EUROPEAN CENTRAL BANK

EUROSYSTEM

| T2S CHANGE REQUEST FORM | | | |
|---|---|---|---|
| **General Information (Origin of Request)**<br>☐ User Requirements (URD) or GUI Business Functionality Document (BFD)<br>☒ Other User Functional or Technical Documentation (SYS) | | | |
| **Request raised by:** NBB on behalf of the Eurosystem | **Institute:** Eurosystem | | **Date raised:** 07/03/2022 |
| **Request title:** Update in the Credit Memorandum Balance configuration to allow leveraging on the CCBM model | | | **Request No.:** T2S 0784 SYS |
| **Request type:** Common | **Classification:** Scope enhancement | | **Urgency:** Normal |
| **1. Legal/business importance parameter**[1]: Critical | | **2. Market implementation efforts parameter**[2]: Medium | |
| **3. Operational/Technical risk parameter**[3]: Medium | | **4. Financial impact parameter**[4]: Very High | |
| **Requestor Category:** NCB | | **Status:** Proposed for a release | |

**Reason for change and expected benefits/business motivation:**

Auto-collateralisation is one of the key features of T2S which allows payment banks to generate liquidity to settle pending transactions, which leads to a smoother settlement cycle. Central bank T2S auto-collateralisation in EUR is a type of Eurosystem credit operation whereby a counterparty of the Eurosystem is granted a credit by a Eurosystem central bank against adequate collateral, pursuant to Article 18 of the ESCB/ECB Statute.

The credit can only be provided to an eligible Eurosystem counterparty by the National Central Bank (NCB) of the country where the counterparty is located. This NCB is defined as the Home Central Bank (HCB). T2S can provide eligible assets owned by the counterparty to the HCB as collateral for the auto-collateralisation that are either local (issued in the domestic CSD) or foreign (issued in a CSD located in a different country) but accessible to the domestic CSD via an Eurosystem eligible link. Furthermore, in practice some NCBs also provide T2S auto-collateralisation in foreign CSDs via the so-called ‘remote access’, i.e. by using securities accounts (SAC) set up by the HCB for this purpose in foreign CSDs.

In addition to the direct channels of mobilisation of eligible collateral from the counterparty to the HCB, the Eurosystem established the Correspondent central banking model (CCBM) to ensure that all eligible assets owned by a Eurosystem counterparty can be used for credit operations with the Eurosystem regardless of where the assets of the Counterparty are situated. Hence, the CCBM model allows counterparties to access credit against securities that are held in foreign CSDs to which there are no eligible links from the domestic CSD and where the HCB does not have remote SAC. In the CCBM model the NCB that has a SAC in the foreign CSD can act as correspondent Central Bank (CCB) for the credit providing HCB. In such transactions the counterparty of the HCB delivers the collateral to the SAC of the CCB held in the foreign CSD. The CCB records and confirms this to the HCB. The use of the CCBM is currently not possible for T2S auto-collateralisation but due to a strong business case identified by a number of Eurosystem NCBs – as per an agreement by the MIPC and the MIB – this will be allowed as of the go-live of the ECMS[5].

The introduction of the use of CCBM and the lifting of restrictions on the use of remote access by HCBs in general will allow Eurosystem counterparties to rely on T2S auto-collateralisation using any eligible asset they own as collateral regardless of their location. However, there is a technical limitation today in the T2S auto-collateralisation

[1] Legal/business importance parameter was set to Critical because the T2S auto-collateralisation feature is a key feature allowing payment banks to generate liquidity to settle pending transactions.
[2] Market implementation effort parameter was set to Medium because adaptations to existing Static Data configuration may be needed on T2S user side
[3] Operational/technical risk parameter was set to Medium because the relevant procedures and actions, for liaising with the update and configuration of CMBs have to be foreseen
[4] Low < 100kEUR < Low-Medium < 200 kEUR < Medium < 400kEUR < High < 700kEUR < Very high
[5] The MIPC supported the use of CCBM in June 2020 for T2S auto-collateralisation as of the ECMS go-live in order to further improve the efficiency and effectiveness of T2S auto-collateralisation as a Eurosystem credit operation by improving the access to collateral by counterparties in general and to level the playing field between counterparties with large domestic CSDs and counterparties with small domestic CSDs.

feature which prevents Eurosystem counterparties to fully benefit from these additional mobilisation channels for mobilising non-domestic eligible assets in T2S auto-collateralisation (i.e. T2S auto-collateralisation via CCBM and remote access). Such limitation relates to a T2S Static Data configuration and, as such, among Eurosystem credit operations it only applies to T2S auto-collateralisation but not to any of the other Eurosystem credit operation types, i.e. monetary policy operations and intraday credit on TARGET2.

The limitation relates to the configuration of the Credit Memorandum Balance (CMB) static data entity in T2S. The CMB is defined in T2S to manage the relationship between an NCB and its clients. As per current T2S design rules there must be only one primary CMB defined per Dedicated Cash Account (DCA), and per CMB there can only be one receiving Securities Account to be defined for the Central Bank (i.e. either the HCB or one of the CCBs) defined.

In practice, this limitation means that on a given DCA, the amount of intraday credit that a Counterparty can get is limited by the quantity of securities that can be delivered to the receiving account defined for that DCA (via the CMB). This includes the securities that can be delivered via eligible links into said account. If the Counterparty disposes of more eligible securities, but these can only be delivered in a different CSD (and therefore, on a different receiving account), then the Counterparty needs to set up a different DCA. Intraday credit on that DCA will be granted against the delivery of collateral to a receiving account in the other CSD.

The removal of this limitation in the configuration of the T2S auto-collateralisation feature would provide the following benefits to the T2S community:

- Payment Banks to fully benefit from a cash pooling perspective across activity they would have in all CSDs instead of maintaining different DCAs due to CMB configuration limitations;
- CSD participants to fully benefit from their entire securities portfolio of ESCB eligible assets irrespective of the CSD in which they hold them;
- Payment Banks could use a single DCA to benefit from Balance sheet netting across all their Secured financing transaction settling across T2S.
- The enhancement would further help a wider and more efficient use of T2S auto-collateralisation (use of a wider set of eligible assets as collateral in a convenient way) by Eurosystem counterparties in T2S indirectly also contributing to a better settlement efficiency in T2S.

The principle to be followed by auto-collateralisation feature is that in every possible scenario the use of a Home Central Bank (HCB) SAC should always be preferred to (i.e. have a priority over) using a foreign NCB (CCB) SAC for the mobilization of collateral. I.e. a CCB SAC as a receiving account should only be used if there are no available HCB receiving accounts

**Description of requested change:**

The T2S auto-collateralisation feature should allow that multiple receiving and regular Securities Accounts are configured to allow Eurosystem Counterparties to get all the intraday credit in a single DCA regardless of the mobilization channel used i.e. collateral delivered to the local CSD where the NCB is located either directly or via cross-CSD links, via remote access or via the CCBM model.

This request from the Eurosystem is agnostic to the concrete implementation design or choice in the T2S design and would invite the 4CB to identify in the context of the assessment of this CR the most optimal and less costly option. Potential options which could be considered by the 4CB could require updates in the CMB – New/Edit screen to allow for the configuration of multiple receiving and regular Securities Accounts in a primary CMB or to allow several CMBs to be configured for a single DCA. A limitation of a single pair or receiving and regular SAC per CSD to be configured in the CMB is to be considered to facilitate the implementation of the CR.

As this CR could create scenarios whereby the T2S auto-collateralisation feature could be mobilizing the same security via different Eurosystem mobilization channels (e.g. mobilization via cross-CSD links of via CCBM model), a logic to select the one would be necessary.
The logic (order of priority for the T2S auto-collateralisation mechanism to select the collateral receiving account in case several is possible) to be implemented should be as follows:

1. default mobilization channel for T2S auto-collateralisation must always be the receiving Securities Account held in the local CSD where the NCB providing the credit is located, either directly or via cross-CSD links. If the HCB has both domestic or foreign SACs to which the collateral could be transferred the domestic HCB account should be preferred;
2. allocation of the securities to the HCB receiving account located in the same CSD as the securities sourcing account (i.e. this scenario relates to the remote access mobilization channel available to Eurosystem NCBs);
3. Using a receiving Securities Account held by a Correspondent Central Bank (CCB) in the issuer CSD of the ISIN (i.e. a CCBM model).
4. Using a receiving Securities Account held by the CCB in a CSD with a link to the issuer CSD of the ISIN

(i.e. a CCBM + link). The difference between this option and the previous one is that this one relies on links and hence creation of realignment instructions or more complex transaction at T2S technical level.

The logic to be implemented in T2S should aim at the less costly solution in terms of implementation and maintenance.

**Submitted annexes / related documents:**

**Outcome/Decisions:**

*CRG 30 September 2022: The CRG agreed to launch the preliminary assessment of CR-784
*CRG 26 October 2022: The CRG agreed to update the CR with additional requirements requested by the 4CB as part of its preliminary assessment.
*CRG 12 December 2022: The CRG agreed to ask three policy related questions to the Eurosystem MIPC committee and to assess the situation once feedback was received.
*CRG on 27 April 2023: The CRG agreed to recommend CR-784 for authorisation by the T2S Steering Level.
*AMI-SeCo on 9 May 2023: The AMI-SeCo agreed with the CRG recommendation of CR-784 for T2S Steering Level Authorisation
*CSG on 10 May 2023: the CSG agreed to authorise CR-784.
*NECSG on 10 May 2023: the NECSG agreed to authorise CR-784.
*MIB on 18 May 2023: the MIB agreed to authorise CR-784.
*PMG on 6 June 2023: the PMG agreed to launch the detailed assessment of CR-784 with a view of scoping in R2024.JUN
*CRG on 6 September 2023: the CRG agreed to recommend to the PMG the inclusion of CR-0784 in the scope of R2025.JUN.
*OMG on 26 September 2023: The OMG identified no operational impact from the inclusion of CR-0784 in the scope of release R2025.JUN.
*PMG on 8 July 2024: the PMG agreed to launch the detailed assessment of CR-0784 with a view of scoping in R2026.JUN.

**Documentation to be updated:**

**UHB**

**CRDM**

**2.2.4.2 CMB - Details Screen**
[…]

**Fields Description**

| **Regular/Receiving Securities Account** | |
|---|---|
| Regular Securities Account Number | Shows the unique number of the regular securities account related to the CMB.<br>Reference for error message [}]:<br>IDCD6024 |
| ~~Valid From~~ | ~~Shows the date from which the link between CMB and regular securities account is valid.~~ |
| Receiving Securities Account Number | Shows the number of the receiving securities account related to the CMB.<br>Reference for error message [}]:<br>IDCD6025 |
| Valid From | Shows the date from which the link between CMB and regular/receiving securities account is valid. |
| Valid To | Shows the date until which the link between CMB and regular/receiving securities account is valid. |

| ~~Receiving Securities Account~~ | |
|---|---|
| ~~Receiving Securities Account Number~~ | ~~Shows the unique number of the receiving securities account related to the CMB.~~<br>~~Reference for error message [].:~~<br>~~IDCD6025~~ |
| ~~Valid From~~ | ~~Shows the date from which the link between CMB and receiving securities account is valid.~~ |
| ~~Valid To~~ | ~~Shows the date until which the link between CMB and receiving securities account is valid.~~ |

### 2.2.4.3 CMB – New/Edit Screen

[…]

| Credit Memorandum Balance | |
|---|---|
| […] | |
| T2S Dedicated Cash Account Number | Enter or select the unique number of the related T2S Dedicated Cash Account object.<br>This field is mandatory in create mode.<br>This field is read-only in edit mode.<br>Required format is: max 34x characters.<br>References for error messages []:<br>[…]<br>IDCU6041<br>IDCU6045<br>IDCU6052<br>IDCU6070 |
| Primary CMB | Select whether the CMB is the primary one or not.<br>This field is read-only in edit mode.<br>References for error messages []:<br>IDCC6040<br>IDCC6042<br>IDCC6045<br>IDCC6046<br>IDCC6047<br>IDCC6052<br>IDCC6053<br>IDCC6056<br>IDCC6069<br>IDCU6040<br>IDCU6041<br>IDCU6042<br>IDCU6043<br>IDCU6044<br>IDCU6045<br>IDCU6052<br>IDCU6069 |

[…]

| Regular/Receiving Securities Account | |
|---|---|
| Regular Securities Account Number | Enter the ~~unique~~ number of the regular securities account related to the CMB.<br>If Valid From is entered, at least one between Regular And receiving Securities Account Number ~~this field~~ is mandatory.<br>This field is read-only in edit mode while editing the values of an existing item. ~~if contains data for current and future item (it is only possible to insert a new element, when a future one is not already present).~~ |

| | |
|---|---|
| | Required format is: max 35x characters.<br>References for error messages []:<br>IDCC6024<br>IDCC6040<br>IDCC6041<br>IDCC6051<br>IDCC6052<br>IDCC6058<br>IDCU6060<br>IDCC6069<br>IDCC6071<br>IDCU6024<br>IDCU6040<br>IDCU6041<br>IDCU6051<br>IDCU6052<br>IDCU6058<br>IDCU6062<br>IDCU6069<br>IDCU6071 |
| ~~Valid From~~ | ~~Enter or pick the date from which the link between CMB and Regular Securities Account is valid.~~<br>~~If a Regular Securities Account is entered, this field is mandatory.~~<br>~~This field is read-only in edit mode if contains data for current and future item (it is only possible to insert a new element, when a future one is not already present).~~<br>~~Valid From must be greater than the current business date.~~<br>~~Required format is: Date.~~<br>~~References for error messages []:~~<br>~~IDCC6051~~<br>~~IDCU6051~~<br>~~IDCU6061~~ |
| Receiving Securities Account Number | Enter the number of the receiving securities account related to the CMB.<br>If Valid From is entered, at least one between Regular And receiving Securities Account Number is mandatory.<br>This field is read-only in edit mode while editing the values of an existing item.<br>Required format is: max 35x characters.<br>References for error messages []:<br>IDCC6025<br>IDCC6043<br>IDCC6044<br>IDCC6045<br>IDCC6054<br>IDCC6055<br>IDCC6069<br>IDCC6071<br>IDCU6025<br>IDCU6043<br>IDCU6044<br>IDCU6045<br>IDCU6046<br>IDCU6054<br>IDCU6055<br>IDCU6060<br>IDCU6063<br>IDCU6069 |

| | |
|---|---|
| | IDCU6071 |
| Valid From | Enter or pick the date from which the link between CMB and Regular/Receiving Securities Account is valid.<br>If at least one between Regular/Receiving Securities Account is entered, this field is mandatory.<br>This field is read-only in edit mode while editing the values of an existing item.<br>Valid From must be greater than the current business date.<br>Required format is: Date.<br>References for error messages [}]:<br>IDCC6051<br>IDCC6054<br>IDCU6051<br>IDCU6054<br>IDCU6055<br>IDCU6058<br>IDCU6061<br>IDCU6069 |
| Valid To | Enter or pick the date until which the link between CMB and Regular/Receiving Securities Account is valid.<br>Valid To, when present, must be greater than the current date and greater than the Valid From.<br>Only the “valid to” field can be modified in edit mode while editing the values of an existing item.<br>Required format is: Date.<br>References for error messages [}]:<br>IDCC6055<br>IDCC6058<br>IDCU6055<br>IDCU6058<br>IDCU6061 |

| ~~Receiving Securities Account~~ | |
|---|---|
| ~~Receiving Securities Account Number~~ | ~~Enter the unique number of the receiving securities account related to the CMB.~~<br>~~If Valid From is entered, this field is mandatory.~~<br>~~This field is read-only in edit mode if the related “Valid From” date is in the past.~~<br>~~Required format is: max 35x characters.~~<br>~~References for error messages [}]:~~<br>~~IDCC6025~~<br>~~IDCC6043~~<br>~~IDCC6044~~<br>~~IDCC6045~~<br>~~IDCC6053~~<br>~~IDCC6054~~<br>~~IDCC6055~~<br>~~IDCU6025~~<br>~~IDCU6043~~<br>~~IDCU6044~~<br>~~IDCU6045~~<br>~~IDCU6046~~<br>~~IDCU6053~~<br>~~IDCU6054~~<br>~~IDCU6055~~<br>~~IDCU6060~~<br>~~IDCU6063~~ |
| ~~Valid From~~ | ~~Enter or pick the date from which the link between CMB and Receiving Securities Account is valid.~~ |

| ~~Receiving Securities Account~~ | |
|---|---|
| | ~~If a Receiving Securities Account is entered, this field is mandatory.~~<br>~~This field is read-only in edit mode if the related date is in the past.~~<br>~~Valid From must be greater than the current business date.~~<br>~~Required format is: Date.~~<br>~~References for error messages []:~~<br>~~IDCC6054~~<br>~~IDCU6053~~<br>~~IDCU6054~~<br>~~IDCU6055~~<br>~~IDCU6061~~ |
| ~~Valid To~~ | ~~Enter or pick the date until which the link between CMB and Receiving Securities Account is valid.~~<br>~~Valid To, when present, must be greater than the current date and greater than the Valid From.~~<br>~~Required format is: Date.~~<br>~~References for error messages []:~~<br>~~IDCC6055~~<br>~~IDCU6055~~ |

**Buttons**

| | |
|---|---|
| […] | |
| Submit | This function enables the user to create or edit a CMB.<br>References for error messages []:<br>[…]<br>IDCC6057<br>IDCC6058<br>IDCC6060<br>IDCC6069<br>IDCC6070<br>IDCC6071<br>[…]<br>IDCU6051<br>IDCU6052<br>~~IDCU6053~~<br>IDCU6054<br>IDCU6058<br>[…]<br>IDCU6064<br>IDCU6069<br>IDCU6070<br>IDCU6071<br>IDCU6080 |

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**4.3.2.14 CMB – New/Edit Screen**

| Reference for error message | Field or Button | Error Text | Description |
|---|---|---|---|
| […] | | | |
| DCC6051 | Regular Securities Account Number field<br>Valid from field<br>Submit button | Invalid Valid From | When performing a Credit Memorandum Balance create request, the Valid From specified in the Regular/Receiving Securities Account Section must be greater |

| Reference for error message | Field or Button | Error Text | Description |
|---|---|---|---|
| | | | than the T2S Business date, equal to or greater than the Opening Date of the specified Securities Account and equal to or less than its Closing Date. |
| DCC6054 | • Receiving Securities Account Number field<br>• Valid from field<br>• Submit button | Invalid Valid From | When performing a Credit Memorandum Balance create request, the Valid From specified in the Regular/Receiving Securities Account Section must be greater than the T2S Business date equal to or greater than the Opening Date of the specified Securities Account and equal to or less than its Closing Date. |
| DCC6055 | • Receiving Securities Account Number field<br>• Valid to field<br>• Submit button | Invalid Valid To | When performing a Credit Memorandum Balance create request, the Valid To specified in the Regular/Receiving Securities Account Section must be greater than the corresponding Valid From and equal to or less than the Closing Date of the specified Securities Account. |
| DCC6058 | • Regular Securities Account Number field<br>• Valid to field<br>• Submit button | Invalid Valid To | When performing a Credit Memorandum Balance create request, the Valid To specified in the Regular/Receiving Securities Account Section must be greater than the corresponding Valid From and equal to or less than the Closing Date of the specified Securities Account. |
| DCC6069 | • Primary CMB field<br>• Regular Securities Account Number field<br>• Receiving Securities Account Number field<br>• Submit button | Primary CMB must be true | When performing a Credit Memorandum Balance create request, the Primary CMB must be set to true if more than one Regular/Receiving SAC is specified |
| DCC6071 | • Regular Securities Account Number field<br>• Receiving Securities Account Number field<br>• Submit button | Invalid Regular/Receiving Accounts | When performing a Credit Memorandum Balance create request, the couple of Regular and Receiving Securities accounts must be defined under the same CSD. Furthermore there cannot be more than one couple of Regular/Receiving Securities account under the same CSD in overlapping periods. |
| […] | | | |
| DCU6051 | • Regular Securities Account Number field<br>• Valid from field<br>• Submit button | Invalid Valid From | When performing a Credit Memorandum Balance update request, the Valid From specified in the Regular/Receiving Securities Account Section must be greater than the T2S Business date, equal to or greater than the Opening Date of the specified Securities Account and equal to or less than its Closing |

| Reference for error message | Field or Button | Error Text | Description |
|---|---|---|---|
| | | | Date. |
| DCU6052 | T2S Dedicated Cash Account Number field<br>Primary CMB field<br>Regular Securities Account Number field<br>Submit button | Regular Securities Account must be specified | When performing a Credit Memorandum Balance update request, at least one Regular Securities Account must be specified if Primary CMB is true and the Party Type of the Party holding the relevant T2S Dedicated Cash Account is not CB. |
| DCU6058 | Regular Securities Account Number field<br>Valid from field<br>Valid to field<br>Submit button | Invalid Valid To | When performing a Credit Memorandum Balance update request, in case of create/update of Regular Securities Account, the Valid To specified must be greater than the corresponding Valid From and equal to or less than the Closing Date of the specified Securities Account. |
| ~~DCU6053~~ | ~~Receiving Securities Account Number field~~<br>~~Valid from field~~<br>~~Submit button~~ | ~~Invalid validity period for Receiving Securities Account~~ | ~~When performing a Credit Memorandum Balance update request, there can be no instances of Receiving Securities Account with overlapping validity periods for the same CMB.~~ |
| […] | | | |
| DCU6060 | Regular Securities Account Number field<br>Receiving Securities Account Number field<br>Submit button | Unknown Securities Account Identifier | When performing a Credit Memorandum Balance update request, in case of request of update/deletion of the Regular/Receiving Securities Account, it must refer to an entity already linked to the specified CMB. |
| DCU6061 | CB T2S Dedicated Cash Account – Valid from field<br>Regular/Receiving Securities Account – Valid from field<br>Receiving/Receiving Securities Account – Valid from field<br>Submit button | Unknown Securities Account Identifier | When performing a Credit Memorandum Balance update request, in case of request of deletion of the Receiving Securities Account, CB T2S Dedicated Cash Account or Regular Securities Account, it must refer to an entity with future Valid From or Past Valid To. |
| DCU6069 | Primary CMB field<br>Regular Securities Account Number field<br>Receiving Securities Account Number field<br>Submit button | Primary CMB must be true | When performing a Credit Memorandum Balance create request, the Primary CMB must be set to true if more than one Regular/Receiving Securities Account is specified |
| DCU6071 | Regular Securities Account Number field<br>Receiving Securities Account Number field<br>Submit button | Invalid Regular/Receiving Accounts | When performing a Credit Memorandum Balance update request, the couple of Regular and Receiving Securities accounts must be defined under the same CSD. Furthermore there cannot be more than one couple of Regular/Receiving Securities account under the same CSD in |

| Reference for error message | Field or Button | Error Text | Description |
|---|---|---|---|
| | | | overlapping periods. |

**T2S UDFS**

**1.6.1.9.4 Auto-collateralisation**

(Page.425): To secure the intraday credit, T2S resorts firstly to collateral on flow complemented, if necessary, by collateral on stock. Collateral on flow is provided by securities delivered to a securities position earmarked for auto-collateralisation.
For the central bank collateralization, when the credit consumers have linked their T2S dedicated cash accounts to securities accounts opened for the collateral provision in multiple CSDs where the NCB has also defined securities accounts (one receiving and one regular) which receive and store the selected collateral in case of intraday credit provision, T2S tries in priority to select the collateral impacting the receiving or the regular securities account held in the domestic CSD (the one located in the same country as the Central Bank) before any other CSD.

**CRDM**

**1.2.6.7 Links between securities accounts and T2S dedicated cash accounts**

| Step | T2S Actor | Action | Note | Mode |
|---|---|---|---|---|
| […] | | | | |
| 4 | CSD | Creation of a new Securities Account to be used as regular securities account for the Central Bank collateralisation | This Securities Account is used for collateral relocation during the EoD phase according to the configuration of the Central Bank collateralisation. Possibly, ~~different~~ multiple Securities Accounts can be configured as regular Securities Account according to the Central Bank needs. ~~However, only one regular securities account must be defined for a specific Credit Memorandum Balance of a Payment Bank.~~ If this Securities Account is relevant for ECMS, a Market-Specific Attribute is to be configured on it (see sections 1.2.1.7 and 1.2.6.5 for details). | A2A/U2A |
| […] | | | | |
| 6 | CSD | Creation of a new Securities Account to be used as receiving securities account for the Central Bank collateralisation | This is the Securities Account where the selected collateral has to be stored in case of intra-day credit provision. It is used to configure the Central bank collateralisation. Possibly, ~~different~~ multiple Securities Accounts can be configured as receiving Securities Account according to the Central Bank needs. ~~However, only one receiving securities account must be defined for a specific Credit Memorandum Balance of a Payment Bank.~~ This step is needed for Repo countries only, i.e. if the type of collateralisation procedure specified in the Auto-collateralisation Rule for the Central Bank is “Repo” (see section Auto-collateralisation eligibility, securities valuation and close links). | A2A/U2A |

**Preliminary assessment:**

**Impact: High**

**Impacted Modules: SETT and CRDM**

**Findings:**

The main change to be implemented with the CR is to introduce the CCB model in the T2S auto-collateralisation feature.

- Impact must address the RTS and NTS auto-collateralisation processes.

- The Preliminary Assessment is based on the assumption that only one SAC per CMB can be configured by the CCB as Receiving SAC in the foreign CSD. In the case it would be possible to define multiple Receiving/Regular SACs in the foreign CSD for a unique CMB, the CR needs to mention it and indicate in which order they must be selected.
- In the original CCBM it was assumed that the securities owned by a counterparty via the CCB channel in the foreign CSD will be always issued by this CSD. As for a while now CCBM plus links is in place, foreign securities owned by the counterparty in the foreign CSD are issued by a third CSD of the Eurosystem may be used via Eligibility Link. Such securities may also be used if they are held in a third CSD and would be realigned to the CSD with the receiving account in case of need.
- Only securities issued in CSDs without a (relayed) link to the CSD with the receiving account may not be used currently

- LCMM assumes no impact when the auto-collateralization instructions are generated as they are generated at this moment

**Open questions:**

- The impact of the increase of the number of ACO templates should be evaluated during the detailed assessment.

**Detailed assessment:**

**EUROSYSTEM ANALYSIS – GENERAL INFORMATION**

| | T2S Specific Components | | Common Components |
|---|---|---|---|
| **LCMM** | | | |
| | Instructions validation | | |
| | Status management | | |
| | Instruction matching | | |
| | Instructions maintenance | | |
| | Penalty Mechanism | | |
| **Settlement** | | | |
| X | Standardisation and preparation to settlement | | |
| | Night-time Settlement | | |
| | Daytime Recycling and optimisation | | |
| X | Daytime Validation, provisioning & booking | | |
| X | Auto-collateralisation | | |
| **Liquidity Management** | | | |
| | Outbound Information Management | | |
| | NCB Business Procedures | | |
| | Liquidity Operations | | |
| **T2S Interface** | | **Eurosystem Single Market Infrastructure Gateway** (from R6.0 June 2022) | |
| | Communication | | Communication |
| | Outbound Processing | | Outbound Processing |
| | Inbound Processing | | Inbound Processing |
| **Static Data Management** *(until June 2022)* | | **Common Reference Data Management** *(from R6.0 June 2022)* | |
| | Party data management | | Party data management |
| | Securities data management | | Securities data management |
| | Cash account data management | X | Cash account data management |
| | Securities account data management | | Securities account data management |
| | Rules and parameters data management | | Rules and parameters data management |
| **Statistics and archive** | | **Statistics and archive** | |
| | Statistical information (until June 2022) | | Short term statistical information |
| | Legal archiving (until June 2022) | | Legal archiving (from R6.0) |

| | | | |
|---|---|---|---|
| | | X | Data Warehouse (from R6.0) |
| | | | |
| **Information** *(until June 2022 containing reference data)* | | **CRDM business interface** *(from R6.0 June 2022)* | |
| | Report management | | Report management |
| | Query management | | Query management |
| | | | Communication |
| | | | Outbound Processing |
| | | | Inbound Processing |
| | | | |
| **Operational Services** | | | |
| | Data Migration (T2S DMT) | | Data Migration (CRDM DMT, from R6.0) |
| | Scheduling (until June 2022) | | Business Day Management (from R6.0) |
| | | | Business Day Management business interface (from R6.0) |
| | Billing (until June 2022) | | Billing (from R6.0) |
| | | | Billing business interface (from R6.0) |
| | Operational Monitoring | | Operational and Business Monitoring |
| | MOP Contingency Templates | | |
| | | | |

| **Impact on major documentation** | | |
|---|---|---|
| **Document** | **Chapter** | **Change** |
| Impacted GFS chapter | | No impact |
| Impacted UDFS chapter | **UDFS FOR R2025.JUN.**<br><br>1.6.1.9.4 Auto-collateralisation<br><br>1.2.6.7 Links between securities accounts and T2S dedicated cash accounts | Specify that the NCB auto-collateralisation mechanism must preferably select a mobilization channel involving a receiving or regular securities account held in the local CSD.<br><br>Removal of sentences that require only one Regular/Receiving SAC for CMB of Central Banks |
| Additional deliveries for Message Specification (UDFS, MyStandards, MOP contingency templates) | | No impact |
| UHB | **CRDM:**<br>2.2.4.2 CMB – Details Screen<br>2.2.4.3 CMB – New/Edit Screen<br>4.3.2.14 CMB – New/Edit Screen | Amendment allowing to view/insert more than one Regular/Receiving SAC per CMB.<br>Amendment of Business rules (DCU6060, DCU6061) introduction of new business rules (DCC6058, DCC6069, DCC6071, DCU6052, DCU6058, DCU6069, DCU6071) and removal of business rule DCU6053. |
| Other impacted documentation (FA Sch. 05, FA Sch. 07) | | No impact |

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| Impacted GDPR message/ screen fields | | No impact | | |
| Links with other requests | | | | |
| Links | Reference | | Title | |

| OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT |
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| **Summary of functional, development, infrastructure and migration impacts** |
| The requirement of the CR is to allow the setup of multiple receiving and regular securities accounts for a given primary CMB in order to make available for the NCB auto-collateralisation purpose, new collateral mobilization channels using securities accounts located in foreign CSDs without having to resort to the setup of eligibility links with the domestic CSD.<br>The main impact in SETT is to be able to select the auto-collateralisation solutions in a given order of priority according to whether the responsible CSD of the receiving/regular securities account is located or not in the same country as the NCB providing the intraday credit, with a priority to the domestic channel.<br>In the case where the receiving/regular securities account is held in a foreign CSD, the solution to be implemented will not need to make a distinction between the Remote Access and the CCB model.<br>As a general principle, the existing collateral selection rules prevail when several collateral securities can be selected to solve a lack of cash. In this case, firstly the existing collateral selection rules are taken into account over the priority of involving a local channel, with respects to:<br><br>o The collateral on flow prior to the collateral on stock,<br>o Minimize the number of ACO/Reverse transactions,<br>o Compliance with the Minimum amount for auto-collateralisation transactions (introduced by the CR 543).<br><br>The requirement of the CR is to allow the setup of multiple receiving and regular securities accounts for a given primary CMB. The CMB New/Edit screen, the related Backend functionality and the data model will be modified allowing to enter more than one Regular and Receiving SAC for primary CMB. Amendment of following Business rules:<br>- DCU6060: The update deletion of Regular Securities Account must be now foreseen.<br>- DCU6061: the deletion of Regular and Receiving Securities Account must be allowed when their Valid From is in the future or their Valid To is in the past. Nothing changes for CB T2S Dedicated Cash Account.<br>introduction of the following business rules:<br>- DCC6058: when creating a CMB, the Valid to of Regular Securities Account must be greater than its Valid From and equal or less than the Closing Date of the referenced SAC.<br>- DCC6069: when creating a CMB, Multiple Regular and Receiving Securities Accounts (at least two for each) can be specified only when the Primary CMB is set to True.<br>- DCC6071: when creating a CMB, the couple of Regular and Receiving Securities Accounts (when both specified) must be defined under the same CSD. Multiple couples of Regular/Receiving SACs can be specified at condition that only one couple under the same CSD can be valid on a given point in time for the same CMB.<br>- DCU6052: When updating a CMB, the Regular SAC section cannot be empty if the Primary CMB is true and the Party holding the T2S Dedicated Cash Account is not a CB.<br>- DCU6058: when updating a CMB, the Valid to of Regular Securities Account must be greater than its Valid From and equal or less than the Closing Date of the referenced SAC<br>- DCU6069: when updating a CMB, Multiple Regular and Receiving Securities Accounts (at least two for each) can be specified only when the Primary CMB is set to True.<br>- DCU6071: when updating a CMB, the couple of Regular and Receiving Securities Accounts (when both specified) must be defined under the same CSD. Multiple couples of Regular/Receiving SACs can be specified at condition that only one couple under the same CSD can be valid on a given point in time for the same CMB.<br>Removal of business rule DCU6053 thus allowing to insert more than one Receiving Securities Account in overlapping periods.<br><br>Amendment of internal processing logic to correctly handle the data accesses where multiple Regular/Receiving accounts and unique Valid From/Valid To are present.<br><br>**<u>Main Cost Drivers:</u>**<br><br>- Implementation of new logic in SETT for the auto-collateralisation: Party Address SOD replication, handling of multiple receiving/regular Securities Accounts linked to a primary CMB, identification of the channel for the mobilization of collateral assets (domestic or foreign), Auto-collateralisation template enhancement (new attribute to manage the priority applicable to each generated NCB ACO template), ACO template selection rules, Adaptions required for relocation purpose, business rule amendments.<br>- Setup of multiple receiving and regular securities accounts for a given primary CMB. Update of a number of business rules. Update of CMB New/Edit screen as well changes to CRDM GUI and Backend to support<br>o CRDM GUI: impact on CMB – New Screen/Edit Screen/Details Screen; impact on view unification of minor entity for Regular/Receiving SACs; impact on view Valid To field will be introduced for Regular SAC; |

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| o CRDM BE impact on: Create Credit Memorandum Balance, Update Credit Memorandum Balance, Delete Credit Memorandum Balance, Data Model (Valid To field will be introduced for Regular SAC and Unification of minor entity for Regular/Receiving SACs), Stored Procedure (Valid To field will be introduced for Regular SAC and Unification of minor entity for Regular/Receiving SACs), Export and Purge (Unification of minor entity for Regular/Receiving SACs and Valid To field will be introduced for Regular SAC)<br>- Update of all relevant specification & documentation<br>- Performance of non-regression and validation tests |
| **Impact on other TARGET Services and projects** |
| No impact on other Eurosystem Services (T2, TIPS) or projects (ECMS) has been identified during DA. |
| **Summary of project risk** |
| No project risk has been identified during DA. |
| **Security analysis** |
| No adverse impact has been identified during DA. |

DG - MARKET INFRASTRUCTURE & PAYMENTS ECB-PUBLIC

04 September 2023

# Cost assessment on Change Requests

| **T2S-784-SYS – Update in the Credit Memorandum Balance configuration to allow leveraging on the CCBM model** | | | |
|---|---|---|---|
| One-off | Assessment costs*<br>- Preliminary<br>- Detailed | <br>2,000.00<br>10,000.00 | <br>Euro<br>Euro |
| One-off | Development costs | 1,036,310.54 | Euro |
| Annual | Operational costs<br>- Maintenance costs<br>- Running costs | <br>98,763.78<br>0.00 | <br>Euro<br>Euro |

*The relevant assessment costs will be charged regardless of whether the CR is implemented (Cf. T2S Framework Agreement, Schedule 7, par. 5.2.3).