



EUROPEAN CENTRAL BANK

EUROSYSTEM

# CORRESPONDENT CENTRAL BANKING MODEL (CCBM)

MAY 2014

PROCEDURES FOR  
EUROSYSTEM  
COUNTERPARTIES



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MAY 2014



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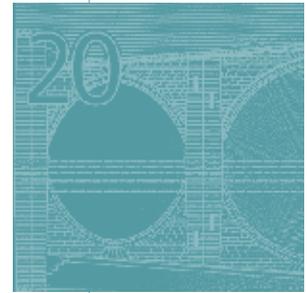
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## INTRODUCTION

The correspondent central banking model (CCBM) was introduced by the Eurosystem at the start of Stage Three of Economic and Monetary Union (EMU) in January 1999. Its main purpose is to ensure that all marketable and non-marketable assets eligible for use in monetary policy operations or to obtain liquidity in TARGET2 are made available to all its counterparties, regardless of where the assets or the counterparty are situated. L

Links between securities settlement systems (SSSs) in various countries have been established for some time. Insofar as the ECB's Governing Council has deemed such links eligible for use in Eurosystem credit operations, they represent a valid alternative to the CCBM. It is also possible for Eurosystem counterparties to use the aforementioned links in combination with the CCBM for the purposes of Eurosystem credit operations. In addition, triparty collateral management services offered by triparty agents (TPAs) on a cross-border basis are supported via the CCBM (as of 29 September 2014), subject to the respective triparty agents having been approved as eligible for use in Eurosystem credit operations.

The purpose of this brochure is to explain to the Eurosystem's counterparties and other market participants involved in CCBM procedures how the CCBM works, and to give a general overview of the model's main features and evolution. For further information, counterparties should contact the national central banks (NCBs) of the Eurosystem.<sup>1</sup>

### I HOW THE CCBM WORKS

Counterparties to the monetary policy operations of the Eurosystem and participants in TARGET2 can only obtain credit from the central bank of the country in which they are based – their home central bank (HCB) – by mobilising as collateral eligible marketable and non-marketable assets. However, through the CCBM, they can use assets issued or held in other countries, using the respective local central bank as a correspondent central bank (CCB).

In the case of mobilising marketable assets via the CCBM, counterparties must make arrangements to mobilise these assets with one of the following:

- The issuer SSS (the SSS in which the securities have been issued);
- the investor SSS<sup>2</sup> (the SSS in which the securities are held), provided that an eligible link exists between the issuer SSS and the investor SSS;
- the TPA of the triparty model being used.

The collateral will then be made available to the central bank of the country where the respective SSS/TPA is located (i.e. the CCB), and it will hold the collateral on behalf of the central bank granting the credit (i.e. the HCB).

1 The Eurosystem NCBs are: the Nationale Bank van België/Banque Nationale de Belgique, the Deutsche Bundesbank, Eesti Pank, the Central Bank of Ireland, the Bank of Greece, the Banco de España, the Banque de France, the Banca d'Italia, the Central Bank of Cyprus, Latvijas Banka, the Banque centrale du Luxembourg, the Central Bank of Malta, De Nederlandsche Bank, the Oesterreichische Nationalbank, the Banco de Portugal, Banka Slovenije, Národná banka Slovenska and Suomen Pankki/Finlands Bank. The CCBM is also available to counterparties of Danmarks Nationalbank, the Bank of England and Sveriges Riksbank. Such counterparties are advised to contact their local central bank, as CCBM procedures outside the Eurosystem may differ slightly from those described in this brochure.

2 Counterparties using the CCBM in combination with eligible links must ensure that assets are held in an account in the relevant investor SSS before the actual mobilisation takes place.

In the case of non-marketable assets, such as credit claims and non-marketable retail mortgage-backed debt instruments (RMBDs), which are not governed by domestic law, specific CCBM solutions have been implemented for their mobilisation. These specific assets can be used through the CCBM using a transfer/assignment/pledge or floating charge on behalf of and in the name of the home central bank. An ad hoc variant has been implemented to allow the cross-border use of Irish Mortgage-Backed Promissory Notes (MBPNs). More information about these procedures can be found in Annex 2.

### 1.1 USING THE CCBM

Although counterparties do not generally need to adopt special procedures (beyond arranging the transfer of the collateral in a different country) to use the CCBM, they should be aware that market practices may vary across countries. Counterparties should be particularly aware that various types of collateralisation technique (repo, assignment, pledge or floating charge) and methods of holding collateral (pooled and earmarked collateral systems) are used across the euro area, and that the CCB may use a different procedure from that of their local NCB. The collateralisation technique to be followed is chosen by the lending central bank (the HCB), provided that the CCB offers alternatives; the HCB has sole responsibility for determining the collateralisation method.<sup>3</sup>

Counterparties are under no obligation to use the CCBM if there is an approved alternative. All eligible assets may be used by means of the CCBM and, in the case of marketable assets, also through eligible links between SSSs in the European Economic Area (EEA).<sup>4</sup> The eligible marketable assets, eligible SSSs and eligible links are listed on the ECB's website.<sup>5</sup> In case of problems or for further information, an e-mail hotline is also available (see the "Collateral" section of the ECB's website for ECB and NCB contact details<sup>6</sup>).

In addition, the CCBM can be used for the mobilisation of non-marketable assets which are not governed by domestic law. However, HCBs may implement local procedures for the mobilisation of a credit claim that is subject to the law of a different jurisdiction than that of the counterparty and the HCB (foreign law credit claims). For more information on this possibility, counterparties should contact their local NCB.

Further details on legal and procedural aspects can be found in Annex 1 as well as in the "CCBM market practices" section of the ECB's website.<sup>7</sup>

### 1.2 CCBM OPENING HOURS

The CCBM is used to support the monetary policy operations of the Eurosystem and intraday credit operations in TARGET2. Under normal circumstances, it is open for instructions from counterparties from 9 a.m. to 4 p.m. CET. This means that its operating hours cover the normal time frame in which regular open market operations are carried out by the Eurosystem, but not the full operating hours of TARGET2. CCBM users that need to use collateral on a cross-border basis after 4 p.m. CET should deposit the assets with the CCB before that time. In order to ensure the settlement

3 As regards triparty collateral management services, the pledge is the collateralisation technique used for all triparty models. Model 3 with Euroclear France also supports the repo technique.

4 Eligible euro-denominated assets issued in SSSs based in non-euro EEA countries will only be available for use as collateral in Eurosystem credit operations once a link with a euro area SSS has been established and assessed as eligible by the Eurosystem.

5 <http://www.ecb.europa.eu/paym/coll/html/index.en.html>

6 <http://www.ecb.europa.eu/paym/coll/contacts/html/index.en.html>

7 <http://www.ecb.europa.eu/paym/coll/coll/ncbpractices/html/index.en.html>

of same day value operations, counterparties using the CCBM with eligible links must ensure that assets are delivered to an account in the relevant investor SSS by 4.00 p.m. CET on the settlement date. Any request for mobilisation received by HCBs from their counterparties after 4.00 p.m. CET, or the delivery of eligible assets to an account at the relevant investor SSS after 4.00 p.m. CET, will be treated on a best effort basis.

The closing time of the CCBM may be extended in exceptional circumstances, for reasons related to monetary policy or to ensure the smooth closing of TARGET2, and depending on the SSS(s) concerned.

### 1.3 WHICH NCB IS THE CCB?

For *marketable assets*, each eligible asset may have one or more CCBs.

The general rule is that the CCB is:

- the NCB of the euro area country in which the collateral was issued (in an SSS which fulfils the respective eligibility standards established by the Eurosystem – the issuer SSS); [*standard CCBM*]
- any Eurosystem NCB, provided that (one of) its domestic SSS(s) has an eligible (direct/relayed link to the issuer SSS; [*CCBM with links*]
- the NCB of the euro area country where collateral is mobilised via triparty services provided by a triparty agent that fulfils the respective eligibility standards established by the Eurosystem. [*triparty CCBM*]

However:

- for euro market and international assets issued simultaneously in Euroclear Bank and Clearstream Banking Luxembourg, the Nationale Bank van België/Banque Nationale de Belgique acts as CCB for holdings in Euroclear Bank, and the Banque centrale du Luxembourg acts as CCB for those in Clearstream Banking Luxembourg;
- for Irish government bonds held in Euroclear Bank, the Central Bank of Ireland acts as CCB.

Since multiple CCBs could exist for a particular security (due to the use of the CCBM with links), whenever a counterparty wishes to mobilise collateral on a cross-border basis via the CCBM, it should indicate in the instruction to its HCB (according to local market practice rules) the details allowing the identification of the NCB that will be the CCB for the respective mobilisation.

For *non-marketable assets*, when the CCBM is being used, the general rule is that the CCB is the NCB of the country whose law governs these assets.

## 2 CCBM PROCEDURES

### 2.1 CCBM PROCEDURES FOR MARKETABLE ASSETS

#### 2.1.1 STANDARD CCBM

If a counterparty holds eligible assets in the foreign SSS in which these assets have been issued and wishes to use them as collateral with its HCB, it instructs the HCB and the SSS to transfer the assets to the central bank of the relevant foreign country (CCB) for the account of the HCB.

The CCB provides the necessary information to the HCB on the delivery of the securities, while the HCB processes that information, conducts the valuation process (including margin calls and valuation haircuts) and provides liquidity to the counterparty (by means of a cash payment or by increasing a counterparty's credit line, if applicable). The HCB will not advance funds until it is certain that the mobilised securities have been safely received by the CCB on its behalf.

#### Example

A Spanish bank wishes to obtain credit from the Banco de España (the Spanish central bank) on the basis of marketable assets issued and held in the Italian SSS Monte Titoli.

Step 1 – The Spanish bank contacts the Banco de España (the HCB), requesting the credit and stating that it intends to use the CCBM to mobilise marketable assets that it holds in Italy.

Step 2 – On the basis of the information provided by the counterparty, the Banco de España sends a CCBM message to the Banca d'Italia (the Italian central bank) requesting that it receives Italian securities from the counterparty on its behalf. At the same time, the counterparty issues instructions for the marketable assets to be transferred (or instructs its custodian in Italy to transfer them) to an account managed by the Banca d'Italia at Monte Titoli. In this example, therefore, the Banca d'Italia acts as the CCB for the Banco de España, the HCB.

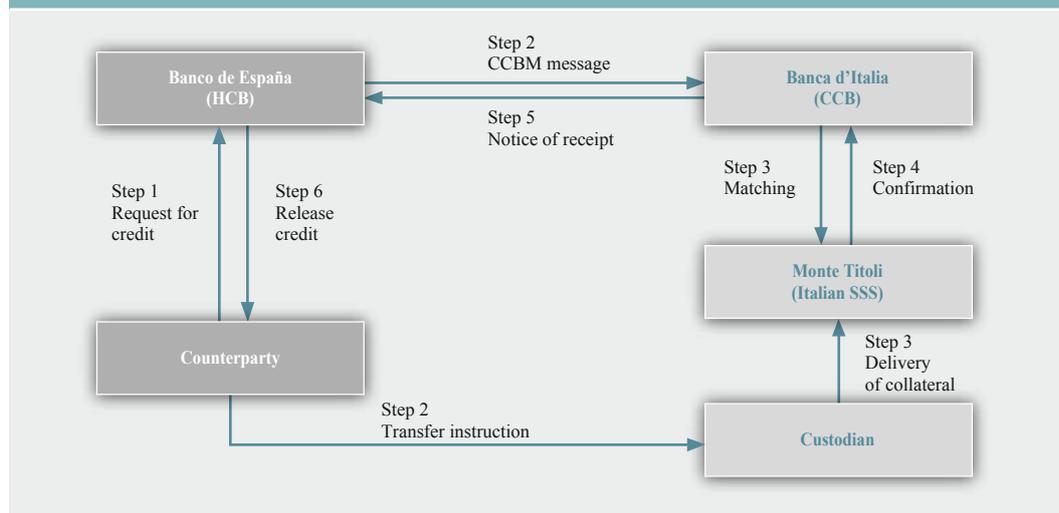
Step 3 – Once the Banca d'Italia has received the Banco de España's CCBM message, it takes all the necessary action to ensure that the marketable assets arrive at its account at Monte Titoli (e.g. matching). In the meantime, the counterparty (or its custodians) delivers the marketable assets to the Banca d'Italia account according to Monte Titoli's delivery procedures.

Step 4 – If settlement is successful, Monte Titoli sends a confirmation message to the Banca d'Italia.

Step 5 – After the Banca d'Italia has received the confirmation message from Monte Titoli, it sends a notification of receipt to the Banco de España. The Banca d'Italia holds the securities on behalf of the Banco de España, thus in effect acting as its custodian.

Step 6 – Having received the notification of receipt, the Banco de España grants credit to the Spanish bank.

Chart I “Standard CCBM”



### 2.1.2 CCBM WITH LINKS

Counterparties can also use the CCBM to mobilise eligible marketable assets held in an SSS other than the SSS in which the assets were issued, provided that an eligible link exists between the SSSs concerned.

If a counterparty wishes to collateralise eligible marketable assets with its HCB by making use of the CCBM with eligible link option, it instructs the HCB and the SSS in the country in which the assets are held to transfer the assets to the central bank of that country (the CCB) for the account of the HCB.

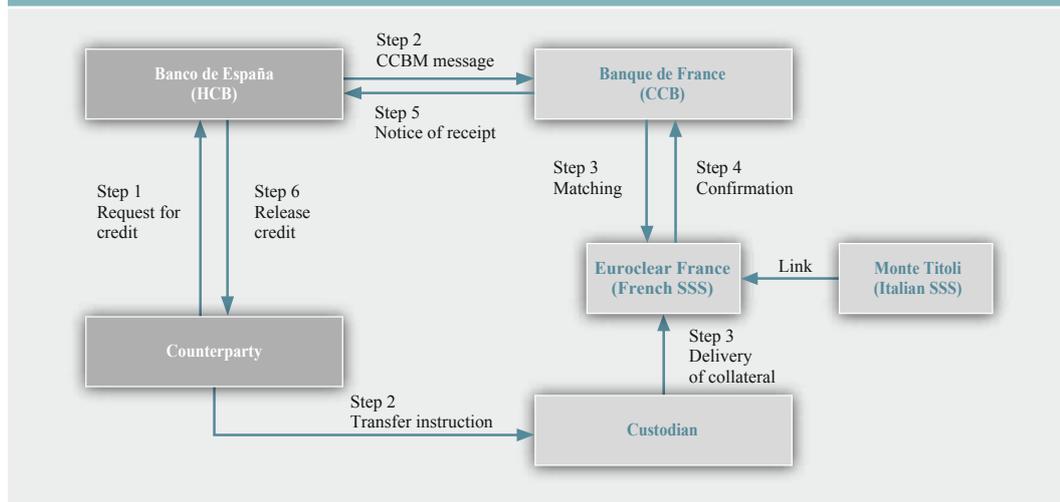
#### Example

A Spanish bank wishes to obtain credit from the Banco de España (the Spanish central bank) on the basis of marketable assets issued in the Italian SSS Monte Titoli (the issuer SSS) that it holds in the French SSS Euroclear France (the investor SSS).

The steps described for the standard CCBM also apply to the CCBM with links; the only difference in terms of message flows being the SSS instructed and the fact that the collateral is held in the investor SSS instead of in the issuer SSS.

When the CCBM with links is used, counterparties should ensure that the securities to be mobilised as collateral are already held (through an eligible link) in an account with the investor SSS or will be delivered by the counterparty to an account with the relevant investor SSS in due time (see section 1.2).

Chart 2 “CCBM with links”



Moreover, counterparties should indicate in the instruction they send to their HCB the details allowing the identification of the NCB that will be the CCB for the respective mobilisation, according to local market practice rules (see section 1.3).

### 2.1.3 TRIPARTY CCBM

The CCBM also provides a basis for the cross-border use of triparty collateral management services, whereby the NCB of a market where triparty collateral management services are being offered for cross-border Eurosystem use acts as CCB for NCBs in other countries with local counterparties wishing to take advantage of such services on a cross-border basis. The triparty agents involved must be assessed by the Eurosystem and approved as eligible for use in Eurosystem credit operations.

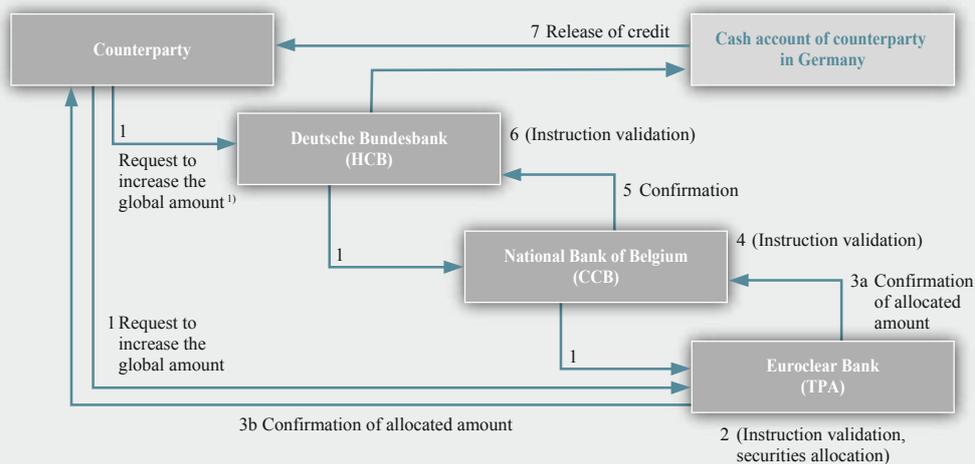
Three particular models are available for cross-border triparty services via the CCBM: Model 1 with Clearstream Banking Frankfurt acting as TPA; Model 2 with Clearstream Banking Luxembourg; and Model 3 with Euroclear Bank and Euroclear France. Any other triparty agents offering a cross-border triparty service in the Eurosystem context will have to align their service with one of the three existing models and seek Eurosystem approval thereof.

The aforementioned models allow counterparties to increase/decrease the amount of collateral they provide to their HCB, having recourse to collateral held with a triparty agent on a cross-border basis. The amount mobilised through a triparty transaction is referred to as the “global amount” and is composed of the collateral value of securities allocated for this purpose at the TPA. Triparty transactions are handled on a “cancel and replace” basis in respect of this global amount.

#### Example

A German bank wishes to obtain credit from the Deutsche Bundesbank (the German central bank) using triparty services provided by Euroclear Bank (the triparty agent).

Chart 3 “Triparty CCBM”



1) Counterparties using Model 1 do not have to send an instruction message to their HCB. Therefore, the HCB in Model 1 does not make a request to the Deutsche Bundesbank to increase the global amount, and the TPA does not receive such a request from the Deutsche Bundesbank.

Counterparties wishing to use the CCBM with triparty services should contact their HCB and the specific SSS offering the triparty service that they would like to use for further information on legal and operational aspects.

## 2.2 CCBM PROCEDURES FOR NON-MARKETABLE ASSETS

In drawing up the single framework for eligible assets used in the monetary policy and intraday credit operations of the Eurosystem, it was decided to include non-marketable assets, in particular credit claims and RMBDs. The eligibility criteria for these assets are listed in “*The implementation of monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures*”.<sup>8</sup>

Because of the specific characteristics of credit claims and RMBDs, the ECB and the NCBs have established a procedure for their mobilisation through the CCBM.

### 2.2.1 TRANSFER, PLEDGE OR ASSIGNMENT OF CREDIT CLAIMS ON BEHALF OF AND IN THE NAME OF HCB

A transfer/assignment/pledge on behalf of and in the name of the HCB is the procedure used by the Eurosystem NCBs for the mobilisation of credit claims. Under this procedure, the collateral is provided by the counterparty and taken by the CCB on behalf of and in the name of the HCB. Non-marketable assets governed by the law of another euro area country can be used by counterparties to obtain credit from their HCB. The HCB decides, from among the techniques offered by the CCB, whether it prefers to use a transfer of ownership, an assignment, floating charge or a pledge. Counterparties have the possibility to communicate with the CCB via their HCB

<sup>8</sup> See Annex 1 of the Guideline of the ECB of 20 September 2011 (ECB/2011/14; <http://www.ecb.europa.eu/ecb/legal/pdf/0201100014-20130103-en.pdf>).

if the latter is willing and able to provide this service in accordance with the procedures of the CCB. Further details are given in Annex 2.

The type of information to be communicated to the CCB relative to the credit claim details, and the means of communication used by each NCB, is available on the ECB's website.<sup>9</sup>

Counterparties also have the possibility to mobilise credit claims subject to the law of a different jurisdiction than that of the counterparty and the HCB (foreign law credit claims) using local procedures, insofar as this possibility is offered by their HCB. For more information on this possibility, counterparties should liaise directly with their NCB.

### 2.2.2 NON-MARKETABLE RETAIL MORTGAGE-BACKED DEBT INSTRUMENTS

The assets concerned are non-marketable debt instruments, governed by Irish law, in the form of residential mortgage-backed promissory notes secured by a deed of charge (floating) over a pool of residential mortgage assets held by the issuer. These promissory notes may be used by the counterparties in the context of Eurosystem monetary policy operations or intraday credit operations; these assets are not listed on a regulated market.

In the case of the CCBM, a counterparty of the Central Bank of Ireland (CBI), having entered into an agreement with a counterparty of another HCB (an "eligible" counterparty), may issue MBPNs to the CBI as nominee for and for the account and benefit of that eligible counterparty, on the basis of an outright transfer. The counterparty of the CBI and the eligible counterparty may then instruct the CBI to hold the MBPNs for the account of another HCB. On receipt of this instruction the CBI informs the HCB that it holds the MBPNs for the account of this HCB and the MBPNs are no longer held for the account of the eligible counterparty.

## 2.3 CCBM PROCESSING TIME

To improve the level of service provided by the CCBM, the ECB's Governing Council decided that from January 2004 the HCB and the CCB should both aim to carry out their internal procedures (e.g. Steps 2 and 6 for the HCB and Steps 3 and 5 for the CCB of Chart 1) within 30 minutes. This assumes, however, that counterparties (and their custodians) submit their instructions correctly and that some allowance is made for possible delays at peak times.

As in many cases custodian banks play an important role in the CCBM processing chain by delivering the marketable assets to the CCB on behalf of the counterparty (see Step 3 of Chart 1), the major European credit sector associations (the European Banking Federation, the European Savings Bank Group and the European Association of Co-operative Banks) have established "best practices" for custodian banks involved in CCBM transactions (see the box below), which entered into force in May 2005. These best practices help market participants to make the CCBM more efficient (e.g. time benchmarks, clear input deadlines and communication channels).

<sup>9</sup> [http://www.ecb.europa.eu/paym/pdf/collateral/Table2\\_cc\\_details.pdf](http://www.ecb.europa.eu/paym/pdf/collateral/Table2_cc_details.pdf)

## Box

### **BEST PRACTICES FOR MARKET PARTICIPANTS INVOLVED IN CCBM OPERATIONS, AS AGREED BY THE EUROPEAN BANKING FEDERATION, THE EUROPEAN SAVINGS BANK GROUP AND THE EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS**

1. Custodians shall ensure that their customers are informed of their rules/procedures for CCBM-related instructions. These rules/procedures shall be based, to the largest extent possible, on the official local market practices. Customers must abide by these rules/procedures to ensure a swift and efficient processing of their instructions.
2. Whenever possible, the processing of CCBM instructions should rely on automatic procedures. In this respect, electronic communication channels between custodians and their customers shall be used to the largest extent possible and instructions shall be based on ISO 15022 standards.
3. Under normal circumstances and on a best effort basis, custodians shall submit their customers' CCBM-related instructions to the local SSS within 30 minutes of their receipt, provided that the instructions are complete and correct and that the customer has the securities to be delivered.
4. Custodian deadlines for same-day processing of their customers' CCBM-related instructions shall be 30 minutes before the deadline of the relevant local SSS (see the regularly updated country tables on the ECB's website). However, as good practice, customers are encouraged to submit their instructions well in advance of the custodian's deadline in order to avoid building up instruction queues and to provide the custodian with sufficient time to react to mistakes or unforeseen problems.
5. Market participants shall ensure that information is readily available to their customers to enable them to monitor the status of their CCBM instructions.
6. Custodians shall agree with their customers on the usage of the code "CNCB" – for Central Bank Collateral Operation – as a way of identifying and prioritising (when necessary) CCBM-related instructions. This code, based on ISO 15022 standards, is present in field 22F, in the mandatory sequence E – Settlement, and indicates that the transaction relates to a CCBM collateral delivery/receipt to a national central bank.
7. Given that the "CNCB" code allows custodians to recognise CCBM instructions as such, they shall inform their customers, on a best effort basis, of settlement problems within 15 minutes of their discovery.

As a result of the efforts both of central banks and of most of the custodian banks involved in CCBM operations, the average processing time for CCBM instructions amounts to little more than an hour, provided that instructions are submitted correctly by counterparties and that the SSSs can settle the operations without delay.

For non-marketable assets, the time benchmark is restricted to the pure CCBM function (i.e. for the mobilisation and return process), and therefore excludes all activities that can be associated with the transfer of information related to these assets.

### 3 LEGAL FRAMEWORK

The use of the CCBM by the EU central banks is based on internal Eurosystem/ESCB agreements. Under these agreements, each NCB agrees to act as the local agent for each other and the ECB and responsibilities are allocated to the HCB and the CCB. The terms applicable to the collateral operations of counterparties are set out in the respective contractual or regulatory arrangements of the HCB. In particular, these documents specify whether the HCB will base its operations on assignments, repos, pledges, and/or a floating charge.<sup>10</sup> The CCBM has been designed to ensure that, if possible under the relevant national legal systems, the HCB's choice of collateralisation technique should be respected for the mobilisation of both domestic and cross-border assets. The table in Annex 1 contains a short description of the legal instruments available in each country. Details of national legal requirements can be found on the ECB's website under the CCBM market practices of each NCB.

### 4 PRICING

Counterparties which make use of marketable and non-marketable assets as collateral in the Eurosystem context on a cross-border basis (excluding triparty services) must pay a transaction fee of €30 for each delivery of assets to their HCB. In addition, a combined custody and administration fee (i.e. service fee) of 0.0069% per annum is charged on the nominal value<sup>11</sup> of the assets held each month.

When triparty services are being used, counterparties must pay a transaction fee of €30 for each processed instruction initiated by them, and a monthly service fee of €50 per TPA used.

	Transaction fee	Service fee
1. Mobilisation of marketable and non-marketable assets via the standard CCBM/CCBM with links	A €30 transaction fee is charged to counterparties for each delivery of assets to their HCB, i.e. per ISIN/credit claim delivered to a CCB.	A 0.0069% p.a. service fee is charged to counterparties, which is calculated on a daily basis. It is based on the cross-border collateral delivered via the CCBM and held in custody at the close of the business day on a pro rata basis (calculation of days on an actual/365 basis).
2. Mobilisation/demobilisation of marketable assets via the triparty CCBM	A €30 transaction fee is charged to counterparties for each processed change of the global amount initiated by them. <sup>1)</sup>	A monthly €50 service fee is charged to counterparties per TPA used.

1) In certain cases, a €30 transaction fee may be charged to the counterparty if the HCB has to initiate a transaction on its behalf.

Taxes are not included in these fees, which have been set to cover the costs of the CCB and are charged by the HCB on a monthly basis. In addition, HCBs may also charge local fees. Further information on the procedures for fee collection is provided by NCBs in the domestic legal documentation governing monetary policy and intraday credit operations.

<sup>10</sup> In conformity with market practice, the term "collateral" is used for all types of transaction mentioned.

<sup>11</sup> Market value is used for assets for which nominal value is meaningless.

## 5 STATISTICS ON THE MOBILISATION OF COLLATERAL

Statistics on the mobilisation of collateral for Eurosystem credit operations are published on the ECB's website (<http://www.ecb.europa.eu>). These statistics reflect the assets held in custody via the different mobilisation channels, and focus on cross-border mobilisation (figures refer to the value of assets in custody on the last Thursday of the month).

# ANNEXES

## I SUMMARY OF LEGAL INSTRUMENTS USED IN THE EURO AREA<sup>12</sup>

ANNEXES

For marketable assets, in countries where the CCB offers two instruments (pledge and repo), the HCB generally chooses the instrument that it wishes to use, while also taking into account the preferences of the CCB.<sup>13</sup>

Table

	The central bank will support the following collateralisation methods/techniques:						
	As an HCB		As a CCB				
	for marketable and non-marketable assets		for marketable assets		for non-marketable assets		
	pool	earmark	pledge	repo	pledge	assignment	floating charge
AT	Yes	No	Yes	Yes	Yes	Yes	
BE	Yes	No	Yes	Yes	Yes		
CY	Yes	No	Yes	No		Yes	
DE	Yes	No	Yes	Yes		Yes	
DK	Yes	Yes	Yes	Yes		Not applicable	
EE	Yes	Yes	No	Yes		Not applicable	
ES	Yes	Yes <sup>1)</sup>	Yes <sup>2)</sup>	Yes	Yes		
FI	Yes	No	Yes	Yes	Yes		
FR	Yes	No	Yes	Yes	Yes		
GR	Yes	No	Yes	Yes	Yes		
IE	Yes	No <sup>3)</sup>	Yes <sup>4)</sup>	No			Yes
IT	Yes	No	Yes	Yes	Yes		
LU	Yes	No	Yes	Yes	Yes		
LV	Yes	No	Yes	Yes	Yes		
MT	Yes	No	Yes	Yes	Yes		
NL	Yes	No	Yes	Yes		Yes	
PT	Yes	No	Yes	Yes <sup>5)</sup>	Yes		
SE			Yes	Yes		Not applicable	
SI	Yes	No	Yes	Yes	Yes	Yes	
SK	Yes	No	Yes <sup>6)</sup>	Yes		Yes	
UK			Yes	Yes		Not applicable	

1) In this case “earmarking” only applies to marketable assets.

2) Pledge only for securities held in SCLV, SCL Valencia and SCL Bilbao.

3) In the case of Ireland, the pledge is affected by a fixed charge.

4) Excluding Irish Mortgage-Backed Promissory Notes which are earmarked against specific credit provisions.

5) Although the pledge is the collateralisation technique preferred by the Banco de Portugal for the mobilisation of collateral deposited in Interbolsa, the repo can be used if required by the HCB/foreign counterparty.

6) Counterparty wanting to use the pledge technique must open an account in the Slovak SSS's registration.

<sup>12</sup> The table also includes information about certain non-euro area countries, i.e. Denmark, Sweden and the United Kingdom.

<sup>13</sup> As regards triparty services, counterparties should be aware that the pledge with pooling collateralisation technique is used for all triparty models. Model 3 with Euroclear France also supports the repo technique.

## 2 TRANSFER, PLEDGE OR ASSIGNMENT OF CREDIT CLAIMS ON BEHALF OF AND IN THE NAME OF THE HCB

The CCBM has been set up to cater for the transfers, pledges or assignments of credit claims that are not governed by domestic law and that are provided by the counterparty directly in favour of the HCB. In order to take account of the specific features of these non-marketable assets, a specific procedure using the CCBM has been set up. These arrangements are described in the following sections. When communication between the counterparty and the CCB is necessary, the counterparty can communicate via its HCB, provided that the HCB is able and willing to provide this service in accordance with the procedures of the CCB.

### Specific details of the procedure

Before it can begin to use credit claims as collateral through the CCBM, the counterparty must meet the following legal and technical preconditions. They must

- accept the legal terms and conditions stipulated by its HCB for taking credit claims as collateral, including the additional terms and conditions prepared by CCBs for use by HCBs regarding the taking of credit claims as collateral;
- submit a list of authorised signatures for authentication of the claim;
- agree with the CCB on the mechanism used to send the static data set;
- a priori, conduct a file format test according to the CCB's procedures if applicable;
- request a standard identification number for the credit claim<sup>14</sup> and the debtor; and
- register the claim with the CCB (indicating the standard identification number of the claim and of the debtor, the credit quality assessment information, the rating system, etc.).

Having met the legal and technical prerequisites, the counterparty will transfer the credit claims to the CCB in favour and in the name of the HCB. The following procedure will apply:

- The counterparty sends the necessary information to identify the credit claims in the format specified by the CCB. The files are recorded in an electronic database, which contains the list of eligible credit claims that is continuously administered by the CCB.
- For the mobilisation of the credit claim itself, the counterparty sends the message “receipt of collateral” – being a mobilisation request – to the attention of the HCB, followed by the standard communication HCB/CCB, if applicable.
- In the case of a withdrawal of assets (if any, before maturity), the counterparty must instruct its HCB, which will in turn instruct the CCB.

### THE IRISH VARIANT

#### Specific details of the procedure for Irish Mortgage-Backed Promissory Notes

When initiating use of the CCBM for this type of asset the counterparty must arrange with the original issuer of the promissory note(s) to have them completed in the name of the Central Bank of Ireland. As the promissory note(s) are held at the Central Bank of Ireland, the instruction to do

<sup>14</sup> Some NCBS will assign an identification number to the credit claim only at the moment of the deposit.

so must pass from the original issuer to the Central Bank of Ireland. The Form of Authorisation which initiates use of the model must be forwarded to the Central Bank of Ireland. A non-resident counterparty must enter into a mutual agreement with the Central Bank of Ireland before promissory notes can be mobilised. A counterparty which is the beneficiary of one or more mortgage-backed promissory notes already in issue may enter into a Eurosystem credit operation with another participating NCB, by instructing the Central Bank of Ireland in the form of a Direction. The Form of Direction for this purpose will be provided by the Central Bank of Ireland upon request.

The Central Bank of Ireland will maintain a list of the authorised signatories for each counterparty and will check the signatures on the Form of Authorisation against this list. Once they have been verified, the Central Bank of Ireland will complete the promissory note(s) in the name of the CCB (i.e. itself). At this time the Central Bank of Ireland and the original issuer should agree unique identification number(s) for the promissory note(s). The issuer should then notify the counterparty of this number.

When a counterparty proposes to use this type of asset for collateralisation purposes, it should advise the HCB of its intention to do so and of the relevant transaction details, including the unique identification number.

