



EUROPEAN CENTRAL BANK

EUROSYSTEM

Eurosystem Collateral Management System

Information pack

Account structure and the ECMS pool

January 2020

target | ECMS
services

Account structure

- The ECMS uses asset accounts and cash accounts which are set up by an NCB for its counterparties
- The accounts can be internal (in the ECMS) or external (when used to mirror accounts in other systems, e.g. T2S)
- Counterparties, NCBs and non-euro area CBs can be account owners in the ECMS

External cash accounts

- Only **external** cash accounts can be found in the ECMS. These are not actual ECMS accounts, but are a reference to accounts which are opened outside the ECMS.
- **CLM main cash accounts (MCA)** are opened in CLM. In the ECMS, these accounts are used for the settlement of monetary policy operations, payments related to cash as collateral and corporate action payments.
- **T2S dedicated cash accounts (DCA)** are opened in T2S. In the ECMS, these will be used mainly in order to identify which ECMS pool will be impacted by processes related to T2S auto-collateralisation.

External securities accounts

- The ECMS reference data reflects the accounts opened in T2S by CSDs
- These **external securities accounts** are used for the settlement of marketable asset instructions
- External securities accounts can have one of three types:
 - (1) T2S securities account for regular collateral
 - (2) T2S Securities account for triparty collateral
 - (3) T2S securities account for intraday auto-collateral

ECMS counterparty asset accounts

- These internal ECMS accounts are used to bookkeep the counterparty's collateral positions. All marketable assets and credit claims mobilised as collateral are allocated to an ECMS counterparty asset account.
- According to different NCB practices, the number of accounts which a counterparty is allowed to hold may vary.
- The asset category also has an impact on the number of accounts held. Different accounts must be used for marketable assets and non-marketable assets (e.g. credit claims).

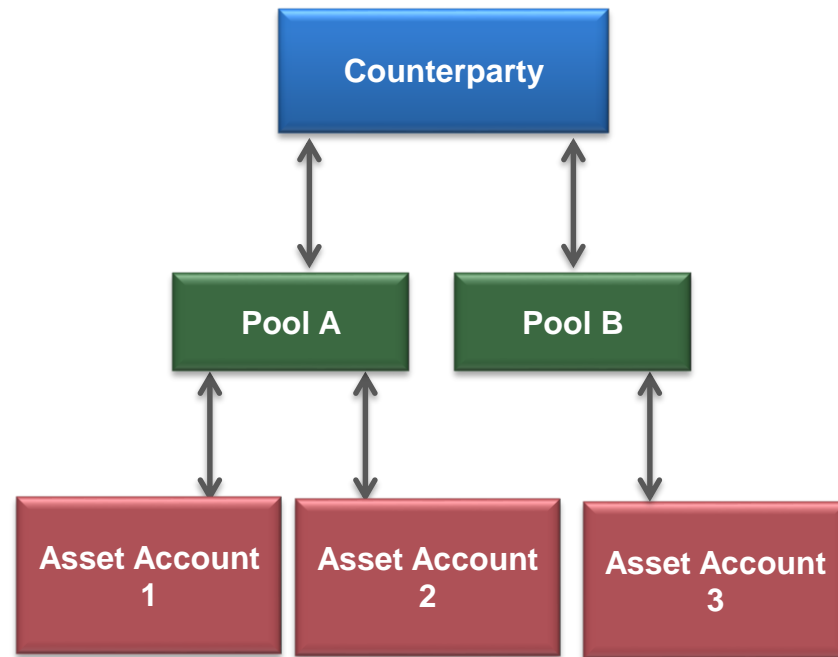
ECMS counterparty pool

- As with accounts, NCBs also create and configure pools for their respective counterparties, specifying the **accounts linked** to the pool and the **operation types covered** by the pool. The number of pools depends on the practices of the NCB.
- The ECMS collateral pool provides a **comprehensive overview** of the current collateral position, credit position and credit line of a counterparty
- The ECMS provides information to the counterparty on its pool positions via U2A and A2A, with an aggregated overview and transaction level information on each position in each account linked to that pool.

Accounts and pool

Each ECMS counterparty asset account will be linked to one (and only one) collateral pool. However each pool can be linked to several ECMS counterparty asset accounts.

Counterparties can link only one pool to a main cash account (MCA) for the purpose of settling payments.



Counterparty pool for Eurosystem credit operations

Counterparty Pool

Collateral position

- Marketable assets
- Credit claims
- Cash as collateral
- Fixed-term deposits *
- Triparty collateral
- Externally managed collateral

Credit position

- Open market operations
- Marginal Lending
- Credit Freezing

Credit Line

The ECMS supports multi-pooling functionality. A single pool must however be used for the collateralisation of Eurosystem credit operations.

The difference between the total collateral available and the amount of outstanding Eurosystem monetary policy operations determines the over/under-collateralisation of the pool. This is called the **suggested credit line** in the ECMS.

* When activated for use as collateral

Collateral management

Total collateral available to a counterparty in a pool = \sum collateral positions linked to that pool

Calculated after valuation, the application of haircuts and other risk management measures

- Counterparties manage the collateral in their pools by mobilising and demobilising collateral in the respective ECMS counterparty asset accounts
- Counterparties can also make use of the ECMS reallocation functionality to reallocate assets between their asset accounts linked to the same or different pools (or their NCB may do this on their behalf)



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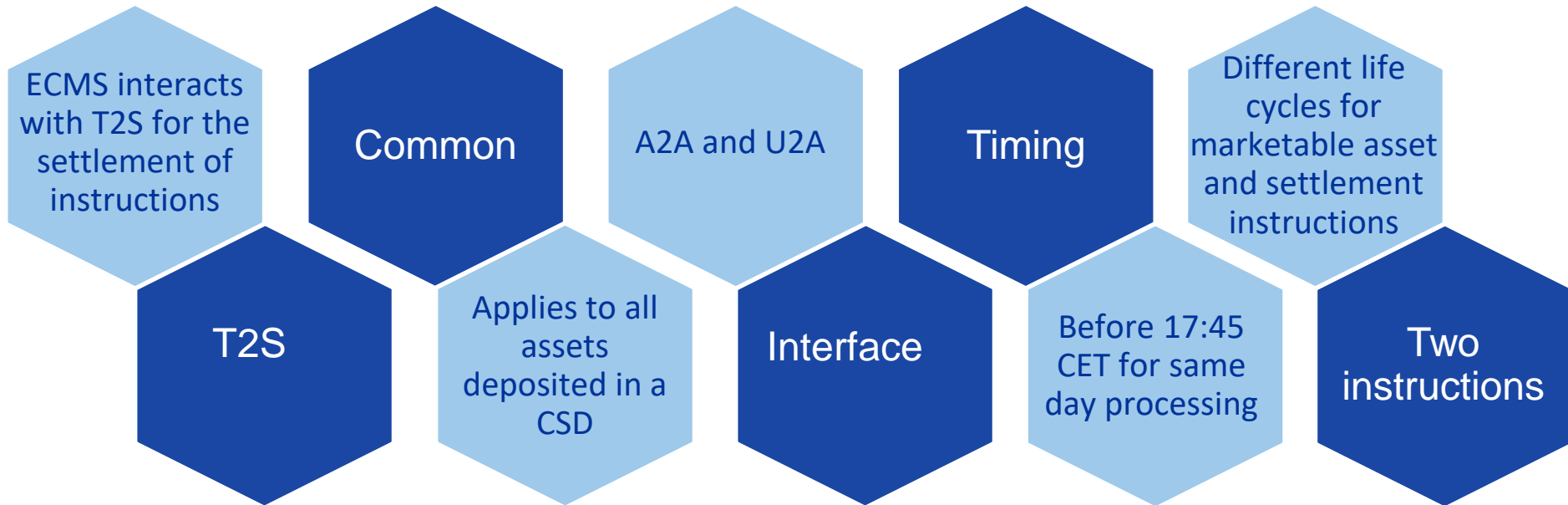
Information pack

Handling marketable assets in the ECMS

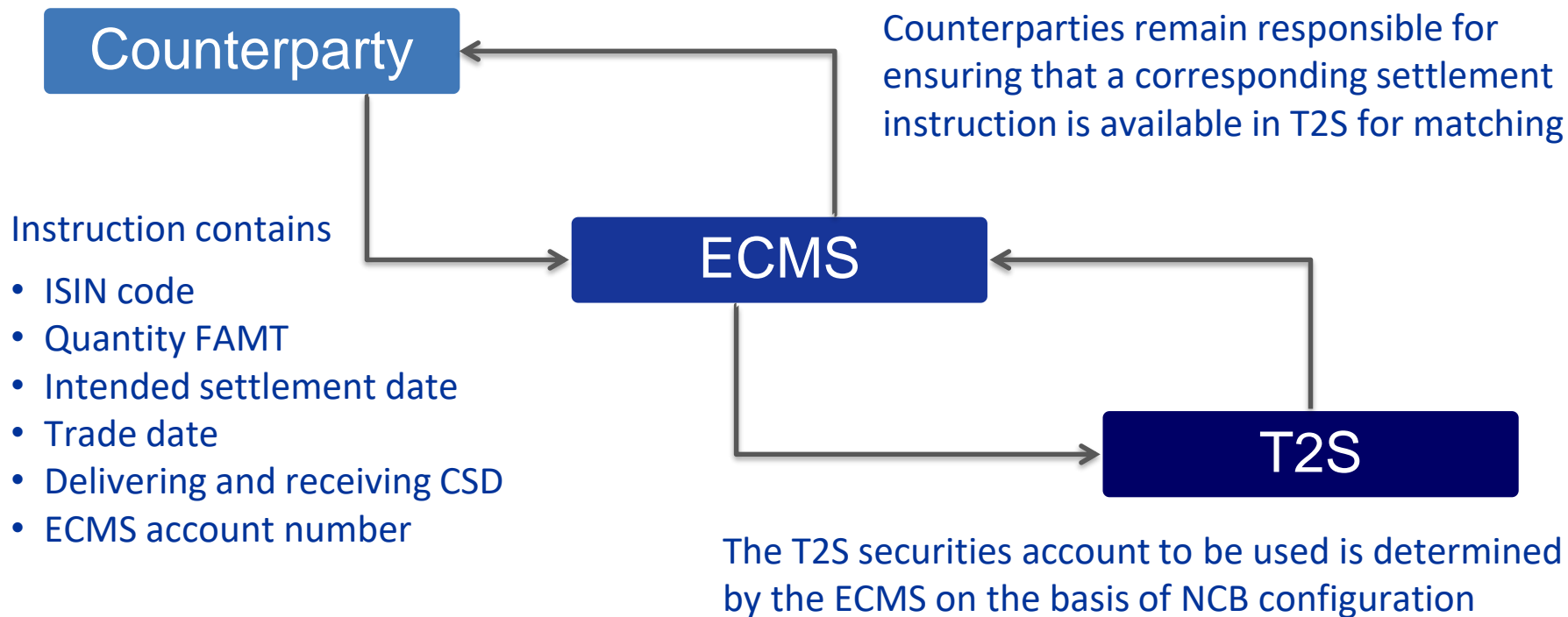
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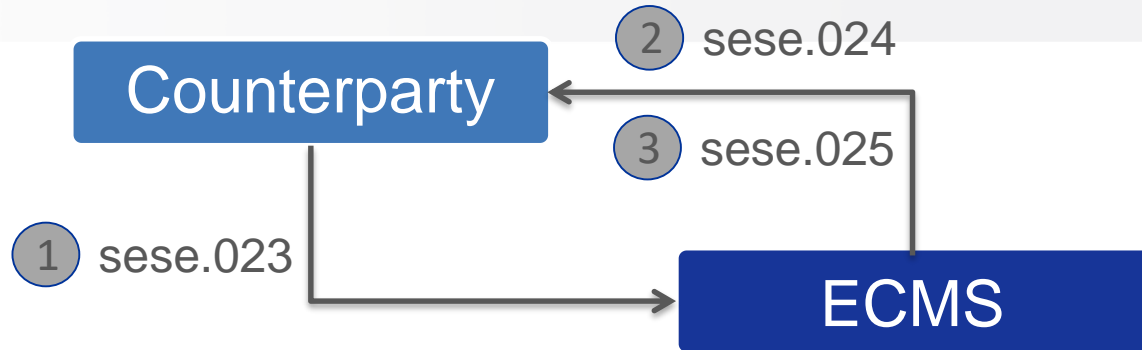
Marketable assets - features



Marketable asset instructions in the ECMS (1)

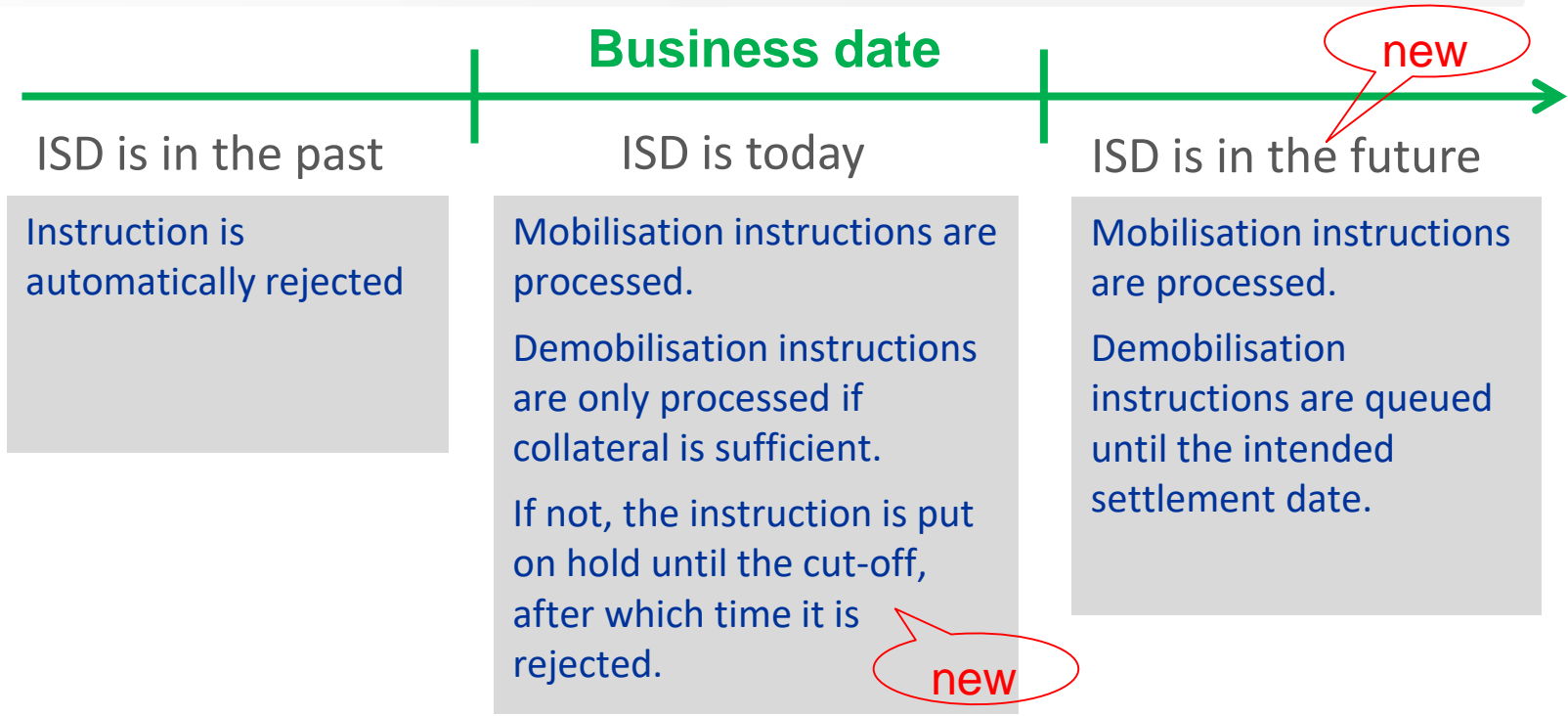


Marketable asset instructions in the ECMS (2)



- 1 The counterparty sends an instruction to (de)mobilise a marketable asset
- 2 The ECMS sends status advice:
Accepted or Rejected (or Cancelled if a sese.020 is received) (accepted can mean: i) waiting for settlement date, ii) waiting for NCB checks, iii) settlement instruction sent to T2S)
- 3 If the instruction is accepted the ECMS sends an instruction to T2S. When it is settled the ECMS sends a confirmation to the counterparty.

Intended settlement date (ISD)



Marketable asset positions

- Marketable asset positions in the ECMS are updated based on

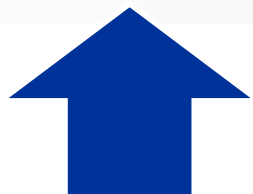
Counterparty marketable
asset instructions

and

Corporate action events

- The valuation is performed by the ECMS upon mobilisation, and every day thereafter until the asset position is demobilised or matures.
- If an asset becomes ineligible, its value will be set to zero. The position is maintained until the counterparty sends a demobilisation instruction.

Impact of collateral instructions on the credit line



The **mobilisation** of an asset increases the credit line only when the instruction is confirmed.



The **demobilisation** of an asset first decreases the credit line before being further processed to ensure that outstanding credit operations are still sufficiently collateralised.

Collateral position type	Mobilisation instructions	Demobilisation instructions	Position
Provisional position	confirmed + pending	confirmed + pending	forecasted
Conservative position	confirmed	confirmed + pending	forecasted
Actual position	confirmed	confirmed	effective