

**ABI's response to the  
ECB's Consultation  
on the CCBM2 project**

## 1. Introduction

The Italian Banking Association (ABI), with a membership of over 800 associate member banks, represents the Italian banking system as a whole.

ABI appreciates the opportunity it is given for expressing its opinion about the consultation procedure implemented by European Central Bank in relation to the Collateral Central Bank Management (CCBM2) project.

## 2. Response to specific questions

*Q1: 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?*

We have to differentiate two impacts: the impact of possible operative imperfections on securities for pledge and the impact for using collateral in ECB *Main Refinancing Operations* (MRO). ECB MRO utilization is more critical and with reference to current CCBM collateral transfers, we point out these weaknesses:

- Unharmonization of CCBM procedures in relation to different CSDs local settlement timing;
- Different NCB timing constraints for collateral to be transferred;
- Different procedures and flexibility between domestic and cross border collateral;
- Complicated procedures for opening, monitoring and feeding pre-depositary;
- Restricted access time at single NCB level to use CCBM transfer;
- Higher costs for mobilizing collateral than SSSs links model;
- A few automation linked procedures to users to monitor NCB credit obtained;
- Difficult margins management (mark-to-market) and communication channels to users;
- Very difficult access to specific markets (e.g. Greece) owing to local regulations;

- Timing problems when collateral substitution is required, with possible impact on MRO or LTO collateral delivery (CSDs and NCBs cut off).

The main advantages to be maintained in current CCBM could be the possibilities to interact directly with own NCB for collateral transfer and credit granted to banks without any transit on CSD property account holder.

*Q2: 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)?*

Principles proposed are clear and we completely agree with them. In particular, as an increase in the use of credit claims is expected, CCBM2 functionalities should improve operative efficiency easing the use of such a class of collateral.

*Q3: What enhancements should the CCBM2 be able to achieve in comparison with the current CCBM beyond the principles expressed above?*

Full interaction between T2 and T2S is agreeable for reaching a total harmonization in terms of common collateral cut-offs transfers and going over domestic/cross border barriers to guarantee the same playing field level in collateral utilizations. In this context, common operative execution timing have to be defined. For this reason, we suggest forecasting the start of the CCBM2 perfectly in line with the time frame of the T2S project.

*Q4: Apart from the components internal to the Eurosystem, what types of feature should be covered by the CCBM2 user requirements, from your perspective?*

We strongly recommend giving the possibility to use also non-euro currency securities (this is also in line with the aim of T2S) at a later stage.

*Q5: 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)?*

- Technical access: only SWIFT standards have to be allowed;

- Monitoring functions: possibility to monitor the final collateralization process through ICM (credit granted, margining, expiry, CSDs transfer);
- Opening hours/days: CCBM2 could cover T2 operative timetable and calendar. CSDs and T2S would guarantee interaction with these operative aspects;
- Customer support requirements: NCB support is essential to provide all information required by users for collateralizing through CCBM. NCB cut off, procedures and final results would be clarified.

*Q6: 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?*

We don't see any particular market initiatives that might have an impact on the design for the CCBM2.

*Q7: 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)?*

Consulting the market to define the final user requirements is necessary to cover all users' needs in collateral utilization. As for T2S, the National User Group could organize internal consultation to make proposals to Eurosystem through own NCB.