EUROPEAN CENTRAL BANK

EUROSYSTEM

Eurosystem Collateral Management System

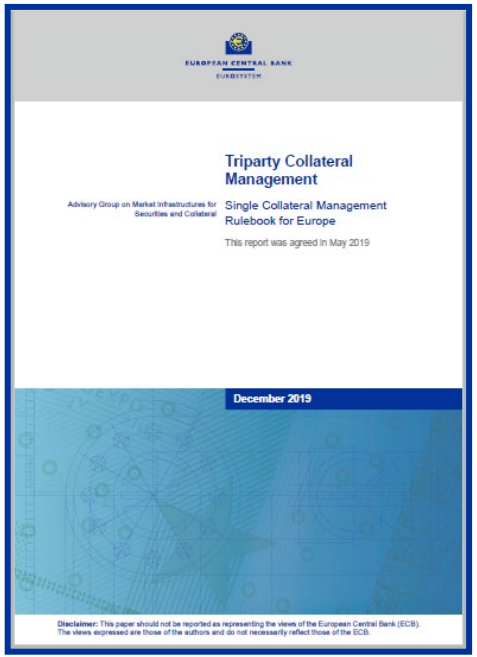
Information pack

Handling triparty collateral in the ECMS

January 2020

target services | ECMS

New single Eurosystem triparty model



Harmonised business processes and workflows for triparty collateral management

Defined by AMI-SeCo's CMH-TF

Based on ISO 20022 messaging

Using a common transaction ID

Communication only TPA/ECMS

Detailed intraday information

Use of a common transaction ID

- All legal aspects of the triparty agreement are managed outside the ECMS.
- Counterparties using triparty services only interact with the triparty agent, and do not send instructions to the ECMS directly.
- INIT instructions are not matched. Triparty transactions are set-up in the ECMS by the NCB user, using the agreed common transaction ID.
- The same common transaction ID must be used in the INIT instruction sent by the counterparty to the TPA and in the report sent to the ECMS.

Communication only between TPA and ECMS

Triparty collateral is updated via the processing of reports sent by the TPA to the ECMS on stocks and on flows.

Stocks

- End of day
- Reconciliation
- All asset positions with valuation details

Flows

- Intraday each time the allocation of assets is changed
- Update of asset positions and triparty collateral value
- Update of the triparty transaction amount

Triparty collateral updated in the ECMS

Event	Triparty transaction amount	TPA collateral value	ECMS collateral value	Triparty collateral value applied in the ECMS pool
Initiation	**0**	0	0	0
1st report on flows	**10**	10.2	10.2	10
Decrease	**8**	10.2	10.2	8
2nd report on flows	**8**	8.1	8.1	8
Revaluation	8	8.1	**7.5**	7.5

When accepting a decrease request, the ECMS automatically reduces the triparty transaction amount ahead of the report on flows which confirms the realisation of the decrease.

ECMS performs the revaluation in the ECMS, and ensures reconciliation by checking the report on stocks sent to the ECMS by the TPA.

Triparty unilateral removal

- Upon reception of a report on flows, the NCB can detect whether assets which are not compliant with risk control criteria have been allocated by the TPA. The NCB can unilaterally request the removal of such assets.
- The unilateral removal of individual assets by the NCB has the effect of making these ineligible. Consequently, the TPA substitutes out these assets, replacing them with other (eligible) assets.
- Unless replacement assets cannot be found, there is no impact on the triparty transaction amount.