   If a maximum credit line has been set (see Section 9.2) and the settlement of the connected payment would lead to this maximum being exceeded, the operation is instead settled by means of an ordinary payment. If there is insufficient liquidity available to settle the ordinary payment, the HCB may (i) request the cancellation of the ordinary payment, and (ii) increase or remove the maximum credit line in order to settle the operation using a connected payment, thus generating the liquidity necessary to settle the credit operation.

9.1.19   Repayments of maturing credit operations are debited in TARGET based on direct debit mandates or legally equivalent authorisation obtained from counterparties.

9.1.20   A confirmation message is provided to counterparties by TARGET to confirm the settlement of the related Eurosystem credit operations.

Non-euro operations

9.1.21   Credit operations in a currency other than euro are settled outside TARGET.

9.1.22   Collateral required for the collateralisation of non-euro credit operations is reserved in the collateral pool prior to settlement of the FX proceeds of the operation.

9.1.23   The amount of collateral reserved takes into account any initial margin that might apply to the operation, for example an initial margin of 12% implies that the amount of collateral that must be reserved is equal to 112% of the value of the operation in euro.

9.1.24   For non-euro operations lasting more than one week, the amount of collateral required is recalculated on a weekly basis based on the latest exchange rates published on the ECB's website.

9.1.25   The collateral is unreserved by the HCB after settlement of the repayment of the FX proceeds has been confirmed on the maturity date of the operation.

Transfer of an open market credit operation in the event of a merger or acquisition

9.1.26   In the event of a merger or acquisition, an open market credit operation may be transferred from one counterparty (the delivering counterparty) to another

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[28]   This is an obligation failure for which a sanction applies in accordance with Article 154 of the General Documentation.

counterparty (the receiving counterparty) by the HCB either prior to or after settlement, subject to fulfilment of the following conditions:[29]

- the receiving counterparty must be eligible to participate in the credit operation being transferred;

- the delivering and receiving counterparties are both counterparties of the HCB.

9.1.27   Once the transfer is complete, the collateral pools of the delivering and receiving counterparties are updated accordingly:

- the credit position in the collateral pool of the delivering counterparty is decreased by an amount equal to the outstanding amount (including accrued interest) of the transferred operation;

- the credit position in the collateral pool of the receiving counterparty is increased by an amount equal to the outstanding amount (including accrued interest) of the transferred operation.

9.1.28   The assets mobilised to collateralise the operation(s) may also be transferred from the delivering counterparty to the receiving counterparty as described in Section 13.1.

9.2   Management of credit lines

9.2.1   By default, for counterparties with access to intraday credit in TARGET, all collateral value, other than that attributed to RMBDs, in the counterparty's collateral pool dedicated to the collateralisation of Eurosystem credit operations that is not required to collateralise monetary policy operations nor reserved is made available to collateralise intraday credit in TARGET.

- The value of the credit line changes (floats) in accordance with changes in the amount of available collateral. This concept is referred to as a floating credit line.

- The counterparty or the HCB may also define a maximum value in order to limit the amount of intraday credit that may be obtained in TARGET. This concept is referred to as a maximum credit line.

9.2.2   From a collateral management perspective, the following elements are relevant to the management of the credit line.

- The *Suggested Credit Line* – this is the difference between the total collateral position and the total credit position. For counterparties without access to intraday credit in TARGET, this figure represents the indicative amount of intraday credit potentially available.

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[29]   The counterparties involved are blocked during the transfer process for technical reasons, resulting in a temporary credit line of zero.

- The *Expected Credit Line* – this corresponds to the last credit line communicated to, but potentially not yet settled in, CLM (the Expected Credit Line is not relevant for counterparties without access to intraday credit in TARGET).

- The *Real Credit Line* – this corresponds to the last credit line value settled in CLM (the Real Credit Line is not relevant for counterparties without access to intraday credit in TARGET).

9.2.3 Figure 11 provides a simplified overview of these concepts.

Figure 11

Illustration of key concepts relevant to the management of the credit line
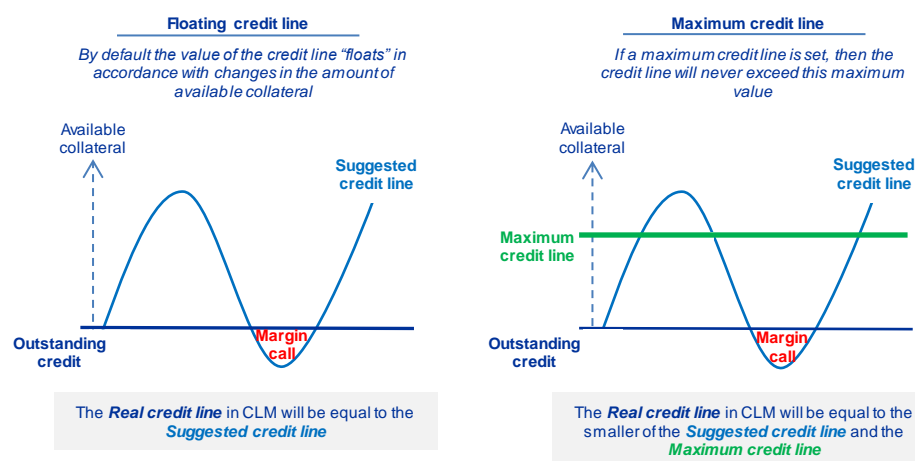
Note: In all cases, a *Margin Call* is triggered when the amount of *Available Collateral* falls below the *Outstanding Credit*.

Rules for managing maximum credit lines

9.2.4 The maximum credit line value can be defined by the HCB or the counterparty.

9.2.5 If the maximum value defined by the HCB is lower than the maximum value defined by the counterparty, the maximum value defined by the HCB prevails.

9.2.6 If the maximum credit line value defined by the HCB is higher than the maximum value defined by the counterparty, the maximum value defined by the counterparty prevails.

9.3 Credit limits

9.3.1 In addition to limits on the maximum value of the credit line, it might be necessary to apply other limits on the total amount of credit that may be extended to a counterparty.

9.3.2 These limits may take the form of an absolute limit or a relative limit:

- When an absolute limit is applied, the maximum amount of credit that a counterparty may obtain cannot exceed a set value, irrespective of the amount of collateral the counterparty has provided.

- When a relative limit is applied, the maximum amount of credit that a counterparty may obtain is determined in relation to the total size of the counterparty's collateral pool, for example a limit of 85% implies that a counterparty may only receive credit up to an amount not exceeding 85% of the value of its collateral pool.

9.3.3   The absolute and/or relative limits are taken into account at the time when a Eurosystem credit operation is settled.

9.3.4   If a maximum credit line has been defined at the time an absolute and/or relative credit limit is applied, the expected credit line is capped at the smallest of the following values: the maximum credit line, the absolute limit or the relative limit. An illustration of this concept is provided in Table 6.

Table 6

Application of absolute and relative credit limits in conjunction with a maximum credit line

Scenario	Total collateral	Outstanding credit	Absolute limit	Relative limit	Maximum credit line	Expected credit line
1	2,000	1,000	1,500	N/A	N/A	**500** *(Absolute limit – Outstanding credit)*
2	2,000	1,000	1,500	1,400 (70%)	N/A	**400** *(Relative limit – Outstanding credit)*
3	2,000	1,000	1,500	1,400 (70%)	1,300	**300** *(Maximum credit line – Outstanding credit)*

10   Corporate events

This chapter details the applicable processes and procedures for managing corporate events on assets mobilised as collateral.

10.1   Background

10.1.1   A corporate event is an action or event decided by the issuer of a security (an asset) that has an impact on the holders of that security (for example interest distributions, redemptions and reorganisations).

10.1.2   Corporate events include corporate actions and general meetings.

10.1.3   Participation in a corporate event can be mandatory, mandatory with choices or voluntary.

- Mandatory: participation in the event is mandatory. Further instructions from the counterparty are not required.

- Mandatory with choices: participation in the event is mandatory and further instructions from the counterparty are required.

- Voluntary: participation in the event is voluntary. If the counterparty wishes to take part in the event, instructions from the counterparty are required.

10.1.4   Each event contains a default option that is followed in the absence of an instruction from the counterparty.

Figure 12
Information flow in a corporate event
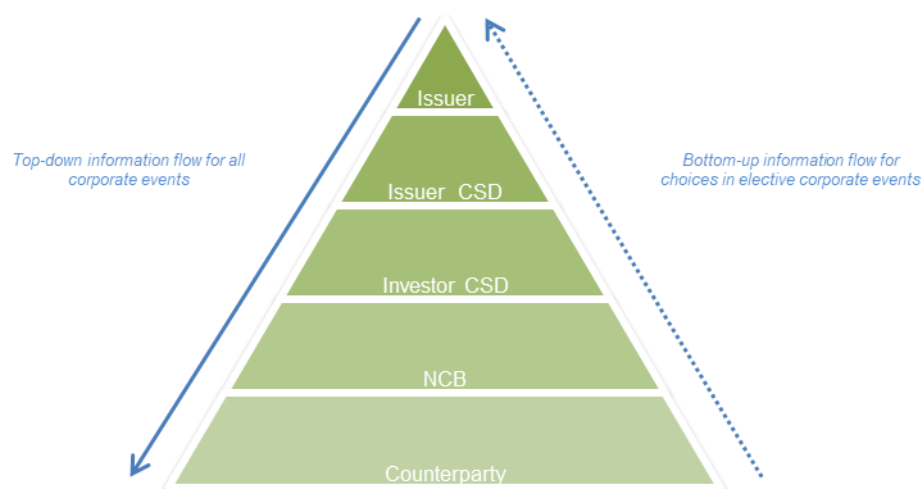
10.1.5   An event may result in a cash movement and/or security movement.

10.1.6   Corporate event cash flows may be positive (in which case the cash flow is from the issuer to the counterparty) or negative (from the counterparty to the issuer).

10.2   Introduction

10.2.1   NCBs are responsible for handling corporate events on assets that have been mobilised as collateral by counterparties and act as an intermediary between (i) the CSD operating the SSS where the asset is held, and (ii) the counterparty mobilising the asset as collateral.

10.2.2   If an asset has been mobilised via a TPA, then the TPA is responsible for handling the corporate event. The TPA notifies[30] the HCB (via the CCB in the case of CCBM transactions) about corporate events on assets provided as collateral and requests the HCB (via the CCB in the case of CCBM transactions) to confirm that the counterparty is adequately collateralised prior to the payment of any cash proceeds to the counterparty (as described in Section 7.4**Error! Reference source not found.**).

10.2.3   The Eurosystem processes corporate events in accordance with the rules (standards) set out in the Single Collateral Management Rulebook for Europe (SCoRE).

10.2.4   The corporate events deemed relevant to Eurosystem-eligible assets are identified (defined) by the Eurosystem's Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) and set out in SCoRE.[31]

10.3   Lifecycle of a corporate event

Corporate actions

10.3.1   As set out in SCoRE, the lifecycle of a corporate action is composed of five key stages, as illustrated in Figure 13.

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[30]   The notifications (messages) are sent by the CSD where the assets are held on behalf of the TPA. Information on the notifications provided is described in Section 3.4 of the SCoRE Corporate Actions Rulebook.

[31]   Please refer to Annex 2 to the SCoRE Corporate Actions Rulebook (as amended). Details of the business processes and features of each event including the options, cash movements and security movements are provided in Section 4 of the SCoRE Corporate Actions Rulebook.

Figure 13

Lifecycle of a corporate action

NOTIFY	INSTRUCT	ADVISE	CONFIRM	REVERSE
• Notification • Update • Cancellation	• Instruction • Cancellation • Status	• Entitlement • Cancellation	• Confirmation • Payment • Status	• Advice • Payment • Confirmation
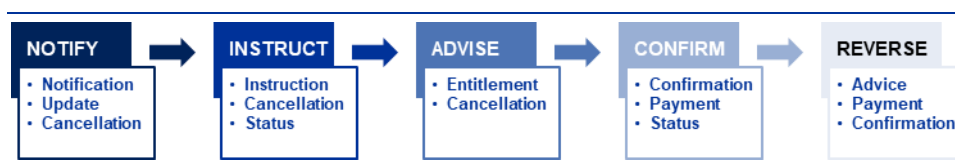
Notify

10.3.2 The CSD operating the SSS where the asset is held sends a notification to the HCB (via the CCB in the case of CCBM transactions) whenever a corporate action is announced.

10.3.3 The counterparty holding the security is notified by the HCB accordingly.

10.3.4 The corporate action notification includes details on :

- event information: identification of the asset affected by the corporate action and identification of the type of corporate action event.

- event details: details of the event, including the key data (e.g. record date, effective date and interest rate).

- option details: if the event contains options, details of the available options are provided together with the key dates, for example the response deadline date (and early response deadline, if relevant). The price and rate information associated with each option is also presented. The default option (i.e. the option that will be selected by default in the absence of an instruction) is also indicated in the notification.

10.3.5 The event can be[32]:

- updated (in which case the CSD will send a replacement notification with the updated details); or

- cancelled (in which case the event is void).

Instruct

10.3.6 If a corporate action is elective (i.e. mandatory with choice or voluntary), a counterparty must send a corporate action instruction to its HCB if it wishes to participate in the event.

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[32] The CSD may also send a reminder notification (RMDR) to remind participants about an upcoming event. The reminder notification does not contain any changes to the event information previously communicated.

10.3.7   The instruction must specify:

- Corporate Action Event Identification – the identifier of the corporate action event as announced by the NCB;

- Event Type – the code identifying the event;

- Underlying Security – the ISIN identifying the asset on which the corporate action is taking place;

- Option Number – identification of the number of the chosen option, e.g. 001;

- Option Type – name of the option chosen, e.g. CASH;

- Safekeeping Account – the identifier of the counterparty asset account where the securities are held by the counterparty;

- Quantity Instructed – the quantity of securities to which the election instruction applies.

10.3.8   In order to be accepted for further processing, the instruction must be submitted prior to the instruction deadline specified by the Eurosystem.

10.3.9   If the instruction is valid the HCB (via the CCB in the case of CCBM transactions) will send the instruction to the CSD for further processing.

10.3.10   If the corporate action results in a debit of securities, the elected position will be blocked on the asset account from the time the instruction is received until the corporate action is executed in order to ensure that the elected security position remains available to be debited on the payment date.[33]

10.3.11   No instruction is required if the counterparty wishes to follow the default option.

Cancellation of instructions

10.3.12   In order to cancel an instruction, the counterparty must send an instruction to its HCB.

10.3.13   The cancellation instruction must contain a reference to the corporate action instruction to be cancelled. The information contained in the cancellation instruction must be consistent with the information in the underlying instruction subject to cancellation; otherwise the cancellation request is rejected.

10.3.14   If the corporate action instruction has already been submitted to the CSD, the cancellation will be effective only upon receipt of a cancellation confirmation from the CSD.

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[33]   In addition to elective events involving a debit of securities, asset positions may also be blocked if (i) the counterparty does not provide any certification information or it provides information to state that it is uncertified in a CERT event; and (ii) a DRAW event takes place where the payment date does not immediately follow the lottery date, in which case the position is blocked for the period between the lottery date and payment date.

10.3.15   Any positions that were blocked following the acceptance of the instruction will be automatically unblocked following the successful cancellation of the instruction.

10.3.16   In certain cases (determined by the issuer), the instruction may not be revocable once it has been accepted by the issuer or issuer agent. In this case the instruction cancellation request will be rejected by the CSD. The counterparty will be notified accordingly.

10.3.17   If the counterparty wishes to re-instruct following the cancellation, a new instruction may be sent.

10.3.18   If the corporate action event itself is cancelled by the CSD after instructions have been sent for processing or have been accepted, all instructions will be considered void (and thus cancelled by the HCB). The counterparty is notified accordingly.

10.3.19   Full details of the business processes, workflows and key data elements for the instruct business process are provided in Section 3.4.2 of the SCoRE Corporate Actions Rulebook.

Advise

10.3.20   If an event is mandatory, the CSD will send a notification at close of business on the record date informing the HCB (via the CCB in the case of CCBM transactions) of the cash and/or securities movements expected on the payment date.

10.3.21   If an event is elective (and does not contain a record date), the CSD will send the pre-advice notification after the instruction has been accepted.

10.3.22   The counterparty is notified by the HCB of the corresponding cash and/or securities movements on its cash and asset accounts accordingly.

10.3.23   Full details of the business processes, workflows and key data elements for the "advise" business process are provided in Section 3.4.3 of the SCoRE Corporate Actions Rulebook.

Confirm

10.3.24   On the payment date, the CSD sends a confirmation message to the NCB as soon as the cash and/or security proceeds have been credited to, or debited from, the NCB's cash account and/or T2S securities account respectively.

10.3.25   If the counterparty is adequately collateralised, the HCB credits:

- the counterparty's MCA in the case of euro-denominated cash proceeds;

- the non-euro cash account designated by the counterparty in the case of non-euro-denominated cash proceeds. For collateral mobilised via the Domestic, Links or Direct Access mobilisation channels, the HCB may, where possible,

also request the CSD to convert the FX proceeds into euro (no conversion is applied for cash proceeds on collateral mobilised via the CCBM). In such cases, the HCB credits the counterparty's MCA upon receipt of the euro equivalent of the FX proceeds from its CSD, subject to fulfilment of the criteria set out in 10.3.26.

10.3.26   If the counterparty has insufficient collateral or is blocked (due to an event of default or on the grounds of prudence), the HCB withholds the CA proceeds.

10.3.27   The HCB automatically rechecks the collateralisation status of the counterparty during the day and releases the cash proceeds once the counterparty is adequately collateralised.

10.3.28   If the margin call remains unresolved at 16:55 CET, euro-denominated CA proceeds will be automatically mobilised as cash collateral, as described in Section 11.4.

10.3.29   Non-euro-denominated CA proceeds may not be mobilised as cash collateral but continue to be withheld by the HCB until the margin call has been resolved.

10.3.30   The difference (if any) between (i) the amount mobilised as cash collateral, and (ii) the amount of the CA proceeds is credited to the counterparty in the form of a partial CA payment.

10.3.31   The counterparty is notified accordingly.

10.3.32   If the payment is not received, the CSD is expected to send a status notification to the HCB (via the CCB in the case of CCBM transactions) by 12:15 CET and 16:45 CET for euro and USD payments respectively, to provide information on the status of the payment (based on information received from the issuer/issuer agent). The HCB notifies the counterparty accordingly.

Negative cash flows

10.3.33   For negative cash flows (i.e. where the cash flow is from the counterparty to the issuer), the HCB debits the amount due from:

- the counterparty's MCA in the case of euro-denominated cash proceeds;

- the non-euro cash account designated by the counterparty in the case of non-euro-denominated cash proceeds (if there is no debit authorisation in place on the non-euro cash account the counterparty must credit the cash account specified by the HCB).

10.3.34   Full details of the business processes, workflows and key data elements for the confirmation business process are provided in Section 3.4.4 of the SCoRE Corporate Actions Rulebook.

Reverse

10.3.35   If there has been an error in the processing of a corporate action, the CSD may issue a reversal notice in order to reverse (in full) the cash and/or securities movements originally performed on the payment date.

10.3.36   In such cases the CSD sends a pre-advice message providing information on the reversal – including the reason for the reversal – prior to reversing the movements.

10.3.37   The CSD will process the reversal on the same account used for the original payment.

10.3.38   In the case of a reversal of a (i) positive cash flow or (ii) negative cash flow, the HCB debits, respectively credits, the amount due from/to:

- the counterparty's MCA in the case of euro-denominated cash proceeds;

- the non-euro cash account designated by the counterparty in the case of non-euro-denominated cash proceeds (if there is no debit authorisation in place on the non-euro cash account, the counterparty must credit the cash account specified by the HCB).

10.3.39   A reversal may be followed by a new payment for the correct amount. If the original payment was made in error, no new payment will be made.

10.3.40   Full details of the business processes, workflows and key data elements for the reverse business process are provided in Section 3.4.5 of the SCoRE Corporate Actions Rulebook.

Meetings

10.3.41   In accordance with SCoRE, the lifecycle of a meeting event is composed of three stages, as illustrated in Figure 14.

Figure 14
Lifecycle of a meeting event
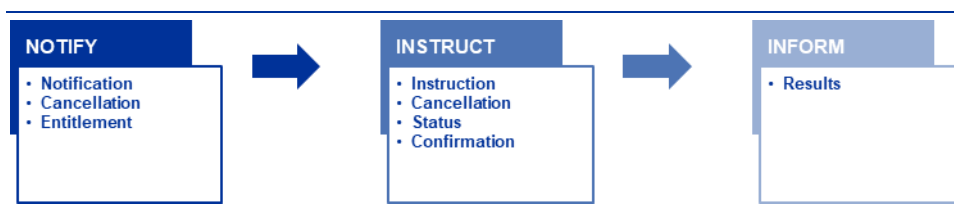
Notify

10.3.42   The CSD operating the SSS where the asset is held sends a notification to the HCB (or the CCB in the case of CCBM transactions) whenever a meeting is announced.

10.3.43   The counterparty holding the asset is notified accordingly.

10.3.44   The meeting event notification provides details on:

- Event information: identification of the asset to which the meeting relates and identification of the type of meeting event;

- Event details: details of the event including the key dates (e.g. record date and meeting date);

- Resolution details: details of the meeting resolutions, together with the key dates, for example the response deadline date (and early response deadline, if relevant).

10.3.45   The event can be:

- updated (in which case a CSD will send a replacement notification with the updated details); or

- cancelled (in which case the event is void).

10.3.46   Full details of the business processes, workflows and key data elements for the notify business process are provided in Section 3.4.6 of the SCoRE Corporate Actions Rulebook.

Instruct

10.3.47   NCBs do not accept meeting instructions from their counterparties at the current juncture. Accordingly, the counterparty may be requested to demobilise the asset by its HCB if it wishes to participate in the meeting event.

10.4   Taxation of corporate events

10.4.1   The cash proceeds of a corporate event may be subject to taxation.

10.4.2   Whether or not a security (asset) is subject to taxation depends on the taxation rules in place in the jurisdiction of the issuer of the instrument (referred to as "withholding tax regulations").

Relief at source

10.4.3   Whenever assets that are subject to withholding tax are mobilised, the counterparty must provide its HCB with the relevant documentation necessary to fulfil its obligations under the applicable withholding tax regulations.

10.4.4   The HCB in turn provides this documentation to the entity responsible for withholding tax on corporate action proceeds (the withholding tax agent) on the asset mobilised as collateral.

10.4.5   To benefit from relief at source, this information should be provided prior to the mobilisation of the assets as collateral but, in any case, no later than the response deadline specified by the withholding tax agent.

10.4.6   The withholding agent will then deduct the appropriate amount of withholding tax from the corporate action proceeds according to the tax status of the beneficial owner (the counterparty).

10.4.7   If information on the tax status is not provided, the default withholding tax may be deducted from the corporate action proceeds by the withholding agent.

10.4.8   If individual accounts (i.e. segregated account per counterparty) are used, the information may be provided on a one-off basis (unless this information changes, in which case updated information should be provided).

10.4.9   If an omnibus account is used, the HCB provides a breakdown on request of the amounts held per counterparty (allocation information) to the withholding agent prior to each corporate action.

10.4.10   The allocation information includes the following:

- securities account number;

- ISIN code;

- payment date;

- nominal amount of holding(s);

- withholding tax rates to be applied per holding.

10.4.11   The deadline for the provision of the allocation information is specified in the corporate action notification.

10.4.12   A high-level overview of the relief at source process involving the provision of allocation information is provided in Figure 15.

Figure 15

Overview of the relief at source process

Figure 15

Overview of the relief at source process
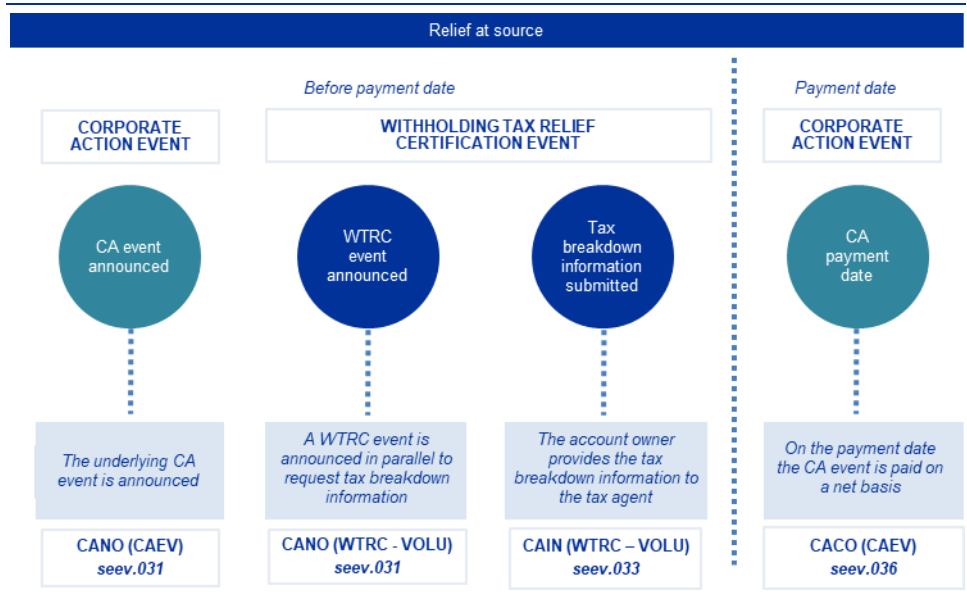
Tax reclaim

10.4.13   If tax has been withheld, a tax reclaim event may be announced after the payment date of the corporate action event to allow the counterparty to submit a request to reclaim the withheld proceeds.

10.4.14   The tax reclaim event notification provides information about the specific tax reclaim procedure, including the documentation required to process the reclaim.

10.4.15   A high-level overview of the tax reclaim process is provided in Figure 16.

Figure 16

Overview of the tax reclaim process
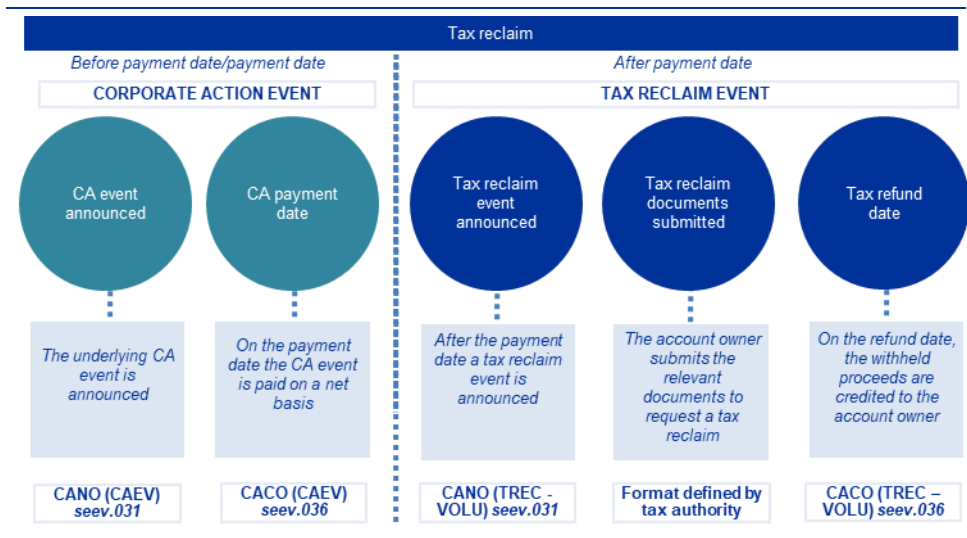
10.4.16   As with the original corporate action payment, the refunded proceeds (the tax refund) are only remitted to the counterparty if the counterparty is (i) adequately collateralised and (ii) not blocked (either due to an event of default or on the grounds of prudence).

10.4.17   The refunded proceeds may be mobilised as collateral in order to (partially) resolve a margin call if needed.

US withholding tax procedures

10.4.18   NCBs must follow a specific reporting procedure whenever US assets that are subject to withholding tax are mobilised.

10.4.19   Taxation on US assets is managed by qualified intermediaries.

10.4.20   A qualified intermediary (QI) is any foreign intermediary (or foreign branch of a US intermediary) that has entered into a qualified intermediary withholding agreement with the US Internal Revenue Service (IRS).

10.4.21   The HCB must provide the QI with the relevant documentation in order to ensure that corporate action proceeds are paid on a gross basis on the payment date.

Withheld tax and refund procedure

10.4.22   Taxes withheld are transferred to the IRS through the Electronic Federal Tax Payment System (EFTPS) of the IRS.

10.4.23   Subsequent requests for a tax refund must be addressed directly to the IRS by the counterparty.

11 Daily management of collateral

This chapter describes the daily activities performed in order to manage collateral once mobilised.

11.1 Valuation

11.1.1 Assets mobilised as collateral are revalued on a daily basis.

11.1.2 If an asset is denominated in a currency other than the euro, the latest foreign exchange rates as published on the ECB's website are applied for the revaluation of that asset.

11.1.3 Non-marketable assets are valued on the basis of the outstanding amount.

11.1.4 The daily valuation takes into account any changes to asset eligibility, (own-use) haircuts and close links data.

11.1.5 If updated asset eligibility, pricing or close links data are not available in time for the end-of-day revaluation, the data for the previous day are applied.

11.1.6 Assets that no longer fulfil Eurosystem eligibility criteria are valued at zero.

11.2 Risk control measures

11.2.1 Close links checks are conducted prior to accepting a mobilisation request (as set out in Section 5.1.3).

11.2.2 Assets that are already mobilised and subsequently become subject to a forbidden close link are automatically valued at zero.

11.2.3 Concentration limit checks are conducted on an ex post basis at the end of each business day. If a breach is detected the HCB reduces the value of the collateral pool by an amount equal to the value of the breach and asks its counterparty to alter the composition of the collateral pool in order to permanently resolve the breach.

11.2.4 For collateral mobilised via a TPA, the HCB (via the CCB in the case of CCBM transactions) may send a unilateral removal request to the TPA to exclude certain ISINs from use in a triparty transaction for a specified time period if necessary (please refer to Section 7.3 for further details).

11.2.5 For marketable assets mobilised via a triparty agent or in T2S auto-collateralisation, ex ante close links checks are conducted by TPAs and T2S respectively at the time the asset is mobilised as collateral.

11.2.6   Concentration limit checks are not conducted by TPAs and T2S (since by definition concentration limit checks need to be carried out taking into account all mobilised collateral; this information is only available to the HCB).

11.3   Accrued interest

11.3.1   The credit position in the counterparty's collateral pool is updated on a daily basis (starting from the end of the first day of the operation) to take into account interest accrued on Eurosystem credit operations:

- The credit position will be increased if the applicable interest rate is positive;

- The credit position will be decreased if the applicable interest rate is negative.

11.3.2   If cash or fixed-term deposits are mobilised as collateral, the collateral position is also adjusted on a daily basis to reflect the accrued interest:

- The collateral position will be increased if the applicable interest rate is positive;

- The collateral position will be decreased if the applicable interest rate is negative.

11.3.3   The interest rate applied is a simple interest rate based on the actual/360 day-count convention.

11.4   Margin calls

11.4.1   If the total value of the collateral pool falls below the value of outstanding credit (including accrued interest) a margin call is triggered.

11.4.2   An illustration of a margin call occurring during the lifecycle of a credit operation is provided in Table 7.

Table 7
Illustration of a margin call

Date	Principal	Accrued interest	Collateral required	Collateral pool	Credit line	Margin call
SD (Wednesday)	1,000,000	0	1,000,000	1,050,000	50,000	–
SD+1 (Thursday)	1,000,000	55.56	1,000,056	1,025,000	24,944	–
SD+2 (Friday)	1,000,000	111.11	1,000,111	1,000,000	0	-111
SD+5 (Monday)	1,000,000	277.78	1,000,278	1,010,000	9,722	–
SD+6 (Tuesday)	1,000,000	333.33	1,000,333	1,015,000	14,667	–
SD+7 (Wednesday)	1,000,000	388.89	1,000,389	1,010,000	9,611	–

Notes: SD = settlement date. The illustration shows a seven-day credit operation (maturing on SD+7) with an interest rate of 2%.

11.4.3   Start-of-day margin calls are issued between 19:00 and 19:30 CET on each business day following the revaluation of collateral. Margin calls may also be issued at other times if a collateral insufficiency is detected during the day.

11.4.4   Margin call notices issued to counterparties indicate the following:

- Deficit – the amount of the collateral deficit;

- Value date – the date for which the margin call is issued;

- Collateral pool – the identifier of the collateral pool on which the deficit has arisen.

11.4.5   An updated margin call notice is issued if the amount of the collateral deficit is updated during the day (for example, following a partial resolution of the margin call).

11.4.6   The collateral to resolve the margin call should be delivered to the NCB by 16:55 CET on a given business day.

11.4.7   If the margin call has not been (fully) resolved by 16:55 CET, an automatic mobilisation of cash as collateral is triggered at 16:55 CET. The HCB will seek to debit the counterparty's MCA for an amount equal to the collateral deficit.

11.4.8   Following the daily revaluation of the collateral pool and the calculation of accrued interest on the cash mobilised as collateral, any cash mobilised in excess of the amount required to cover the deficit is automatically demobilised.

11.4.9   The (de)mobilisation of cash as collateral may also be initiated by the counterparty through the sending of a cash (de)mobilisation instruction.

Handling of corporate event proceeds in the event of a margin call

11.4.10   As described in 10.3.26 above, cash proceeds of a corporate event are withheld by the HCB if the counterparty's collateral pool is in deficit.

11.4.11   Euro-denominated cash proceeds of a corporate action on assets mobilised bilaterally are automatically (partially) mobilised as collateral at 16:55 CET if the margin call remains outstanding at this time.

11.4.12   The amount of cash mobilised may not exceed the amount of the collateral deficit. Accordingly, any cash proceeds in excess of this amount are returned to the counterparty in the form of a CA payment.

11.4.13   In the case of (i) non-euro-denominated cash proceeds and (ii) cash proceeds of a corporate action on assets mobilised via a triparty agent, the cash proceeds are not mobilised as collateral but are withheld by the NCB in the corresponding cash accounts to which they were originally credited pending the resolution of the margin call.

Handling of fixed-term deposits in the event of a margin call

11.4.14   If a margin call is outstanding at the time when a fixed-term deposit matures, the HCB may elect to mobilise the maturing proceeds as cash as collateral to (partially) resolve the margin call.

11.4.15   The amount of cash mobilised may not exceed the amount of the collateral deficit. Accordingly, any cash proceeds in excess of this amount are returned to the counterparty in the form of a cash payment.

11.5   Reporting

11.5.1   The HCB may provide daily reporting to its counterparties on:

- the assets mobilised as collateral (statement of holdings);

- the assets for which a mobilisation instruction has been sent but is not yet settled, cancelled or rejected (statement of pending transactions);

- the asset movements in a given time period (statement of transactions);

- details of the credit and collateral positions that collectively comprise the counterparty's collateral pool (pool position report).

12 Fees

This chapter presents the applicable policies for the recovery of costs incurred by NCBs in connection with the mobilisation of collateral.

12.1 CSD and TPA fees

12.1.1   NCBs hold marketable assets and DECCs as collateral for Eurosystem credit operations with CSDs and TPAs and are charged for these services.

12.1.2   The Eurosystem fee policy for marketable assets and DECCs is based on the principle of full recovery of external costs. Accordingly, NCBs recover external fees charged by CSDs and TPAs from their counterparties based on the total fee paid for each NCB securities account held with the CSD and TPA.

12.1.3   The CSD/TPA may also directly invoice and charge counterparties in the case that individual securities accounts used for the mobilisation of collateral are owned by the counterparties and not by the NCB. In such cases, the NCB is not involved in the billing process.

Allocation of fees

12.1.4   If an individual account is used, the total fee for this individual account is remitted to the counterparty on a one-to-one basis.

12.1.5   If an omnibus account is used, the fee is allocated on a pro-rata basis to each counterparty according to its share of holdings in relation to the overall holdings of all counterparties holding securities in that omnibus account.

12.1.6   The calculation is based on collateral holdings (nominal value including pool factor and FX rate) held at close of business for each day in the billing period.

12.1.7   All fees are charged in euro regardless of the currency in which the underlying assets mobilised as collateral are denominated.

12.2 Non-marketable asset fees

12.2.1   For certain categories of non-marketable assets, namely (1) individual (additional) credit claims, (2) portfolios of additional credit claims, and (3) RMBDs, each NCB determines whether a fee is levied in respect of assets held in custody.

12.2.2   Where fees are charged, the following parameters are used:

$$\text{EUR } x + y\% \text{ p.a. } x \; \frac{\text{Average daily ONA in the month x Number of days of mobilisation in the month}}{360}$$

- where EUR x is the *Transaction Fee* applied to each successful mobilisation (demobilisations are not subject to transaction fees);

- y% p.a. of the outstanding nominal amount (ONA) is the *Service Fee* charged for each mobilised asset, taking into account the average ONA of the asset mobilised in a given month (the average ONA is calculated on the basis of the ONA of each mobilised asset weighted by the number of days the asset has been mobilised / 360).

12.2.3   Each NCB determines the values at which such parameters are set.

- NCBs may decide whether to charge fees per category of non-marketable assets described in 12.2.1. The fees charged may differ per category.

- NCBs deciding to charge fees charge the same amount for domestic mobilisations and cross-border mobilisations via the CCBM (when acting in their role as CCB).

12.2.4   The fees charged by each NCB are set out in Annex 16.6.

12.3   Billing cycle

12.3.1   Fees are calculated on a monthly basis.

12.3.2   The billing period runs from the first day of the month to the last day of the month inclusive.

12.3.3   The invoices issued to counterparties are normally[34] sent on the 12th calendar day (or the next business day if the 12th day is not a business day) and specify the total fee due for the previous month, providing a breakdown of the total fee levied in respect of each of the following categories:

- CSD fees;

- TPA fees;

- credit claim fees;

- other fees.

12.3.4   The payment of fees is processed on the 15th calendar day (or the next business day if the 15th calendar day is not a business day) of each month.

12.3.5   An overview of the billing cycle is provided in Figure 17.

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[34]   In exceptional cases such as around Easter when TARGET is closed, this process may occur later.

Figure 17

Overview of the billing lifecycle
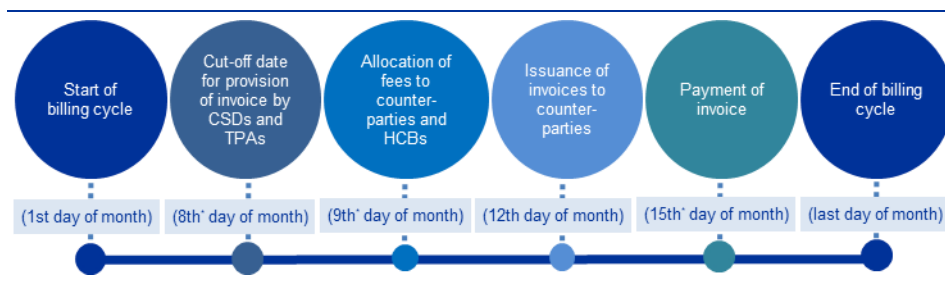
Note: *If this date coincides with a non-business day, the process is executed on the next business day. Fees are charged in arrears i.e. fees due on 15 February relate to the billing period from 1 January to 31 January.

12.4 Payment of fees

12.4.1   On the payment date, the HCB debits the main cash accounts of its counterparties for an amount equal to the amount owed.

13 Reallocation and realisation of collateral

This chapter outlines the procedures for the reallocation and realisation of collateral.

13.1 Reallocation of collateral

13.1.1 In specific circumstances it may be necessary to reallocate (transfer) collateral from the asset account designated at the time of mobilisation to another asset account, for example:

- in the event of a merger or acquisition involving two (or more) counterparties of the HCB, collateral may need to be transferred to the asset account(s) and collateral pool(s) maintained by the merged or acquired entity. The HCB temporarily suspends (blocks) all collateral management activity by the counterparties involved during the transfer process.[35]

- in the event of a counterparty default, collateral may need to be transferred from a counterparty account to an NCB account used for the realisation of collateral.

- in the event that a counterparty maintains multiple collateral pools for different purposes, collateral may need to be transferred from one counterparty asset account to another counterparty asset account in order to augment the amount of collateral held in a given collateral pool.

13.1.2 For marketable assets and DECCs, if the transfer involves the movement of collateral from one internal asset account to another internal asset account only, no settlement instruction is sent to T2S.

13.1.3 If the collateral transfer (also) involves the transfer of collateral from one regular collateral account held in a T2S CSD to another regular collateral account held in a T2S CSD, a settlement instruction will also be generated to T2S.

13.1.4 The transfer will take place on the intended settlement date specified in the settlement instruction.

13.1.5 In the case of credit claims, individual credit claims may be transferred from one asset account to another asset account in full only (i.e. part of the position cannot be held in a separate account(s)).

13.1.6 FTDs and cash mobilised as collateral may be transferred from one counterparty to another counterparty in the event of a merger or acquisition.

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[35] As part of this process, the credit line is temporarily reduced to zero.

13.1.7   For collateral mobilised via a triparty agent, the triparty agent remains responsible for the allocation of collateral to/from the triparty transaction.

13.2   Blocking of collateral management activity

13.2.1   When it learns of a counterparty default or suspension[36], and before there is any need to realise collateral mobilised for the purposes of collateralising a Eurosystem credit operation, the HCB immediately suspends (blocks) all collateral management activity by the counterparty involved.

13.3   Realisation of collateral

13.3.1   If it becomes necessary to realise collateral, the HCB implements the required actions with the support of the CCB (for collateral mobilised via the CCBM) and the TPA (for collateral mobilised using the services of a TPA) where necessary.

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[36]   The permitted reasons for suspending a counterparty are set out in Articles 156 to 158 of the General Documentation.

14   Contingency arrangements

This chapter provides information on contingency arrangements.

14.1   Non-availability of network service provider (NSP) or other connectivity issues

14.1.1   In exceptional circumstances, if a counterparty does not have access to communication with its HCB through User-to-Application (U2A) or Application-to-Application (A2A) modes, the HCB may agree to enter a collateral (de)mobilisation request and/or credit claim registration request on behalf of its counterparty according to the domestic terms and conditions.

14.1.2   If the request concerns the (de)mobilisation of marketable assets, the counterparty remains responsible for ensuring that the matching leg of the settlement instruction is sent to T2S.

14.1.3   The HCB asks the counterparty to provide the information set out in Annex 16.8 for this purpose.

14.1.4   The request should be sent from the counterparty to its HCB by secure email or any other contingency communication channel.

14.1.5   Instructions are processed on a best-efforts basis by the HCB and the HCB does not accept any liability for failure to process instructions.

14.2   Non-availability of CLM

14.2.1   If a prolonged TARGET disruption over several business days is declared[37] or in any other case where CLM becomes unavailable, all communication with CLM is suspended and it is not therefore possible to request a modification of a counterparty's credit line.

14.2.2   As it is also not possible to obtain information on the actual level of intraday credit drawn down in TARGET when CLM is not available, the amount of collateral deemed to be reserved for intraday credit purposes when CLM is not available will be equal to the greater of (i) the Real Credit Line and (ii) the Expected Credit Line.[38]

14.2.3   If a counterparty has access to a floating credit line, any demobilisation instructions received from that counterparty when CLM is unavailable are queued until such time as CLM becomes available again (at which point the instructions will be processed,

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[37]   Please refer to Article 187a of the General Documentation for further information.

[38]   This principle is also valid where a Maximum Credit Line has been set. Please refer to 9.2.2 above for further information on these concepts.

subject to fulfilment of the standard demobilisation acceptance criteria set out in Sections 5.2, 6.1.4 and 7.2 for marketable assets, credit claims and triparty collateral respectively).

14.2.4   For counterparties with a credit line, demobilisation instructions are not processed when CLM is not available, subject to the collateral value of the assets being demobilised being lower than the amount of excess collateral held by the corresponding counterparty.

14.2.5   Demobilisation instructions received from counterparties without access to a credit line will continue to be processed as normal when CLM is not available.

14.2.6   Mobilisation instructions continue to be accepted from all counterparties (i.e. those with and without access to a credit line in CLM) if CLM is not available.

14.2.7   The amount of collateral reserved for contingency purposes in the counterparty's collateral pool or, according to the HCB's terms and conditions, in a dedicated counterparty collateral pool may be used (and increased through the mobilisation of additional collateral) to obtain liquidity in ECONS II when CLM is not available.

14.2.8   For counterparties with a credit line, any available excess collateral may also – following a corresponding request from the counterparty – be used to obtain liquidity in ECONS II when CLM is not available.

15　Settlement discipline measures

This chapter describes those aspects of the settlement discipline regime that are relevant to the mobilisation of marketable assets and DECCs as collateral.

15.1　Background

15.1.1　Following the introduction of the CSDR settlement discipline regime on 1 February 2022, counterparties and NCBs are subject to cash penalties in the event that settlement instructions for collateral (de)mobilisations sent to the CSD fail to settle on the intended settlement date (ISD).

15.1.2　Two types of cash penalties have been defined:

- late matching fail penalties (LMFP) for cases where matching (and settlement) takes place after the ISD;

- settlement fail penalties (SEFP) for cases where instructions are matched by the ISD but settled after the ISD.

15.1.3　In order to mitigate the occurrence of such settlement fails, the Eurosystem has put in place the following series of procedural safeguards:

- (de)mobilisation instructions received with an intended settlement date in the past are rejected by the NCB and not accepted for further processing;

- (de)mobilisation requests are only accepted during the hours of 07:00 and 17:45 CET;

- instructions that are not yet matched at CSD level by 17:30 CET may be cancelled by the HCB at 17:30 CET in accordance with the rules set out in 5.1.18 and 5.2.25 above for mobilisation and demobilisation instructions respectively.

15.2　Daily reporting on penalties

15.2.1　The CSD reports settlement fails to its participants on a daily basis after the closing of the settlement day and at the latest by 14:00 CET on the following business day.

15.2.2　The CSD provides penalties reporting to both parties to the transaction (i.e. the NCB and its counterparty in the context of Eurosystem collateral management). Accordingly, the HCB does not provide information on penalties to its counterparties.

15.3 Monthly reporting on penalties

15.3.1   CSDs provide a monthly report on penalties on either the 14th or 15th business day of the month, containing details of the aggregated amounts of the penalties for the previous month per currency and per counterparty.

15.3.2   As with the daily penalties, the CSD provides penalties reporting to both parties to the transaction (i.e. the NCB and its counterparty in the context of Eurosystem collateral management). Accordingly, the HCB does not provide information on penalties to its counterparties.

15.4 Payment of cash penalties

15.4.1   The CSD executes the payment of cash penalties on the 18th business day of each month. Additional procedures for the handling of cash payments may be put in place by the respective HCB.

16 Annex

16.1 Harmonised naming conventions for accounts and pools

Table 16.1

Harmonised naming conventions for accounts and pools

Account / pool	Naming convention	Example
T2S Securities Account Numbers[1] *(max: 35 characters)*	Harmonised account naming convention set out in T2S Harmonisation Standard 15 applies CSD BIC (4 digits) + free text (maximum 31 digits)	{MOTI}{BITAITRRX XX0006100300}
Counterparty Account Numbers (Marketable Assets) *(max: 35 characters)*	RIAD code of the counterparty + Asset identifier (MA) + Identifier assigned by the NCB (optional)	{IT0000101262255} {MA}{NCBIdentifier}
Counterparty Account Numbers (Non-Marketable Assets) *(max: 35 characters)*	RIAD code of the counterparty + Asset identifier[2] (CC) + Identifier assigned by the NCB (optional)	{IT0000101262255} {CC}{NCBIdentifier}
Pool Reference *(max: 255 characters)*	Pool purpose (see below) + RIAD code of the counterparty + NCB identifier (optional)	{EUCO}{IT0000101 262255}{03069}
Common Transaction Identification *(max: 35 characters)*	ISO country code of the HCB (in the case of CCBM, the ISO country code of the CCB is used) + three-digit code used to identify the TPA[3] + RIAD code of the counterparty + NCB identifier (optional)	{DE}{CBL} {IT0000101262255} {NCBIdentifier}

1) The harmonised naming convention is applied by the T2S CSD and is thus included here for completeness.
2) The Asset Identifier CC is used for all types of credit claim (i.e. CC or ACC).
3) The following three-digit code is used to identify eligible TPAs: CBL (Clearstream Banking Luxembourg).

Additional information on pool purpose

The four-digit codes to be used to identify the pool purpose are as follows:

- EUCO – for the main pool dedicated to the collateralisation of Eurosystem Credit Operations

- MIXD – if a second (or more) pool is used for multiple purposes

- CCPF – If the pool is for the reservation of collateral by a CCP on behalf of a CCP participant in order to fulfil margin requirement and/or default fund obligations.

- If a second (or more) pool is opened for a specific purpose, the Purpose Type Identifier (e.g. NOTE, ERMS, etc.) set out in Annex 16.2 applies.

16.2 Purposes for which collateral may be mobilised with NCBs

Table 16.2

Purposes for which collateral may be mobilised with NCBs

ID	Purpose	Definition	Initiated by	Purpose Type Identifier	Purpose Type Identifier name
1	Enhanced contingency solution	Collateral reserved by a counterparty for the purpose of obtaining liquidity in ECONS II in the event that TARGET is unavailable.	Counterparty	ECON	Enhanced Contingency Solution
2	Discretionary measures	Collateral reserved on an ad hoc basis to support the implementation of discretionary measures as determined by the ECB's Governing Council.	NCB	DISC	Discretionary Measures
3	ELA	Collateral reserved for the collateralisation of Emergency Liquidity Assistance (ELA) operations.	NCB	ELAO	Emergency Liquidity Assistance Operations
4	Retail payment system guarantee	Collateral reserved by retail payment system participants in order to secure the processing of payments in a retail payment system by means of a guarantee.	NCB	RPSN	Retail Payment System Guarantee – NCB
			Counterparty	RPSC	Retail Payment System Guarantee – Counterparty
5	CCP margin fund	Collateral reserved by a CCP on behalf of a CCP participant in order to fulfil margin requirement obligations. In order to comply with EMIR requirements, each margin requirement differentiates between fixed income margin requirements and cash/derivatives margin requirements. This in turn is further differentiated between own-book trades of the clearing member and trades for clients of the clearing member.	CCP	MFCH	CCP Margin Fund – Fixed Income Clearing Member House
				MFCC	CCP Margin Fund – Fixed Income Clearing Member Client
				MCCH	CCP Margin Fund – Cash/Derivatives Clearing Member House
				MCCC	CCP Margin Fund – Cash/Derivatives Clearing Member Client
				MF1H	CCP Margin Fund – Fixed Income Allied Clearing Member (1) House
				MF1C	CCP Margin Fund – Fixed Income Allied Clearing Member (1) Client
				MC1H	CCP Margin Fund – Cash/Derivatives Allied Clearing Member (1) House
				MC1C	CCP Margin Fund – Cash/Derivatives Allied Clearing Member (1) Client
				MC2C	CCP Margin Fund – Cash/Derivatives Allied Clearing Member (2) Client

ID	Purpose	Definition	Initiated by	Purpose Type Identifier	Purpose Type Identifier name
				MC2H	CCP Margin Fund – Cash/Derivatives Allied Clearing Member (2) House
				MC3H	CCP Margin Fund – Cash/Derivatives Allied Clearing Member (3) House
				MF2H	CCP Margin Fund – Fixed Income Allied Clearing Member (2) House
				MF3H	CCP Margin Fund – Fixed Income Allied Clearing Member (3) House
				MC3C	CCP Margin Fund – Cash/Derivatives Allied Clearing Member (3) Client
				MC4C	CCP Margin Fund – Cash/Derivatives Allied Clearing Member (4) Client
				MC5C	CCP Margin Fund – Cash/Derivatives Allied Clearing Member (5) Client
6	CCP default fund	Collateral reserved by a CCP on behalf of a CCP participant in order to fulfil default fund requirement obligations. In order to comply with EMIR requirements, each default fund requirement differentiates between fixed income default fund requirements and cash/derivatives default fund requirements related to own-book trades of the clearing member.	CCP	DFCH	CCP Default Fund – Fixed Income Clearing Member House
				DC2H	CCP Default Fund – Cash/Derivatives Allied Clearing Member (2) House
				DCCH	CCP Default Fund – Cash/Derivatives Clearing Member House
				DC3H	CCP Default Fund – Cash/Derivatives Allied Clearing Member (3) House
				DF1H	CCP Default Fund – Fixed Income Allied Clearing Member (1) House
				DF2H	CCP Default Fund – Fixed Income Allied Clearing Member (2) House
				DC1H	CCP Default Fund – Cash/Derivatives Allied Clearing Member (1) House
				DF3H	CCP Default Fund – Cash/Derivatives Allied Clearing Member (3) House
7	Eurosystem reserve management services	Collateral reserved for the purpose of providing Eurosystem reserve management services to central banks, monetary authorities or state institutions located outside the euro area and to international organisations.	NCB	ERMS	Eurosystem Reserve Management Services
8	Banknotes	Collateral reserved as a guarantee to cover a potential gap in banknote withdrawals and lodgements.	NCB	NOTE	Banknotes
9	FX transactions	Collateral reserved to mitigate exchange rate fluctuations in foreign exchange	NCB	FREX	FX Transactions

ID	Purpose	Definition	Initiated by	Purpose Type Identifier	Purpose Type Identifier name
		transactions and gold transactions.			
10	Cheque guarantee	Collateral reserved to act as a guarantee for the clearing/circulation of cashier's cheques issued by banks.	NCB	CHEQ	Cheque Guarantee
11	National deposit insurance	Collateral reserved to fulfil obligations owing in respect of national deposit insurance.	NCB	NDIS	National Deposit Insurance
12	SEPA direct debits	Collateral reserved to act as a guarantee for the fulfilment of counterparties' SEPA direct debits (SDD).	NCB	SEPA	SEPA Direct Debits
13	Instant payments	Collateral reserved to act as a guarantee for the fulfilment of emergency liquidity needs for local Instant Payments schemes.	Counterparty	INST	Local Instant Payments
14	General freezing	Collateral reserved to act as a guarantee for new or urgent cases for which no dedicated freezing category has yet been defined. This category should therefore be used in exceptional circumstances only.	NCB	GENF	General Freezing
15	Eurosystem repo facility for foreign central banks	Collateral reserved for the collateralisation of euro liquidity provided to non-euro area central banks in the context of the Eurosystem repo facility for central banks .	NCB	EREP	Eurosystem Repo Facility for Foreign Central Banks
16	Collateralised cash management services	Collateral reserved for the provision of collateralised cash management services by a central bank (acting as financial agent) to public domestic institutional clients.	NCB	CCMS	Collateralised Cash Management Services

In addition to the specific cases mentioned in the table above, collateral may also be reserved for the following specific cases:

- *Liquidity provision in euro:* Collateral reserved for the collateralisation of the provision of liquidity in euro to eligible counterparties (e.g. MRO, LTRO, etc.);

- *Liquidity provision in foreign currencies:* Collateral reserved for the collateralisation of the provision of liquidity in foreign currencies to eligible counterparties (e.g. USD TAF);

- *Credit line provision in TARGET:* Collateral reserved for the purpose of providing intraday credit to counterparties according to the TARGET Guideline.

These cases are not included in the table above as the reservation of collateral is automatic for each of these use cases. Accordingly, no credit freezing instruction is required to reserve collateral for these use cases in the pool dedicated to the collateralisation of Eurosystem credit operations.

16.3 Information required for the (de)mobilisation of marketable assets and DECCs

Information required for the mobilisation of marketable assets and DECCs

To **mobilise** marketable assets and DECCs as collateral, counterparties must include the following information in their mobilisation instructions:

- the identifier of the counterparty mobilising the asset;

- the instructing party, i.e. the party sending the instruction;

- the reference for the instruction (which must be unique) as given by the instructing party;

- the instruction type – receive (RECE) in the case of a mobilisation;

- the trade date of the instruction;

- the intended settlement date of the instruction;

- the ISIN identifying the marketable asset or DECC to be mobilised;

- the quantity and the quantity type (face amount) of the asset to be mobilised;

- the identifier of the counterparty asset account to be used for the safekeeping of the asset;

- the type of legal instrument (pledge or repo – please see Section 4.4.4 for more information) to be used for the mobilisation of the asset;

- the delivering party;

- the receiving CSD, i.e. the CSD operating the SSS where the asset will be held after mobilisation;

- the delivering CSD, i.e. the CSD operating the SSS where the asset is held by the counterparty prior to mobilisation.

Information required for the demobilisation of marketable assets and DECCs

In order to **demobilise** marketable assets and DECCs as collateral, counterparties must include the following information in their demobilisation instructions:

- the identifier of the counterparty demobilising the asset;

- the instructing party, i.e. the party sending the instruction;

- the reference for the instruction (which must be unique) as given by the instructing party;

- the type of instruction – delivery (DELI) in the case of a demobilisation;

- the trade date of the instruction;

- the intended settlement date of the instruction;

- the ISIN identifying the marketable asset or DECC to be demobilised;

- the quantity and the quantity type (face amount) of the asset to be demobilised;

- the identifier of the counterparty asset account from which the asset will be removed;

- the receiving party;

- the receiving CSD, i.e. the CSD operating the SSS where the asset will be held after demobilisation;

- the delivering CSD, i.e. the CSD operating the SSS where the asset is held by the counterparty prior to demobilisation.

16.4 Overview of legal and procedural requirements for credit claims per NCB

Table 16.4

Overview of legal and procedural requirements for credit claims per NCB

	Physical delivery of documentation required?	List of authorised signatures required?	Ex ante notification of the debtor required prior to mobilisation?	Notification of the debtor required after mobilisation?	Additional legal requirements?	Minimum size for domestic mobilisations**
AT	No*	Yes*	No*	No*	Yes*	25,000
BE	No	No	No*	No	No	25,000
CY	Yes	Yes	No	Yes	No	25,000
DE	No	Yes	No	No	Yes*	25,000
EE	No	Yes	No	Yes	No	25,000
ES	No	Yes	No	No	Yes	25,000
FI	No	Yes	Yes	No	N/A	25,000
FR	No	Yes	No	No	No	25,000
GR	Yes	Yes	Yes*	No	No	100,000
HR	Yes	Yes	Yes	No	Yes	500,000
IE	N/A	N/A	N/A	N/A	N/A	N/A
IT	No*	Yes	No*	No*	Yes*	25,000
LT	No	Yes	Yes	No	No	25,000
LU	No	Yes	No	No	None	500,000
LV	Yes	Yes	Yes	Yes	No	25,000
MT	Yes	No	Yes	No	Yes	25,000
NL	Yes	Yes	No	No	Yes	200,000
PT	No*	Yes*	No*	No*	Yes	25,000
SI	Yes	Yes	Yes	No	Yes	500,000
SK	No	No	No	Yes	No	100,000

* Please refer to the table below for further details.
** For cross-border mobilisations, a minimum size of €500,000 applies.

		Additional explanations
Physical delivery of documentation required?		**AT:** Not at the time of mobilisation. Physical delivery of documentation is required in the course of on-site visits (done by external auditors).
		EE: Virtual digitally signed versions of documents.
		FI: For syndicated loans, a separate procedure applies.
		IT: As a rule, Italian counterparties are not required to deliver documentation related to credit claims before mobilisation. Credit claims mobilisation is based on "self-certification" by counterparties of the existence and eligibility of such assets. However, in the case of credit claims for which the credit quality assessment is based on the guarantor, the mobilisation process is "blocked" by the Banca d'Italia and the physical delivery of the relevant documentation (loan agreement, guarantee agreement, etc.) is required ex ante and analysed by the Banca d'Italia.
		The delivery of physical documentation is then required in the context of the regular ex post and random checks on samples of credit claims required by the GD.
		NL: The physical documentation needs to be available upon request; after each mobilisation we will ask for the documents in the form of a sample. For certain loans the documentation needs to be provided prior to mobilisation.
		PT: Exceptions to this, i.e. situations requiring delivery of physical documentation are:
		- for domestic credit claims: (i) credit claims with a guarantor and for which the guarantee must be assessed to grant eligibility, (ii) syndicated credit claims, and (iii) project finance credit claims
		- for cross-border credit claims: all credit claims
		SK: The counterparty is required to submit all documentation relating to the credit claim in electronic form prior to the mobilisation of the credit claim. However, upon request, the documentation must be submitted in physical form within two days of the request for delivery.
List of authorised signatures required?		**AT:** Especially for quarterly confirmation in accordance with Article 101 of the GD.
		ES: For the signature of the Terms and Conditions.
		IT: The provision of the list of authorised signatures – i.e. the list of the counterparty's representatives entitled to pledge credit claims as collateral − is an ex ante obligation for counterparties wishing to mobilise credit claims. The legitimacy of the signatories is then checked for each mobilisation and demobilisation instruction.
		PT: For domestic credit claims: yes, in the context of signing the contractual arrangements with the Banco de Portugal (BdP); for cross-border credit claims: the counterparty must inform BdP of the identities of persons authorised to communicate directly with it or through the home central bank (HCB), and provide a list of authorised signatures.
Ex ante notification of the debtor required prior to mobilisation?		**AT:** Not required; credit claims must be marked "ceded to OeNB" in the core banking system; restrictions relating to mobilisation/realisation will be checked in the context of on-site visits.
		BE: A prior notification is needed only for CCBM credit claims only.
		FI: Debtor/guarantor notification required for ordinary promissory notes.
		IT: For the Banca d'Italia, the obligations related to the notification of debtors (both ex ante and ex post) have been excluded by national law (Law No 15/2017 (conversion of Decree Law No 237/2016, Article 26)).
		GR: An ex ante notification to the debtor is required and must be completed in advance or at the time when the credit claim is actually mobilised as collateral. As an exception to this rule, ex ante notification to the debtor is not required for credit claims that are bearer instruments.
		PT: For domestic credit claims: not required; for cross-border credit claims: when another NCB plays the role of HCB (BdP as CCB) notification/registration may be required, in accordance with the requirements established for the conflict of law rules of the HCB and/or the CCB upon request of the HCB. Registration/notification will be executed according to the rules of the jurisdiction that requires registration/notification.
Notification of the debtor required after mobilisation?		**AT:** See above; could be required in the case of realisation of a credit claim.
		IT: For the Banca d'Italia, the obligations related to the notification of debtors (both ex ante and ex post) have been excluded by national law (Law No 15/2017 (conversion of Decree Law No 237/2016, Article 26)).
		PT: For domestic credit claims: not required; for cross-border credit claims: Upon request of the HCB and in the event of default of the counterparty, BdP will notify the debtor of the mobilised claim for all the effects defined by the HCB (for instance, execution of the pledge).
Additional legal requirements?		**AT:** There are minor additional national legal requirements stated in our T&C, i.e. details on safekeeping of promissory notes, possible types of signatures, etc., but in principle we adhere to the requirements of the GD/IM.
		DE: Where a borrower's note was issued/is issued ex post in respect of a credit claim, measures need to be implemented by the counterparty to ensure legal safety (e.g. physical separation) and access to it by the Deutsche Bundesbank.
		ES: Counterparties should sign a specific contract to be able to mobilise credit claims (and also complementary contracts for specific loan types).
		IT: All credit claims mobilised by Italian counterparties are subject to the additional legal requirements set out in the GD (Articles 99 to 105). In addition, for credit claims types "matched loans" and "revocable loans", specific additional requirements are envisaged.
		NL: Counterparties are required to sign a Master Deed of Assignment upon first (domestic) mobilisation and for subsequent mobilisations of credit claims registration with the Dutch Tax Authority is required. The latter process requires an STP-break in the mobilisation process in ECMS.
		PT: To mobilise credit claims, a counterparty needs to comply with the requirements established in Instrução do Banco de Portugal No 3/2015 (for credit claims) and Instrução do Banco de Portugal No 7/2012 (for additional credit claims).

16.5   Collateralisation arrangement and booking mode per NCB for auto-collateralisation

Table 16.5

Collateralisation arrangement and booking mode per NCB for auto-collateralisation

	Collateralisation arrangement (legal instrument) Pledge/repo	Booking mode (operational technique) Transfer/retain
AT	Repo	Transfer
BE	Pledge	Transfer
CY	N/A	N/A
DE	Pledge	Transfer
EE	Pledge	Transfer
ES	Repo	Retain
FI	Pledge	Transfer
FR	Pledge	Transfer
GR	Pledge	Transfer
HR	Pledge	Transfer
IE	Pledge	Transfer
IT	Pledge	Transfer
LU	Pledge	Transfer
LT	Pledge	Transfer
LV	Pledge	Transfer
MT	Pledge	Transfer
NL	Pledge	Transfer
PT	Pledge	Transfer
SI	Pledge	Transfer
SK	Repo	Transfer

Note: The Cypriot CSD does not participate in T2S. Cypriot counterparties may instead access auto-collateralisation via the CCBM, in which case the legal instrument and booking mode specified by the CCB apply.

16.6   Non-marketable asset fees per NCB

Table 16.6

Non-marketable asset fees per NCB

	Transaction fee (€)			Service fee (%)		
	Individual credit claims	Portfolios of credit claims	RMBDs	Individual credit claims	Portfolios of credit claims	RMBDs
AT	–	N/A	N/A	–	N/A	N/A
BE	1.23	N/A	N/A	0.00113	N/A	N/A
CY	50.00	N/A	N/A	0.02	N/A	N/A
DE	–	N/A	N/A	–	N/A	N/A
EE	N/A	N/A	N/A	N/A	N/A	N/A
ES	–	–	N/A	–	–	N/A
FI	-	N/A	N/A	0.002	N/A	N/A
FR	–	N/A	N/A	–	N/A	N/A
GR	50.00	50.00	N/A	0.02	0.02	N/A
HR	–	N/A	N/A	–	N/A	N/A
IE	N/A	N/A	–	N/A	N/A	–
IT	–	–	N/A	–	–	N/A
LU	–	–	N/A	–	–	N/A
LT	30.00	30.00	N/A	0.0069	0.0069	N/A
LV	–	N/A	N/A	–	N/A	N/A
MT	–	–	N/A	–	–	N/A
NL	–	N/A	N/A	–	N/A	N/A
PT	–	–	N/A	–	–	N/A
SI	30.00	N/A	N/A	0.003	N/A	N/A
SK	–	–	N/A	–	–	N/A

16.7   List of permissible loan types across the Eurosystem

Table 16.7a

List of permissible loan types across the Eurosystem

For each loan type listed below, a single-debtor (identifier starting with "S") and a multi-debtor (identifier starting with "M") variant is included to distinguish between credit claims with (i) a single debtor and (ii) multiple debtors.

Loan type	Identifier	Definition
Regular Loan		
Single Debtor Regular Loan	SREG	A debt obligation of a single debtor vis-à-vis a counterparty.
Multi-Debtor Regular Loan	MREG	A debt obligation of multiple debtors vis-à-vis a counterparty.
Syndicated Loan		
Single Debtor Syndicated Loan	SSYN	A debt obligation of a single debtor vis-à-vis a counterparty resulting from the participation of a lender in a loan provided by a group of lenders in a lending syndicate.

Loan type	Identifier	Definition
Multi-Debtor Syndicated Loan	MSYN	A debt obligation of multiple debtors vis-à-vis a counterparty resulting from the participation of a lender in a loan provided by a group of lenders in a lending syndicate.
Drawn Credit Line		
Single Debtor Drawn Credit Line	SDCL	Credit (containing a maturity date) that has the following features: (i) a single debtor may use or withdraw funds up to a pre-approved credit limit with or without giving prior notice to the creditor, (ii) the credit may be used repeatedly, and (iii) it is not revolving credit, credit card debt or overdrafts.
Multi-Debtor Drawn Credit Line	MDCL	Credit (containing a maturity date) that has the following features: (i) multiple debtors may use or withdraw funds up to a pre-approved credit limit with or without giving prior notice to the creditor, (ii) the credit may be used repeatedly, and (iii) it is not revolving credit, credit card debt or overdrafts.
Ordinary Promissory Note		
Single Debtor Ordinary Promissory Note	SOPN	A promise by a single debtor to repay a specified amount (including interest) on a set payment date to a specified creditor (e.g. Schuldscheindarlehen).
Multi-Debtor Ordinary Promissory Note	MOPN	A promise by multiple debtors to repay a specified amount (including interest) on a set payment date to a specified creditor (e.g. Schuldscheindarlehen).
Syndicated Promissory Note		
Single Debtor Syndicated Promissory Note	SSPN	A promise by a single debtor to repay a specified amount (including interest) on a set payment date to a specified creditor with regard to a loan extended by a group of lenders in a lending syndicate (e.g. Schuldscheindarlehen).
Multi-Debtor Syndicated Promissory Note	MSPN	A promise by multiple debtors to repay a specified amount (including interest) on a set payment date to a specified creditor with regard to a loan extended by a group of lenders in a lending syndicate (e.g. Schuldscheindarlehen).
Negotiable Promissory Note		
Single Debtor Negotiable Promissory Note	SNPN	A promise from a single debtor to repay a specified amount (including interest) on a set payment date containing a right for the creditor to transfer or assign the note to a third party.
Multi-Debtor Negotiable Promissory Note	MNPN	A promise from multiple debtors to repay a specified amount (including interest) on a set payment date containing a right for the creditor to transfer or assign the note to a third party.
Finance Leasing		
Single Debtor Finance Leasing	SFLE	Financial leases as defined in paragraphs 5.134 to 5.135 of Annex A to Regulation (EU) No 549/2013

A single debtor financial lease is a contract under which the creditor (lessor) as legal owner of an asset conveys the risks and benefits of ownership of the asset to the debtor (lessee). Under a financial lease, the creditor is deemed to make, to the debtor, a loan with which the debtor acquires the asset. Thereafter the leased asset is shown on the balance sheet of the debtor and not the creditor; the corresponding loan is shown as an asset of the creditor and a liability of the debtor.

Financial leases may be distinguished from other kinds of leases because the risks and rewards of ownership are transferred from the legal owner of the good to the user of the good. Other kinds of leases are (i) operating lease and (ii) resource lease. |
| **Multi-Debtor Finance Leasing** | MFLE | Financial leases as defined in paragraphs 5.134 to 5.135 of Annex A to Regulation (EU) No 549/2013

A multi-debtor financial lease is a contract under which the creditor (lessor) as legal owner of an asset conveys the risks and benefits of ownership of the asset to the debtors (lessees). Under a financial lease, the creditor is deemed to make, to the debtors, a loan with which the debtors acquire the asset. Thereafter the leased asset is shown on the balance sheet of the debtors and not the creditor; the corresponding loan is shown as an asset of the creditor and a liability of the debtors.

Financial leases may be distinguished from other kinds of leases because the risks and rewards of ownership are transferred from the legal owner of the good to the user of the good. Other kinds of leases are (i) operating lease and (ii) resource lease. |

Loan type	Identifier	Definition
Operating Leasing		
Single Debtor Operating Leasing	SOLE	Operating leases as defined in paragraph 15.08 of Annex A to Regulation (EU) No 549/2013 A single debtor operating lease is a lease whereby the legal owner is also the economic owner and accepts the operating risks and receives the economic benefits from the asset by charging for the use of it, in a productive activity.
Multi-Debtor Operating Leasing	MOLE	Operating leases as defined in paragraph 15.08 of Annex A to Regulation (EU) No 549/2013 A multi-debtor operating lease is a lease whereby the legal owner is also the economic owner and accepts the operating risks and receives the economic benefits from the asset by charging for the use of it, in a productive activity.
Recourse Factoring		
Single Debtor Recourse Factoring	SRFC	Factoring is a transaction in which a service provider or producer of goods (known as the factoring client) sells its accounts receivable, or invoices, to a credit institution, i.e. a counterparty. In single debtor recourse factoring, the risk of default of the debtor of the trade receivables is retained fully or partially by the factoring client, in which case the credit institution (the counterparty) is able to hold the factoring client liable if the company's customer is unable to pay (i.e. the counterparty has recourse to other assets in the event that the debtor is unable to pay).
Multi-Debtor Recourse Factoring	MRFC	Factoring is a transaction in which a service provider or producer of goods (known as the factoring client) sells its accounts receivable, or invoices, to a credit institution, i.e. a counterparty. In multi-debtor recourse factoring, the risk of default of the debtors of the trade receivables is retained fully or partially by the factoring client, in which case the credit institution (the counterparty) is able to hold the factoring client liable if the company's customer is unable to pay (i.e. the counterparty has recourse to other assets in the event that the debtors are unable to pay).
Non-Recourse Factoring		
Single Debtor Non-Recourse Factoring	SNRF	Factoring is a transaction in which a service provider or producer of goods (known as the factoring client) sells its accounts receivable, or invoices, to a credit institution, i.e. a counterparty. In single debtor non-recourse factoring, the credit institution assumes the full risk of default of the debtor of the trade receivables.
Multi-Debtor Non-Recourse Factoring	MNRF	Factoring is a transaction in which a service provider or producer of goods (known as the factoring client) sells its accounts receivable, or invoices, to a credit institution, i.e. a counterparty. In multi-debtor non-recourse factoring, the credit institution assumes the full risk of default of the debtors of the trade receivables.
Other		
Other	OTHE	Category used for new cases for which no dedicated credit claim type has yet been defined. This category should therefore be used in exceptional circumstances only.

Table 16.7b

List of relevant loan types per NCB

✓   **Relevant**
--   **Not relevant**

	AT	BE	CY	DE	EE	ES	FI	FR	GR	HR	IE	IT	LU	LT	LV	MT	NL	PT	SI	SK
Regular Loan																				
SREG	✓	✓	✓	✓	✓	✓	–	✓	✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓
MREG	✓	✓	✓	✓	–	✓	–	✓	–	–	–	–	✓	–	✓	–	✓	✓	–	–
Syndicated Loan																				
SSYN	✓	✓	✓	✓	–	✓	–	✓	✓	✓	–	✓	✓	✓	–	–	✓	✓	✓	✓
MSYN	✓	✓	–	✓	–	✓	–	✓	–	–	–	–	✓	–	–	–	–	✓	–	–
Drawn Credit Line																				
SDCL	✓	✓	–	✓	✓	✓	✓	✓	✓	–	–	✓	✓	✓	–	–	–	✓	–	✓
MDCL	✓	✓	–	✓	–	✓	–	✓	–	–	–	–	✓	–	–	–	–	✓	–	–
Ordinary Promissory Note																				
SOPN	✓	–	–	✓	–	–	✓	✓	–	–	–	–	✓	–	–	–	–	–	–	✓
MOPN	✓	–	–	✓	–	–	–	✓	–	–	–	–	✓	–	–	–	–	–	–	–
Syndicated Promissory Note																				
SSPN	✓	–	–	✓	–	–	✓	✓	–	–	–	–	✓	–	–	–	–	–	–	✓
MSPN	✓	–	–	✓	–	–	–	✓	–	–	–	–	✓	–	–	–	–	–	–	–
Negotiable Promissory Note																				
SNPN	–	–	–	–	–	–	✓	✓	–	–	–	–	–	–	–	–	–	–	–	–
MNPN	–	–	–	–	–	–	–	✓	–	–	–	–	–	–	–	–	–	–	–	–
Finance Leasing																				
SFLE	–	–	–	–	✓	✓	–	✓	–	–	–	✓	–	–	–	–	–	✓	–	–
MFLE	–	–	–	–	–	✓	–	✓	–	–	–	–	–	–	–	–	–	✓	–	–
Operating Leasing																				
SOLE	–	–	–	–	–	–	–	✓	–	–	–	–	–	–	–	–	–	–	–	–
MOLE	–	–	–	–	–	–	–	✓	–	–	–	–	–	–	–	–	–	–	–	–
Recourse Factoring																				
SRFC	–	–	–	–	–	✓	–	✓	–	–	–	✓	–	–	–	–	–	–	–	–
MRFC	–	–	–	–	–	✓	–	✓	–	–	–	–	–	–	–	–	–	–	–	–
Non-Recourse Factoring																				
SNRF	–	–	–	–	–	–	–	–	–	–	–	✓	–	–	–	–	–	–	–	–
MNRF	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Notes:
- The loan type "Other" is intended to be used in exceptional circumstances only (e.g. for new cases for which no dedicated credit claim type has yet been defined) and is therefore not listed in the table above.
- The loan types relevant for assessing the eligibility of a credit claim in Portugal correspond to those defined within the scope of reporting to the Banco de Portugal Central Credit Register (CCR).

16.8 (De)mobilisation of collateral in a contingency scenario

Table 16.8a

Template A: (De)mobilisation of marketable assets in a contingency scenario

(De)Mobilisation of Marketable Assets in Contingency Scenario	
Information to be provided to the HCB to request the (de)mobilisation of an asset	
Counterparty Identifier	The RIAD code of the counterparty (de)mobilising the asset
Instruction Reference	The reference of the instruction (which must be unique) as given by the instructing party (must not exceed 35 characters)
Instruction Type	The instruction type: - receive (RECE) in the case of a mobilisation or - deliver (DELI) in the case of a demobilisation
Trade Date	The trade date of the instruction
Intended Settlement Date	The intended settlement date of the instruction
ISIN	The ISIN identifying the marketable asset or DECC which will be (de)mobilised
Quantity	The quantity (face amount) of the asset which will be (de)mobilised
Asset Account	The identifier of the counterparty asset account which shall be used for the safekeeping of the asset
Legal Instrument (Securities Transaction Type)	The type of legal instrument (pledge or repo) which shall be used for the mobilisation of the asset
Delivering/Receiving CSD	Identifier of the CSD where the asset is: - received in the case of a mobilisation or - delivered in the case of a demobilisation
Party CSD	Identifier of the counterparty's CSD where the asset is: - delivered in the case of a mobilisation or - received in the case of a demobilisation
Party BIC	The BIC code of the: - delivering party in the case of a mobilisation or - receiving party in the case of a demobilisation

Table 16.8b

Template B: (De)mobilisation of credit claims in a contingency scenario

(De)Mobilisation of Credit Claims in Contingency Scenario	
Information to be provided to the HCB to request the (de)mobilisation of an asset	
Counterparty Identifier	The identifier of the counterparty mobilising the asset
Eurosystem Credit Claim Identifier	The Eurosystem Credit Claim Identifier
Instruction Type	Mobilisation or Demobilisation
Asset Account	The counterparty asset account used for the safekeeping of the asset
Intended Settlement Date	The intended settlement date of the instruction

Table 16.8c

Template C: Registration of credit claims in a contingency scenario

Registration of Credit Claims in Contingency Scenario	

Information to be provided to the HCB to request the registration of a credit claim

Instruction Details

Counterparty Identifier	The identifier of the counterparty mobilising the asset
Instruction Reference	Reference assigned to the registration instruction by the counterparty
Operation Type	Registration
Governing Law	ISO country code of the governing law of the credit claim
Creditor	RIAD code of the creditor (if different from the counterparty)

Credit Claim Details

Credit Claim Reference	Reference assigned to the credit claim by the counterparty
Credit Claim Contract Number	Contract number of the credit claim as known by the debtor
Outstanding Amount	Outstanding amount of the loan
Currency	Currency in which the loan is denominated
Maturity Date	Date on which the loan is due to be repaid
Origination Date	Date on which the loan was extended to the debtor

Debtor Details

Debtor Reference	Identifier of the debtor (including the type of code used to identify the debtor)
Debtor Name	Name of the debtor
Debtor Code Type	Type of code used to identify the debtor

Guarantor Details

Guarantor Reference	Identifier of the guarantor (required if a guarantor is used)
Guarantor Name	Name of the guarantor (required if a guarantor is used)
Guarantor Code Type	Type of code used to identify the guarantor (required if a guarantor is used)
Guarantee Reference	Reference assigned to the guarantee by the counterparty (required if a guarantor is used)

Other Details

Loan Type	Type of loan (e.g. regular loan, syndicated loan, drawn credit line) – see Annex 15.6
Set-Off Risk Indicator	Identifies if there is a set-off risk
Negative Cash Flow	Indicates if the interest rate may result in a negative cash flow i.e. a transfer of proceeds from the creditor to the debtor
Subordination Indicator	Identifies if the rights to the principal and/or interest of the credit claim are subordinated
Agent Bank	RIAD code identifying the agent bank (relevant for syndicated loans)
Changing Interest Rate Indicator	Indicates if the credit claim includes a condition whereby the interest rate type can be changed from variable into fixed or vice versa
Changing Interest Rate Indicator Date	Date on which the interest rate type will change (relevant if the changing interest rate indicator is true)
Interest Rate Type	Indicates if the interest rate of the loan is fixed or variable
Reference Index	Identification of the reference index used e.g. €STR (relevant if the interest rate is variable)
Reference Index Comment	The type of legal instrument (pledge or repo) which shall be used for the mobilisation of the asset
Cap Indicator	Indicates if the interest rate is capped (relevant if the interest rate is variable)
Resetting Period More Than One Year	Indicates if the interest rate resetting period is greater than 12 months (relevant if the interest rate is variable)

16.9 List of abbreviations

ACB   Assisting central bank

ACCs   Additional credit claims

AMI-SeCo   Advisory Group on Market Infrastructures for Securities and Collateral

A2A   Application-to-Application

BIC   Bank Identifier Code

CA   Corporate action

CCB   Correspondent central bank

CCBM   Correspondent central banking model

CET   Central European Time

CLM   Central Liquidity Management

CMB   Credit memorandum balance

CRA   Collateral receiving account

CSD   Central securities depository

CSDR   Central Securities Depositories Regulation

DCA   Dedicated cash account

DECC   Debt instrument backed by eligible credit claims

ECAI   External credit assessment institution

ECB   European Central Bank

ECMS   Eurosystem Collateral Management System

ECONS Enhanced Contingency Solution

EEA   European Economic Area

EFTPS Electronic Federal Tax Payment System

ESCB   European System of Central Banks

EU   European Union

FAMT   Face amount

FOP   Free of payment

FTD	Fixed-term deposit
FX	Foreign exchange
G10	Group of Ten
GD	General Documentation
HCB	Home central bank
ICAS	In-house credit assessment system
IRB	Internal ratings-based system
IRS	US Internal Revenue Service
ISD	Intended settlement date
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
LMFP	Late matching fail penalty
LTRO	Longer-term refinancing operation
MCA	Main cash account
MRO	Main refinancing operation
NCB	National central bank
NSP	Network service provider
ONA	Outstanding nominal amount
QI	Qualified intermediary
RCA	Regular collateral account
RIAD	Register of Institutions and Affiliates Database
RMBD	Retail mortgage-backed debt instruments
SCoRE	Single Collateral Management Rulebook for Europe
SEFP	Settlement fail penalty
SSS	Securities settlement system
T2S	TARGET2-Securities

TARGET Trans-European Automated Real-time Gross settlement Express Transfer system

TCMS   Triparty collateral management services

TPA   Triparty agent

U2A   User-to-Application

XML   eXtensible Markup Language

16.10 Terminology

Term	Description
Account segregation	Account segregation refers to the practice of maintaining separate accounts for assets belonging to different counterparties, different groups of counterparties, or belonging to the same counterparty but with different characteristics (e.g. different types of financial instruments or instruments used for different purposes).
Asset account	An asset is (a) in relation to the mobilisation of marketable assets and DECCs: (i) an account opened by an NCB in its own books; (ii) an account opened in the books of a securities settlement system or of another NCB acting as a correspondent central bank; (b) in relation to the mobilisation of non-marketable assets (other than DECCs): (i) an account opened by an NCB in its own books; (ii) an account opened in the books of another NCB acting as a correspondent central bank. Such accounts opened with an institution other than the home central bank are referred to as 'external asset accounts'; such accounts opened in the books of the home central bank are referred to as 'internal asset accounts'.
Assisting central bank (ACB)	An NCB that provides assistance and advice to an HCB on the cross-border mobilisation of credit claims.
Auto-collateralisation	A Eurosystem credit operation in the form of an intraday credit that is triggered when a buyer of securities (a Eurosystem counterparty) does not have sufficient funds available on its dedicated cash account (DCA) in T2S to settle a securities transaction and uses either the securities that are being purchased (auto-collateralisation on flow) or securities already held by the buyer (auto-collateralisation on stock) as collateral in order to generate the liquidity needed to settle the securities transaction.
Booking mode	An operational technique used for mobilisation. Two modes are available: Transfer: the delivery of marketable assets or DECCs that are mobilised as collateral from a securities account of the counterparty to a securities account of the NCB. Retain: the retention of marketable assets and/or DECCs that are mobilised as collateral on a securities account of the counterparty.
Central Securities Depository (CSD)	An entity that: 1) enables securities transactions to be processed and settled by book entry; 2) provides custodial services (e.g. the administration of corporate actions and redemptions); and 3) plays an active role in ensuring the integrity of securities issues.
Central Liquidity Management (CLM)	A centralised mechanism for the monitoring and management of liquidity in TARGET.
Collateral	All marketable and non-marketable assets and cash eligible under Guideline (EU) 2015/510 (ECB/2014/60) and/or Guideline ECB/2014/31 to collateralise Eurosystem credit operations or mobilised for certain other purposes as determined by the Eurosystem from time to time.
Collateral allocation	Collateral allocation refers to the process undertaken by a triparty agent throughout the day (either in scheduled batches or continuously) in order to allocate securities to the collateral taker.
Collateral demobilisation	The process by which collateral is returned to the counterparty by its HCB.
Collateral management	The process by which collateral is delivered (mobilised) by a counterparty to its HCB, and any subsequent handling of the collateral until it is returned to the counterparty.
Collateral mobilisation	The process by which collateral is delivered from the counterparty to its HCB.
Collateral realisation	The process by which an NCB enforces its rights over assets mobilised as collateral in satisfaction of outstanding credit which has become due.
Collateral reallocation	The process by which assets are reallocated from the account designated at the time of mobilisation to another account.
Collateral receiving account (CRA)	A securities account in an eligible SSS where marketable assets and DECCs mobilised via an auto-collateralisation transaction are held on an intraday basis.
Collateral reservation	The reservation of collateral value within a collateral pool for a specified purpose. This concept is also known as credit freezing (as the reserved collateral is considered to be consumed credit from a collateral management perspective and thus appears in the credit position of the collateral pool).
Collateral value	The amount of credit which may be granted against collateral provided by a counterparty after haircuts and other factors, whether related to the asset and/or the counterparty, have been deducted.
Collateralisation arrangement	Collateralisation arrangements refers to the legal instruments used for collateralisation. Two arrangements are available: the transfer of ownership, i.e., a repo, which takes the legal form of a repurchase agreement;

Term	Description
	the creation of a security interest, i.e. a pledge, assignment or a charge granted over the relevant assets, which takes the legal form of a collateralised loan.
Corporate events	A corporate event is an action or event decided by the issuer of a security which has an impact on the holders of that security (for example interest distributions, redemptions and reorganisations). Corporate events are comprised of corporate actions and general meetings.
Correspondent Central Bank (CCB)	An NCB acting on behalf of the HCB in a CCBM arrangement.
Correspondent Central Banking Model (CCBM)	An arrangement established by the Eurosystem with the aim of enabling counterparties to mobilise eligible assets on a cross-border basis, in which national central banks act as custodians for, and as agents of, one another, and pursuant to which: (a) the HCB provides credit or liquidity to the counterparty based on eligible assets held by or to the order of the counterparty in an account designated by the CCB; (b) the CCB acts on behalf of the HCB in respect of such eligible assets and provides assistance and advice; and (c) in specified cases in relation to credit claims, the ACB provides assistance and advice.
Counterparty	A counterparty is (a) an institution fulfilling the eligibility criteria laid down in Part Three of Guideline (EU) 2015/510 (ECB/2014/60) entitling it to access the Eurosystem's monetary policy operations and, in respect of access to intraday credit, a participant fulfilling the eligibility criteria laid down in Article 10 of Part II of Annex I to Guideline (EU) 2022/912 (ECB/2022/8); or (b) an entity providing collateral managed by NCBs for certain other purposes as determined by the Eurosystem from time to time.
Credit claim registration	The process by which a counterparty provides information on the attributes of a credit claim prior to mobilisation.
Credit line	The collateral value available to collateralise intraday credit in TARGET.
Delivering CSD	The CSD where the asset is held by the counterparty prior to the mobilisation.
Direct access	The mobilisation of marketable assets and DECCs where the NCB receives such assets into a securities account held by that NCB with a CSD located in a jurisdiction other than that in which the NCB is established.
Domestic SSS	An SSS operated by a CSD located in the same jurisdiction as the HCB.
Eligible asset	Marketable and non-marketable assets eligible under Guideline (EU) 2015/510 (ECB/2014/60) and Guideline ECB/2014/31
Eligible link	A direct or relayed link that the Eurosystem has deemed compliant with the eligibility criteria laid down in Annex I of the Collateral Management Guideline and is included in the Eurosystem's list of eligible links published on the ECB's website. An eligible relayed link is composed of underlying eligible direct links.
Eligible SSS	An SSS operated by a CSD that the Eurosystem has deemed compliant with the eligibility criteria laid down in Annex I of the Collateral Management Guideline and is included in the Eurosystem's list of eligible SSSs published on the ECB's website.
Eligible TPA	A TPA that is operated by a CSD that the Eurosystem has deemed compliant with the eligibility criteria laid down in Annex II of the Collateral Management Guideline and is included in the Eurosystem's list of eligible TPAs published on the ECB's website
Eurosystem	The ECB and national central banks (NCBs) of a Member State whose currency is the euro.
Eurosystem Collateral Management System (ECMS)	The single Eurosystem platform that allows NCBs to manage eligible assets and cash mobilised as collateral by their counterparties.
Eurosystem credit claim identifier	An identifier assigned by the Eurosystem to registered credit claims.
Eurosystem credit operations	Eurosystem credit operations means: (a) liquidity-providing reverse transactions, i.e. liquidity-providing Eurosystem monetary policy operations excluding foreign exchange swaps for monetary policy purposes and outright purchases; (b) intraday credit; and (c) ECONS credit.
Expected credit line	The last credit line communicated to, but potentially not yet settled in, CLM.
Floating credit line	A credit line where the value of the credit line changes (floats) in accordance with changes in the amount of available collateral.
Home Central Bank (HCB)	The NCB of the Member State in which a counterparty is established and which grants credit to that counterparty in Eurosystem credit operations.
Intermediary SSS	An SSS which acts as an intermediary between an issuer SSS and an investor SSS.
Investor SSS	An SSS with an eligible link to an issuer SSS in order to facilitate the transfer of securities from participants in the issuer SSS to participants in the investor SSS.
Issuer CSD	The CSD in which securities have been issued.
Issuer SSS	An SSS operated by the CSD in which securities have been issued.
Main Cash Account (MCA)	An account in TARGET used for the settlement of operations with central banks.

Term	Description
Margin call	A procedure relating to the application of variation margins, implying that if the value of the assets mobilised as collateral by a counterparty, as regularly measured, falls below a certain level (under-collateralisation), the Eurosystem requires the counterparty to supply additional eligible assets or cash.
Maximum credit line	A credit line where a maximum value is defined in order to limit the amount of intraday credit which may be obtained in TARGET.
Mobilisation channels	The series of procedures and arrangements established to allow the mobilisation of eligible assets by counterparties, and comprises the domestic mobilisation channel, the links mobilisation channel, the CCBM channel and the direct access mobilisation channel.
National central bank (NCB)	A national central bank of a Member State whose currency is the euro.
Negative cash flows	A corporate event involving a cash flow from the counterparty to the issuer.
Non-domestic SSS	An SSS operated by a CSD located in a different jurisdiction to the HCB.
Omnibus account	A securities account used to hold collateral mobilised by more than one counterparty.
Parallel link	A relayed link having the same issuer SSS and investor SSS as another relayed link.
Pooling	The operational method used by NCBs to maintain collateral mobilised by counterparties, whereby the counterparty makes collateral available to an NCB to collateralise credit from that NCB, and in which individual eligible assets are not linked to any specific Eurosystem credit operation, with the exception of RMBDs which are linked to a specific credit operation.
Positive cash flows	A corporate event involving a cash flow from the issuer to the counterparty.
Primary MCA	The MCA, owned by the counterparty or a third party, and designated by the counterparty for the settlement of payments related to the management of collateral.
Qualified Intermediary (QI)	A foreign intermediary (or foreign branch of a US intermediary) that has entered into a qualified intermediary withholding agreement with the US's Internal Revenue Service (IRS).
Real credit line	The last credit line value settled in CLM.
Receiving CSD	The CSD where the asset is held after the mobilisation.
Regular collateral account (RCA)	A securities account opened in an eligible SSS where marketable assets and DECCs mobilised as collateral via the Domestic, Links, Direct Access and CCBM mobilisation channels are transferred or retained.
Securities Settlement System (SSS)	A system which allows the transfer of securities, either free of payment (FOP) or against payment (delivery versus payment).
Segregated account	A securities account used to hold collateral mobilised by a single counterparty.
Single Collateral Management Rulebook for Europe (SCoRE)	A single rulebook setting out common rules for managing collateral in Europe.
Suggested credit line	The difference between the total collateral position and the total credit position. For counterparties without access to intraday credit in TARGET, this figure represents the indicative amount of intraday credit potentially available.
TARGET2-Securities (T2S)	The Eurosystem's single technical platform enabling central securities depositories (CSDs) and national central banks to provide core, borderless and neutral securities settlement services in central bank money in Europe.
T2S SSS	An SSS operated by a CSD where such CSD relies on the T2S service for the operation of that SSS.
Triparty Collateral Management Services (TCMS)	Services provided by TPAs that allow counterparties to optimise the use of their securities portfolios when collateralising credit and other exposures across different products and instruments. As part of their daily operations, TPAs provide services such as collateral (auto)selection, valuation and substitution, optimisation of the composition of the triparty pool ("allocation cycles") and corporate action processing.
Triparty transaction	A transaction created by the TPA upon receipt of the deal information from a collateral giver and a collateral taker. A transaction is created, can be changed and is terminated.