



FEDERATION  
BANCAIRE  
FRANCAISE



Chairman of French Users Group

Paris, July 13<sup>th</sup>, 2007

Dear Madam,

Please find hereinafter the response of French banks about Collateral Management (CCBM2).

Yours sincerely,

Dominique Hoenn

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**French Feedback to consultation paper of the European Central Bank  
Subject: The next generation of Collateral Management (CCBM2)**

*We welcome the Eurosystem initiative to improve the current Eurosystem collateral framework and to consult ex-ante the market. As an executive summary please find hereafter the four major issues of the French market:*

**1) Governance:**

- *This consultation is a first step on this subject and needs deeper development with market participants. We propose to create at least one additional Technical Group dedicated to CCBM2 which -like the others T2S Technical Groups- will report directly to T2S Advisory Group. The start of the consultation of the new Technical Group has to be tied-in with the other Eurosystem projects.*

**2) Timing:**

- *We need the provisional CCBM2 project phases and time frame with the main deadlines.*
- *CCBM2 should have the same planning as T2S so that maximum synergies should be obtained with T2S. Nevertheless, as there is a real need for cross border mobilization of credit claims, the French market is interested by an early implementation of this part of CCBM2 and at the latest with T2S.*

**3) Scope:**

- *Registration and mobilization: we believe that CCBM2 should be able to manage and to technically integrate collateral registration specially for credit claims and mobilization according to the best practices. In the case that CCBM2 does not manage directly registration, CCBM2 should be fully compliant with national registration systems (as French TRICP system used for credit claims). Moreover, following the Eurosystem "building blocks" approach, existing procedures such as TRICP should be used as a building block for CCBM2.*
- *CSDs/NCBs process: the CCBM2 should also simplify the CSDs/NCBs process in order to avoid the so called "spaghetti" architecture and to improve the CSDs/NCBs specifics links which are both currently non efficient particularly in terms of timing.*

**4) Functionalities:**

- *Non regression: we do not want to have any regression compared with existing services.*
- *Liquidity tools: it is key that banks have piloting tools (submitting instructions, reporting,...) in order to directly manage their collateral as it is the case for instance with BDF platform (named 3G).*
- *Single interface: the same interface screen should be used -for instance the ICM of T2 cash- for interconnection with T2 cash, T2S and CCBM2.*
- *Specific operation code: we believe that CCBM2 mobilization instructions should be identified as specific operations within T2S to ensure the appropriate level of priority.*

**NB : We give our consent that our comments may be made public on the ECB internet.**

*I. Feedback to CCBM2 principles*

**Principle 1:** The CCBM2 will provide central banks with an IT platform for the management of eligible collateral used for Eurosystem credit operations, while complying with the principle of decentralisation of access to credit.

*We understand that CCBM2 will provide central banks with a single tool. We agree on this principle but it is critical that banks have also direct piloting tools (submitting instructions, reporting,...) in order to manage their collateral. Compared to the existing system and services, the French market does not want to have any regressions in terms of functionality.*

**Principle 2:** The CCBM2 will be fully compatible with TARGET2 and T2S, in particular, with the communication interfaces and the settlement procedures used by T2S for the delivery of the securities.

*We underline the necessity to have the provisional CCBM2 project phases and time frame.*

*CCBM2 should have the same planning as T2S so that maximum synergies should be achieved.*

*Moreover, the horizon of CCBM2 at 2013/2014 would allow the write off of our new system (3G platform).*

*Nevertheless, as there is a real need for cross border mobilization of credit claims, French market is interested by an early implementation of this part of CCBM2 and at the latest with T2S.*

**Principle 3:** The scope of CCBM2 will cover both the domestic and cross-border use of collateral, as well as different collateralisation techniques (such as pool pledge and repo), depending on the practices of each central bank.

*CCBM2 should give banks the technical capability to manage the different collateralisation techniques such as pledge and repo at the hand of the commercial banks. Anyway the different collateralisation techniques should be driven by common rules across all countries. Therefore, we need a CCBM2 guideline (like T2 cash guideline) that defines those common rules for collateralisation techniques.*

**Principle 4:** The CCBM2 will handle all eligible collateral (both securities and non-marketable debt instruments).

*We understand that all assets according to the single list including credit claims are eligible to CCBM2.*

*We believe that CCBM2 should be able to manage and to have the technical capacity to integrate collateral registration for credit claims and mobilization according to the best practices. In the case that CCBM2 do not directly manage registration, CCBM2 should be fully compliant with national registration systems (with French TRICP system for example). Moreover, following the Eurosystem "building blocks" approach, existing procedures such as TRICP could be used as a building block for CCBM2.*

**Principle 5:** The CCBM2 will process instructions in real time on a straight-through-processing (STP) basis permitting the delivery of collateral to generate the release of related credit in TARGET2 on a real-time basis.

*These process instructions should include STP and real-time also with CSDs or related system (for credit claims) for the whole chain including contractual SLA.*

*We believe that CCBM2 mobilization instructions should be identified as specific types of operations within T2S to ensure the appropriate level of priority.*

**Principle 6:** The CCBM2 will be able to take collateral through all eligible SSSs and eligible related linkages between them.

*We believe that in a T2S environment, this question may not be relevant as it is likely that in this case, only one SSS for the Euro securities in central bank money will be used. If CSDs do not join T2S, there is still the need for taking collateral through other eligible SSSs. The links between the various SSSs should be carefully assessed by ECB in complete respect of Level Playing Field.*

*The CCBM2 should simplify also the CSDs/NCBs process in order to avoid the so called "spaghetti" architecture and to improve the CSDs/NCBs specific links which are both currently non efficient particularly in terms of timing.*

## **II. Feedback to European Central Bank questions**

**Question 1:** In general, with regard to the current collateral management handling procedures, what are the main imperfections that should be addressed and the main advantages that should be retained in the next generation of Eurosystem collateral management?

*For the time being, securities movements using CSDs links are not completely synchronised when moving them from one CSD to another. It is not rare that the party is debited from the securities in one CSD while its counterparty has not yet received them in another CSD. In a secured target environment, those movements should happen as simultaneously as possible as securities delivery.*

*As explained in principle 6, simplification of "spaghetti" architecture and improvement of CSDs/NCBs specific links that hamper efficiency, particularly in terms of timing, are needed.*

*Moreover, CSDs should respect cut-off times and harmonization rules which will be detailed in the Service Level Agreement of CCBM2.*

**Question 2:** Do the CCBM2 principles as formulated above address your needs for improving the current Eurosystem collateral handling procedures (in particular, for the cross-border use of collateral through the CCBM)?

*Those principles seem to be well established. Nevertheless, this consultation provides a list of high-level proposals and initiates the market consultation on the CCBM2. We are waiting for "technical" consultations (see below answer to question 7).*

*In addition, we need a global scheme of CCBM2 and the links with the different CSDs.*

**Question 3:** What enhancements should the CCBM2 be able to achieve in comparison with the current CCBM beyond the principles expressed above?

*CCBM2 should permit real-time processing, Straight Through Processing optimization and enhanced submission of instructions, management and reporting tools to participants.*

**Question 4:** Apart from the components internal to the Eurosystem, what types of feature should be covered by the CCBM2 user requirements, from your perspective?

*We want to have liquidity management tools at the hand of the bank treasurer in order to manage its liquidity both in normal situation (T2 cash credit line) and in contingency situation (Contingency Module).*

**Question 5:** Do you have specific technical requirements that should be considered in the user requirements of CCBM2 (such as type of technical access; monitoring functions; opening hours/days; customer support requirements)?

*The requirements that should be considered are: customer support and help desk for any user requirements, service review, same daytime period starts and ends than T2 cash, user profile control and accreditation, management, submission of instructions and reporting tools for commercial banks with a user-friendly workstation (ICM one).*

**Question 6:** Are you aware of planned market initiatives that might have an impact on the design and the business case for the CCBM2 as outlined in the principles mentioned above?

*CCBM2 should follow the common European recommendations as far as connectivity is concerned: XML, SWIFT ISO 15022 and 20022 standards (as T2S and T2 cash are doing). CCBM2 should be built on a harmonised basis to contribute to the removal of Giovannini barrier 1.*

**Question 7:** How do you wish to conduct dialogue with the Eurosystem on the project in the future? For instance, the Eurosystem intends to continue consulting the market on an elaborated version of the user requirements. Would this level of interaction be appropriate? Do you think it could take place through the relevant market consultation groups at national and Eurosystem levels, or would you like to suggest another level of interaction (e.g. a contact group at Eurosystem level)?

*We believe that "technical" consultations should be managed in parallel with T2S contributions in order to enhance interactions with T2S. This consultation is a first step on this subject and need deeper investigation with market participants. We propose to create at least one additional technical group dedicated to CCBM2 which report directly to T2S advisory group. This organization should facilitate coordination and coherence between CCBM2 and T2S works. The start of the consultations of the new Technical Group has to tie-in accordingly to the other Eurosystem projects.*

*CCBM2 works should be finalized as T2S works at the end of 2007.*

This consultation paper will be send to the ECB at the following address:  
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or to the respective national central bank of the Eurosystem.

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