

Payments Division
Payment and Settlement Systems policy
Department

Amsterdam
P.O. Box 98
1000 AB Amsterdam

Date
29 April 2008

Your reference

-

Our reference

BV/2008/00686/vog

Direct dialling

00 31 20 524 3204

Enclosure(s)

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ECB, Daniela Russo

Cc Dirk Bullman en Dieter Becker

Re:

Position of the Dutch market on the User Requirements for CCBM2

Dear Daniela,

On behalf of the Dutch market we send you their position on the User Requirements for CCBM, version 3.0. Please find below a summary of the position per CCBM component, this also includes answers to the specific questions raised by the ECB regarding the consultation. As an appendix we include more detailed comments on the document.

1) General

- a. In order to achieve the highest efficiency, full harmonisation in order to eliminate national specificities is required. In this context full participation by all NCB's is also preferable. Preferably this harmonisation would lead to the possibility to use a single (matched) instruction.
- b. Next to the user requirements, a clear planning and migration approach are important to the Dutch market. The implementation of CCBM2 (and with it the harmonisation of collateral procedures across the Euro zone) should be as soon as possible. The implementation of CCBM2 should not be dependent on the implementation of T2S.
- c. Under Emergency collateral, foreign collateral is mentioned as optional and not in scope (at first). The Dutch market would like to see the inclusion of functionality supporting the use of emergency collateral brought into CCBM2.
- d. This is also valid for the possibility of mobilising collateral for the contingency module of TARGET2, though the Dutch market would prefer an alternative (TARGET2) solution.

2) Message Router

As a rule Application to application messages should be SWIFT based, supporting ISO standards 15022 and 20022 from the start of CCBM2, with (near) real time and STP processing possibilities.

3) Credit & Collateral Module

- a. The foreseen credit freezing functionality is currently already in use in the Dutch market and therefore indeed required in CCBM2 as well.
- b. There is strong interest to explore the possibilities of Triparty services connected to CCBM2, also to use this service for pledge eligible bonds with the NCB.
- c. The Dutch market has expressed the wish for auto collateralisation in the Securities Settlement system and would therefore like to see this supported in CCBM2. The description in the UR is not sufficiently clear to determine what the foreseen future will be.
- d. There is an interest in the support of sub pools in CCBM2, this would however set requirements for the access to and management of these pools on different levels (to support inter company liquidity and collateral management, and to support services offered to third parties (indirect participation in T2)). The authorisation for the sub pools should be managed independently of the “main pool”. Also a second legal entity or branch should be able to manage the sub pool. A restricted view for liquidity providers is required.

4) Securities Module

For this module the Dutch market would like to stress the importance of transparency, on prices and methodology.

5) Credit Claims Module

- a. For this module the Dutch market would especially like to stress the need for harmonisation of the use of Credit Claims as collateral.
- b. With regard to the foreseen procedures, bulk and individual, these should both be supported by CCBM2. More information on the process of Bulk recording and management would be welcomed.

6) Monitoring and Reporting

- a. The User to Application interface has to be provided through the same infrastructure as the TARGET2 ICM and Internet, but it should be possible to have clear distinctions in user roles for TARGET2 and CCBM2, as well as combinations.
- b. Functionality of the user interface is not fully described yet in these user requirements. The Dutch market would welcome the opportunity of user involvement in further design or description of the user interface for all aspects.

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If you have any questions or if you need further clarification of the position of the Dutch market please let us know.

Kind regards,

Signed

Jaap Mauritz

Elisabeth de Vogel

De Nederlandsche Bank NV

APPENDIX

Below detailed comments on the User requirements with references to the document.

General:

The process descriptions do not all have the same level of completeness or detail or do not seem to be consistent in use of terminology. It is not clear what the actual differences in CCBM2 processing are.

An example is the description of Liquidity provisioning under Pooling or under Earmarking (par. 3.5.3.1 and sub paragraph and par. 3.6.2.1 and sub paragraph).

Par. 3.5.3.1.1 Connected payments

This section briefly mentions the possibility that an indirect TARGET2 participant (IP) can own a pool in CCBM2 where the cash account is owned by the related direct TARGET2 participant (DP).

Further information on how this is managed; can the DP access information on the IP's pool, how is this situation registered in the static data etc, would be very welcome.

Par 4.2

Under 'Harmonisation' the March 2011 date for Giovannini barrier 1 removal is mentioned. Does this have any influence on possible implementation date of CCBM2.

Par 4.3.4 Interaction with SSS

Under 'Sending instruction' it is stated that some SSS may require matching instructions while others use pre-matched instructions. It would be preferable to work towards harmonisation here, using pre-matched instructions.

In the process description, also in other 4.3 paragraphs, the flow of messages from Counterparty to SSS is not always included or clearly described. Clarity here, especially in a not yet harmonised environment, would be better.

As reported in the consultation of the CCBM2 principles, we would prefer a situation where 1 message to CCBM2 would suffice.

4.3.6 Cancellations

Under 'Initiators' it is mentioned that CCBM2 can decide to ask the counterparty to send a cancellation. Which cases would there be ?

5.3.3 Validation, p111

Under 'Additional checks' the term country of issue is used. What is meant with that is not quite clear as credit claims are not actually issued and a number of country aspects are relevant (see table on page 105).

In general on Validation: validation is done before Credit Claims become eligible. Is the validation also repeated on a regular basis since some aspects taken into account during the validation can change over time, Credit Quality for instance.

6.3.2 Administration data

Under 'Calendar' the calendars for other currencies RTGSs should be included to support the emergency situations whereby Euro Collateral is used for other regions.

What is the purpose of a legal holidays calendar next to the TARGET2 calendar ?

Under 'Exchange rates' the Euro and legacy currencies are mentioned. What is the purpose of legacy currencies here?

8.2 TARGET2 contingency module

More information on this process would be welcome; what are the deviations of normal collateral provision, what are the timelines in this situation? Besides that it might be considered if the implementation of the CCBM2 platform could create other options than providing fresh collateral for T2 contingency.

9.1.2.1. High availability and continuity

CCBM2 will have a recovery time objective of 2 hours, like TARGET2.

Will CCBM2 also have a contingency solution like TARGET2? Or what measures are foreseen during the maximum of 2 hours downtime?

The contingency of TARGET2 depends on fresh collateral and therefore on Collateral Management systems. With CCBM2 a concentration risk is introduced since these NCB systems are (hopefully) all combined in one solution. What measures are foreseen to prevent that TARGET2 and CCBM2 suffer downtime at the same moment and, if this should occur despite this, will there be further procedures/solutions in place?