



EUROPEAN CENTRAL BANK

CORRESPONDENT CENTRAL BANKING MODEL (CCBM)

MAY 2005

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PROCEDURES FOR EUROSYSTEM COUNTERPARTIES



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INTRODUCTION

At the beginning of Stage Three of EMU, the Eurosystem introduced the correspondent central banking model (CCBM) in order to ensure that all assets eligible for use either in monetary policy operations or to obtain liquidity in TARGET were available to all its counterparties, regardless of where the assets or the counterparty were situated.

Since the implementation of the CCBM in January 1999, the Eurosystem has made efforts to improve the model's service level.

Despite these efforts, however, the central banks of the Eurosystem still favour the development of market solutions for the cross-border use of collateral.¹

The CCBM is indeed a medium-term solution designed to facilitate the cross-border use of collateral until adequate market solutions become available throughout the euro area/European Union.

The securities settlement industry in Europe has recently been subject to an intensive integration process, whose benefits it will be able to fully exploit in the medium to long term. Moreover, links between security settlement systems (SSSs) in different countries have been established for some time. Where the Governing Council of the European Central Bank (ECB) has deemed these links eligible for use in Eurosystem credit operations, they represent a valid alternative to the CCBM.

This brochure addresses the Eurosystem's counterparties and other market participants involved in CCBM procedures. It gives a general outline of how the CCBM works and of its main features.² Eurosystem counterparties may obtain further detailed information from the national central banks (NCBs) of the Eurosystem.

¹ Such arrangements will be used by the Eurosystem for monetary policy purposes and by the central banks of the EU for intraday credit operations in TARGET, provided that:

- they meet the requirements set out in the report entitled “Standards for the use of securities settlement systems in the ESCB credit operations”, published by the European Monetary Institute (EMI) in January 1998; and
- they comply with other operating requirements which stem from monetary policy operations (i.e. some functions that are carried out by the correspondent central bank may need to be carried out by another entity, depending on the solution proposed).

² The CCBM is also available to counterparties of Denmark's Nationalbank, Sveriges Riksbank and the Bank of England. These counterparties should contact their local central bank for a description of the procedures governing the use of the CCBM in their country as such procedures might differ slightly from those described in this document.

I HOW THE CCBM WORKS

Counterparties to the monetary policy operations of the Eurosystem and participants in TARGET can only obtain credit from the central bank of the country in which they are based – their home central bank (HCB). However, through the CCBM, they can use collateral issued (i.e. registered or deposited) in other countries. To do so, they must arrange

with the “issuing” SSS (i.e. the SSS in which the securities have been issued and deposited) for the collateral to be transferred to an account maintained by the local NCB, in general the central bank of the country where the SSS is located. The local NCB will then hold the collateral on behalf of the central bank granting the credit (the HCB) and thus act as a correspondent central bank (CCB).

Example

A Spanish bank wishes to obtain credit from the Banco de España (the Spanish central bank) on the basis of collateral that it holds in the Italian central securities depository (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 collateral 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 receive Italian securities from the counterparty on its behalf. At the same time, the counterparty issues instructions for the collateral to be transferred (or instructs its custodian in Italy to transfer it) 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.

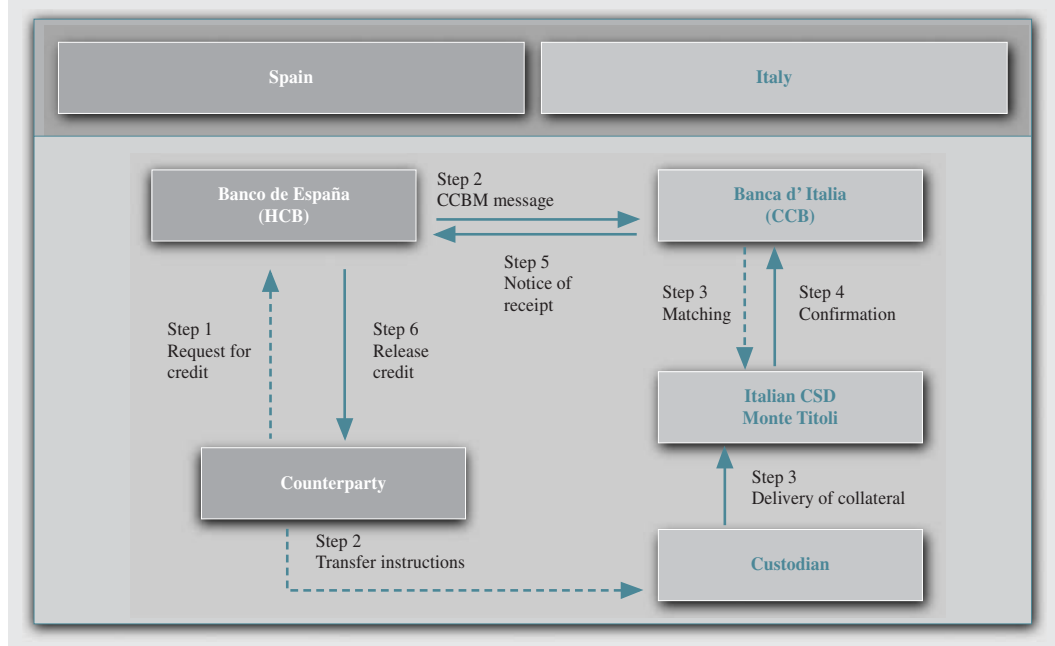
Step 3 – Once the Banca d’Italia has received the Banco de España’s CCBM message, it takes all the necessary action to ensure that the collateral arrives at its account at Monte Titoli (e.g. matching). In the meantime the counterparty (or its custodians) delivers the collateral to the Banca d’Italia 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 – As soon as the Banca d’Italia receives the confirmation message from Monte Titoli it carries out certain internal procedures (for example finding the price of the assets). It then 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 How a counterparty based in Spain can use eligible assets issued and deposited in Italy to obtain credit from the Banco de España



The CCB provides the necessary information to the HCB on the delivery and eligibility of the securities, while the HCB processes that information, conducts the valuation process³ and provides liquidity to the counterparty (i.e. a cash payment or an increase in a counterparty's overdraft limit). The HCB will not advance funds until it is certain that the counterparty's securities are eligible and have been safely received by the CCB.

In order to improve the level of service provided by the CCBM, the Governing Council of the ECB decided that as of January 2004 the HCB and the CCB should each perform their internal procedures within 30 minutes (i.e. steps 2 and 6 for the HCB and steps 3 and 5 for the CCB), provided that counterparties (and their custodians) submit their instructions correctly.⁴ However, counterparties should be aware that in some cases it may take more than the 30 minute benchmark for the CCB or HCB to process CCBM instructions, for instance in the case of peaks of traffic.

As in many cases custodian banks play an important role in the CCBM processing chain by delivering the collateral to the CCB on behalf of the counterparty (see step 3), 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. These provide market participants with guidelines for optimising the efficiency of the CCBM (e.g. time benchmarks, clear input deadlines and communication channels, etc.). The best practices, presented in the Box, entered into force in May 2005.

As a result of the efforts both of central banks and of most of the custodians banks involved in

³ Including margin calls, valuation haircuts, etc.

⁴ Danmarks Nationalbank, Sveriges Riksbank and the Bank of England are encouraged to meet the benchmark on a best effort basis but are not obliged to further invest in the CCBM.

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 at www.ecb.int). 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 management – 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.

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.

1.1 USING THE CCBM

In principle, the use of the CCBM does not require counterparties to adopt special procedures (beyond arranging the transfer of the securities in a different country). However, counterparties should be aware that market

practices in other countries may be different to those in their own country. In particular, they should be aware that different types of collateralisation technique (repo or pledge-type arrangements) and different methods of holding collateral (pooled and earmarked collateral systems) are used in the EU and that the CCB may use a different procedure from that of their local NCB. The procedure to be followed is chosen by the lending central bank (the HCB), but the method of collateralisation is usually the one suggested by the CCB.

All assets eligible for Eurosystem monetary policy operations can be used on a cross-border basis through the CCBM (including certain non-marketable assets which are not held in SSSs).

There is no obligation for the counterparties to use the CCBM if an approved alternative exists, such as a link between SSSs.

Further general information on legal and procedural aspects can be found in Annexes 1 and 5.

1.2 CCBM OPERATING TIME

The CCBM is used to support the monetary policy operations of the Eurosystem and intraday credit operations in TARGET. Under normal circumstances, it is open for instructions from counterparties from 9 a.m. to 4 p.m. C.E.T. This means that its operating hours cover the normal time-frame in which regular open market operations are carried out by the Eurosystem but do not cover the full operating hours of TARGET. CCBM users needing to use collateral on a cross-border basis after 4 p.m. should therefore deposit it with the CCB before that time. In exceptional circumstances – when necessary for reasons related to monetary policy or to ensure the smooth closing of TARGET – the closing time of the CCBM may be delayed.

1.3 WHICH NCB IS THE CCB?

The general rule is that the CCB is the NCB of the country of the issuing SSS (which is usually the domestic SSS of the country in which the assets are issued (i.e. registered/deposited). In general each eligible asset has only one CCB. However,

- for Euro-market and international issues that are issued simultaneously in Euroclear Bank and Clearstream Luxembourg, the Nationale Bank van België/Banque Nationale de Belgique acts as CCB for holdings in Euroclear Bank, while the Banque centrale du Luxembourg acts as CCB for those in Clearstream Luxembourg;
- for Irish government bonds deposited in Euroclear Bank, the Central Bank and Financial Services Authority of Ireland acts as CCB;⁵
- for Euro-market and international issues in Euroclear Bank and Clearstream Luxembourg where the issuer is the Government of the United Kingdom or a company incorporated in the United Kingdom, the Bank of England acts as CCB.

Detailed information on the assets eligible for Eurosystem credit operations is available on the ECB's website (www.ecb.int). In case of problems or for further information an e-mail hotline is also available (see the “MFIs and eligible assets” section of the ECB's website).

2 CCBM VARIANTS FOR NON-MARKETABLE TIER TWO ASSETS

In drawing up the list of assets eligible for use in the monetary policy and intraday credit operations of the Eurosystem, it was decided to include assets in various countries which are

⁵ Following the closure of the Central Bank and Financial Services Authority of Ireland Securities Settlement Office (CBISSO), Irish government bonds have been transferred to Euroclear Bank.

of particular importance to their national financial markets and banking systems: these are known as “tier two” assets. The criteria for inclusion in the list of eligible assets are given in the ECB publication entitled “The implementation of monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures”, updated February 2005.

In some countries tier two assets include assets which cannot be transferred through an SSS, such as credit claims, bills of exchange and non-marketable bonds. Because of the specific characteristics of these assets, the ECB and the NCBs have established specific procedures for their mobilisation through the CCBM. The countries which have so far included such assets in their tier two lists are Germany, Spain, France, Ireland, the Netherlands and Austria. In accordance with domestic procedures and legal environments, two methods of using these assets through the CCBM have been developed.

2.1 TRANSFER OF OWNERSHIP TO THE CCB

This variant of the CCBM mobilises assets which cannot be transferred through an SSS by transferring them to an account in the name of the CCB. This method has been chosen by the Banque de France, the Central Bank and Financial Services Authority of Ireland and De Nederlandsche Bank for the mobilisation of, respectively, French private claims (claims – governed by French law – on debtors established in France), Irish mortgage-backed promissory notes, and Dutch private claims and bills of exchange.

A counterparty wishing to use these assets as collateral must first enter into a general agreement with the CCB. It must then, each time it wishes to use such assets, arrange their transfer to the CCB. The CCB then issues a guarantee in favour of the HCB, whereupon the credit can be released to the counterparty as with any other asset. Further details are given in Annex 3.

2.2 TRANSFER OF OWNERSHIP TO OR PLEDGE IN FAVOUR OF THE HCB

The Deutsche Bundesbank, the Banco de España and the Oesterreichische Nationalbank have included in their tier two lists private claims for which the debtor or the liable party has been accepted by those NCBs. The Oesterreichische Nationalbank also includes non-marketable bonds and commercial paper, while the Deutsche Bundesbank accepts bills of exchange.

These assets can be used by counterparties in other countries to obtain credit from their HCB. Procedures have been established to allow either a pledge (in the case of Spain, pledge only) or a transfer of full title (or, in the case of Austrian private claims, an assignment for security purposes). The HCB decides whether it prefers to make the transfer of ownership or use a pledge. Further details are given in Annex 2.

3 LEGAL FRAMEWORK

The use of the CCBM by the EU central banks is based on internal Eurosystem/ESCB agreements. According to these agreements, each NCB agrees to act as the local agent for each of the other NCBs and the ECB. The agreements allocate responsibilities 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 repos, collateralised loans (e.g. pledges over assets) or both.⁶ The CCBM has been designed to ensure that, as far as is possible under the relevant national legal systems, the HCB’s choice of collateralisation technique is

⁶ In conformity with market practice, the term “collateral” is used for both types of transaction.

respected for the mobilisation of both domestic assets and cross-border assets. A table in Annex 1 contains a short description of the legal instruments available in each country.

4 PRICING

Counterparties which make use of collateral on a cross-border basis must pay a transaction fee of €30 for each asset delivery to their HCB through the CCBM. In addition, a combined custody and administration fee of 0.0069% per annum is charged on the nominal value⁷ of the assets held each month. 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 to the above, HCBs may charge local fees.

Further information on the fee collection procedures is provided by NCBs in the domestic legal documentation governing monetary policy and intraday credit operations.

5 STATISTICS ON THE USE OF CROSS-BORDER COLLATERAL

Statistics on the use of cross-border collateral for Eurosystem credit operations are published on the ECB's website (www.ecb.int).

The statistics show the sum of the cross-border assets held in custody via both the CCBM and the links between SSSs (figures refer to the value of assets in custody on the last Friday of the month). The evolution of the cross-border collateral held in custody as a percentage of total collateral deposited with the Eurosystem is also provided.

⁷ Market value is used for assets for which nominal value is meaningless.



ANNEX I

SUMMARY OF LEGAL INSTRUMENTS USED IN THE EU

ANNEXES

Table

As an HCB, the central bank will use the following instruments					As a CCB, the central bank will support the following services		
PLEDGE		REPO			PLEDGE		REPO
Pooled	Earmarked	Global margining	Transaction by transaction margining		Pooled	Earmarked	
BE	Yes	No	Yes	No	Yes	Yes	Yes
DK	Yes	Yes	Yes	No	Yes	Yes	Yes
DE	Yes	No	No	No	Yes	Yes	Yes
GR	Yes	No	Yes	No	Yes	Yes	Yes
ES	Yes	No	No	Yes	Yes	Yes	Yes
FR	No	No	Yes	No	Yes ¹⁾	Yes ²⁾	Yes
IE	No	No	No	Yes	No	Yes ³⁾	Yes
IT	No	Yes ⁴⁾	No	Yes ⁵⁾	Yes	Yes	Yes
LU	Yes	No	No	No	Yes	Yes	Yes
NL	Yes	No	Yes	No	Yes	Yes	Yes
AT	Yes	No	No	No	Yes	Yes	Yes
PT	No ⁶⁾	No	No	Yes	No ⁷⁾	No ⁷⁾	Yes
FI	Yes	No	No ⁸⁾	No	Yes	Yes	Yes
SE	Yes	No	Yes	No	Yes	Yes	Yes
UK	No	No	Yes	No	Yes	Yes	Yes

1) Counterparties wishing to use this service have to open pledge accounts with the Banque de France in their name.

2) See previous footnote.

3) Legal complexity due to the necessary registration procedures.

4) For marginal lending facility and intraday credit.

5) For open market operations.

6) Legal risk because realisation in the event of bankruptcy would depend on a court decision.

7) Could be used if necessary but legal risk involved.

8) Could be used if necessary for foreign assets.

ANNEX 2

TRANSFER OF OWNERSHIP TO OR PLEDGE IN FAVOUR OF THE HCB (NON-MARKETABLE TIER TWO ASSETS)

Before a counterparty can begin using non-marketable tier two assets as collateral on a cross-border basis, it must:

- a) accept additional legal terms and conditions submitted to it by the HCB (the special conditions governing the use of the assets in the country of the CCB); and
- b) contact the CCB and follow the procedures governing the use of these assets, in particular by providing it with a list of authorised signatures.⁸ However, in order to speed up the process, the HCB may be able to provide this list of signatures to the CCB.

Each time the counterparty wishes to make use of such assets as collateral, it must inform the HCB of its intention to do so. The HCB then sends a message to the CCB that it will be receiving this type of collateral from the counterparty.

As soon as the CCB has been contacted by the counterparty, it:

- checks the signature on the counterparty's communication against the list of signatures that it has previously received (from the HCB or from the counterparty); and,

- in the case of bills of exchange, checks that there is a blank endorsement.

The value of the collateral is based on the nominal amount to be paid at maturity. For bills of exchange, a discounted daily value is calculated, also based on the nominal amount to be paid at maturity. A haircut is applied to both private claims and bills of exchange.

Normally these types of non-marketable tier two assets are not returned to the counterparty before maturity. However, if a counterparty decides to withdraw specific (or all) assets before that date, it must inform the CCB (not the HCB). The CCB then segregates the assets and informs the HCB of the reduced value of collateral held on its behalf. The HCB checks whether the new value is sufficient to cover the credit still outstanding and, if not, informs the CCB. The CCB will then continue to hold the assets on behalf of the HCB. For Spanish private claims, the counterparty must inform the HCB, using the same procedure as for other eligible collateral.

⁸ Counterparties should take all necessary measures to ensure the validity of the signatures provided to the CCB.

ANNEX 3

TRANSFER OF FULL TITLE TO THE CCB FOR ITS OWN ACCOUNT (NON-MARKETABLE TIER TWO ASSETS)

ANNEXES

The CCBM may be used for non-marketable assets included in the tier two lists of the Banque de France, the Central Bank and Financial Services Authority of Ireland and De Nederlandsche Bank. In order to take into account the specific features of these assets, variants of the CCBM including special technical and legal arrangements have been set up. These arrangements are described in the following sections.

THE FRENCH VARIANT

- *A CCBM variant for the cross-border use of French private claims*

The assets which are handled by the French variant are French private claims accepted by the Banque de France according to a special procedure governed by Act No. 81-1 of 2 January 1981 (known as the “loi Dailly” or Dailly law). These claims represent bank loans granted to French firms with the best rating given by the Banque de France. They must be governed by French law and have a residual maturity of up to two years. The information needed to ascertain the eligibility of French private claims is provided by the Direction des Entreprises at the Banque de France. To obtain regular access to the information on the ranking of the relevant debtors,⁹ a foreign counterparty is required to conclude a specific agreement with the Banque de France.

In the French variant, the full ownership of the private claims put forward as collateral by the counterparty is transferred to the Banque de France. The Banque de France then provides, on demand, an unconditional guarantee in respect of the claims to the lending central bank. The transfer of ownership of the claims should be made prior to any refinancing operation, since the stock of claims is managed by the Banque de France as a pool of collateral that can be used for any credit operation.

The transfer of ownership becomes effective with the delivery of a deed of transfer together with the specifications of the claims, in order to

ensure their individual identification as required by the law.

- *Legal and technical prerequisites*

In order to use French private claims as collateral in their refinancing operations counterparties must meet the following legal and technical conditions:

- they must sign a bilateral agreement with the Banque de France; and

- they must be accredited for transferring the data concerning the private claims to the Banque de France in accordance with the guidelines laid down in the “Cahier des Charges de la Déclaration TRICP”.

- *Specific details of the procedure (see diagram)*

Unlike the standardised CCBM procedure, the French variant implies a direct relationship between the counterparty and the CCB (i.e. the Banque de France). Moreover, the mobilisation of private claims is made by transfer of full title to the Banque de France. The Banque de France, acting as the CCB, issues a guarantee in favour of the lending central bank, whereupon the credit can be released to the counterparty.

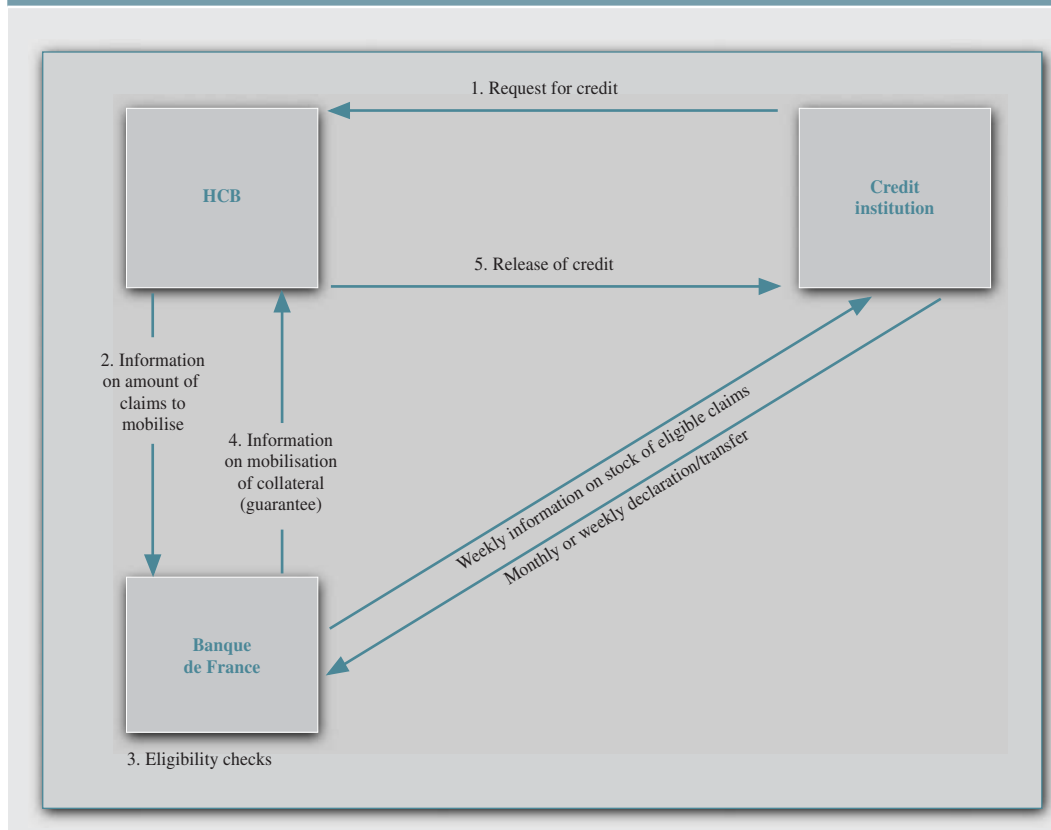
- a) Transfer of the ownership of claims to the Banque de France prior to their mobilisation

After having met the legal and technical prerequisites, the counterparty must transfer the ownership of the claims directly to the Banque de France, according to the following procedure:

- the counterparty sends the Banque de France a deed of transfer form;

⁹ Credit institutions established in the euro area may obtain online information on the ranking of French firms at www.banque-france.fr. Specific details regarding this procedure may be also obtained by calling the Direction des Entreprises at the Banque de France on: +33 1 42 92 49 01.

Chart 2 The mobilisation of French private claims and the redemption of credit



- at the same time, the counterparty sends a file through the telecommunications network or on diskette, giving all the information necessary to identify the assigned claims. The files are recorded in an electronic database which contains the list of eligible claims and is continuously updated by the Banque de France.

The transfer of ownership of the claims to the Banque de France must be renewed at least once every four weeks, and at most once a week. The diskette containing the data must be transmitted to the Banque de France before Friday to be taken into account on the following Tuesday.

Upon receipt of the files, various checks are automatically carried out on the eligibility of the claims transferred. The foreign counterparty is informed of the number of

claims considered eligible by the Banque de France after a specific haircut has been applied.

- b) Monitoring of the stock of claims by the Banque de France

Between transfer dates, the Banque de France monitors the eligibility of the claims and deletes from the database all claims that have reached maturity or have become ineligible. A weekly report is sent to the counterparty.

- c) Mobilisation of the claims through the standardised CCBM procedure

The mobilisation of the French private claims and the redemption of the credit follow the standardised procedure, consisting of the exchange of SWIFT messages between the lending central bank and the Banque de France.

THE IRISH VARIANT

- *A CCBM variant for the cross-border use of Irish mortgage-backed promissory notes*

The assets concerned are non-marketable debt instruments 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. The issue of promissory notes (by the original issuers) is envisaged as and when required in the context of Eurosystem monetary policy operations or intraday credit operations; these assets are not listed on a regulated market.

The risk control measures applied prescribe a loan-to-value ratio of 80%. This is the ratio, expressed as a percentage, of the balance of a loan to the last professional valuation of the relevant property. In addition, a haircut of 20% is applied, together with a margin of 1% for intraday and overnight transactions and 2% for transactions with an original maturity of more than one business day.

- *Specific details of the procedure*

When initiating use of the CCBM for this type of asset the counterparty must ensure that the value of the promissory note(s) after adjustment for the haircut and margin is adequate to cover the credit required and must also arrange with the original issuer of the promissory note(s) to have them completed in the name of the Central Bank and Financial Services Authority of Ireland. As the promissory notes are held at the Central Bank and Financial Services Authority of Ireland, the instruction to do so must pass from the original issuer to the Central Bank and Financial Services Authority of Ireland. The Form of Authorisation which initiates use of the model must be forwarded to the Central Bank and Financial Services Authority of Ireland. A non-resident counterparty must enter into a mutual agreement with the Central Bank and Financial Services Authority 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 an Eurosystem credit operation with another participating NCB by instructing the Central Bank and Financial Services Authority of Ireland in the form of a Direction. The Form of Direction for this purpose will be provided by the Central Bank and Financial Services Authority of Ireland upon request.

The Central Bank and Financial Services Authority 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 and Financial Services Authority of Ireland will complete the promissory note(s) in the name of the CCB (i.e. itself). At this time the Central Bank and Financial Services Authority 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.

THE DUTCH VARIANT

De Nederlandsche Bank has included registered private loans to the Dutch central government (i.e. registered claims) in its tier two list of eligible assets for Eurosystem credit operations. It has also decided to accept all issuers/debtors (or guarantors) who fulfil the tier one creditworthiness criteria as defined in the General Documentation.

TYPE OF ASSETS

The categories of registered claim are:

- a) claims of credit institutions on the Dutch central government (registered private loans to central government);
- b) claims of credit institutions on Dutch regional and local public authorities;
- c) claims of credit institutions on housing associations incorporated under Dutch law, guaranteed by a surety from an institution that fulfils the tier one creditworthiness criteria;
- d) claims of credit institutions on other legal entities incorporated under Dutch law, where the debtor or the guarantor fulfils the tier one creditworthiness criteria.

These assets are registered claims denominated in euro (or in a legacy currency) and issued with various original maturities. They are traded on OTC markets, mainly among banks. Further information may be obtained at www.dnb.nl/english/e_betalingsverkeer/index.htm.

The debtor concerned registers in its books the entitlements to the claim (transfers of title and establishments of pledge). Transfer of title is established by way of assignment (*cessie*). For the deed of assignment to be legally enforceable, the debtor must be notified of its existence.

CROSS-BORDER USE

To facilitate the use of registered claims in a cross-border context, De Nederlandsche Bank provides an unconditional guarantee to the HCB in respect of the registered claims put forward as collateral by the counterparty. The pledge should be established prior to any request for credit. In order to make such cross-border use possible, the counterparty (pledgor) has to enter into an agreement (counterguarantee and pledge agreement) with De Nederlandsche Bank, which forms the basis of the guarantee granted to the HCB. For more

detailed information, see the section entitled “Operational details of the cross-border use of Dutch tier two assets” below.

IDENTIFICATION OF THE ASSETS

Instead of using an ISIN code, registered claims are identified by a generic code and a specific identification number (Dutch registered tier two assets: EUNL, followed by the Other Registration Number and the code character identifying the category of asset used), as follows:

EUNL ***** C

RISK MANAGEMENT

To cover the liquidation risk, the registered claims are placed in haircut group three as described in the General Documentation.

OPERATIONAL DETAILS OF THE CROSS-BORDER USE OF DUTCH TIER TWO ASSETS

INITIATION OF THE MODEL

The registered claims are pledged to De Nederlandsche Bank. Subsequently, De Nederlandsche Bank undertakes to grant an unconditional guarantee, on demand, to the HCB in respect of the registered claims put forward as collateral by the counterparty.

A pledge of registered claims is established by concluding an agreement prior to any Eurosystem credit operation (and notifying the debtor). The counterparty, being the pledgor, must present the following documents:

1. an acknowledgement of debt (*schuldbekentenis*);
2. if applicable, a deed of assignment (*cessieakte*), together with the debtor’s recognition (*erkenning*) of the assignment;
3. two duly signed copies of the “Counterguarantee and pledge agreement for cross-border use of Dutch registered tier two assets” (a model of which is made available by De Nederlandsche Bank on request).

In addition, the counterparty must inform its HCB that it intends to use registered claims as collateral for its Eurosystem credit operations.

The counterparty must accept the legal terms stipulated by De Nederlandsche Bank and its collateralisation technique. These terms are an integral part of the legal agreement to be concluded between De Nederlandsche Bank and the counterparty (“Counterguarantee and pledge agreement for cross-border use of Dutch registered tier two assets”).

The counterparty may then contact De Nederlandsche Bank to mobilise collateral on any business day. To enable signatures on the necessary documentation to be verified, the counterparty must supply De Nederlandsche Bank in advance with an updated list of authorised signatures, if possible in microfiche format. Any changes to that list must be notified to De Nederlandsche Bank without delay.

De Nederlandsche Bank will verify the validity of the documents received; this procedure usually takes between three and ten business days.

ANNEX 4

TABLE OF TYPES OF FOREIGN SECURITIES HELD IN SSSs AS OF APRIL 2005

SSS of location	Central bank acting as CCB	Foreign assets managed, SSS acting as CSD
Clearstream Frankfurt	Deutsche Bundesbank	<p>Belgian government securities issued in Germany (FAMT¹⁾)</p> <p>Danish securities issued in Germany (FAMT or UNIT²⁾)</p> <p>Spanish public and private securities issued in Germany (FAMT or UNIT)</p> <p>French securities issued in Germany (FAMT or UNIT)</p> <p>Irish government bonds issued in Germany (FAMT or UNIT)</p> <p>Italian government securities issued in Germany (FAMT or UNIT)</p> <p>Dutch securities issued in Germany (FAMT or UNIT)</p> <p>Austrian securities issued in Germany (FAMT or UNIT)</p> <p>Portuguese securities issued in Germany (FAMT or UNIT)</p> <p>Finnish securities issued in Germany (FAMT or UNIT)</p> <p>Swedish securities issued in Germany (FAMT or UNIT)</p>
Euroclear France	Banque de France	<p>Danish securities issued in France (FAMT or UNIT)</p> <p>German securities issued in France (FAMT or UNIT)</p> <p>Spanish public securities issued in France (FAMT or UNIT)</p> <p>Irish government bonds issued in France (FAMT or UNIT)</p> <p>Italian government securities issued in France (FAMT or UNIT)</p> <p>Dutch securities issued in France (FAMT or UNIT)</p> <p>Austrian securities issued in France (FAMT or UNIT)</p> <p>Portuguese securities issued in France (FAMT or UNIT)</p> <p>Finnish securities issued in France (FAMT or UNIT)</p> <p>Swedish securities issued in France (FAMT or UNIT)</p>
SCLV (Iberclear)	Banco de España	<p>German securities issued in Spain (FAMT or UNIT)</p> <p>French securities issued in Spain (FAMT or UNIT)</p> <p>Dutch securities issued in Spain (FAMT or UNIT)</p> <p>Finnish securities issued in Spain (FAMT or UNIT)</p> <p>Swedish securities issued in Spain (FAMT or UNIT)</p> <p>Greek government securities issued in Spain (FAMT or UNIT)</p>
Necigef (Euroclear group)	De Nederlandsche Bank	<p>French securities issued in the Netherlands (FAMT)</p> <p>Italian government securities issued in the Netherlands (FAMT)</p> <p>Austrian securities issued in the Netherlands (FAMT)</p> <p>Finnish securities issued in the Netherlands (FAMT)</p> <p>Swedish securities issued in the Netherlands (FAMT)</p>
Euroclear Bank	Nationale Bank van België/ Banque Nationale de Belgique	See point 1.3
Clearstream Luxembourg	Banque centrale du Luxembourg	See point 1.3
<p>1) Face amount.</p> <p>2) Unit amount.</p>		

ANNEX 5

CCBM TECHNICALITIES

The table on the following pages provides the main information required for a delivery of collateral on day S. In particular, it shows where to deliver assets using the CCBM (e.g. the account), and details of the procedure to be followed (such as cut-off times in the foreign SSS used). In addition, for each type of asset, it shows how the quantity must be expressed (FAMT for the nominal value to be delivered and UNIT for the number of securities to be delivered) and the type of legal instrument available (when this appears in brackets it means that, although available, the instrument concerned is not recommended as the most appropriate legal instrument by the CCB).

All operating times are expressed in C.E.T.

Type of asset	SSS of location	SWIFT BIC code indicating the place of settlement	Under normal conditions, instructions for delivery on S must be input between ¹⁾	Type of instrument available	Central bank acting as CCB	CCB account at SSS	Telephone contact
Belgian domestic government securities (FAMT)	NBB clearing system	NBBEBEBB216	8 a.m. and 4 p.m. (4.15 p.m.)	Pledge/ repo	Nationale Bank van België/ Banque Nationale de Belgique	Specific account ²⁾	+32 2 221 2504
Euro-market and international securities of UK issuers (FAMT) ³⁾	Euroclear Bank	MGTCBEBEECL	7 a.m. and 4 p.m. (5.15 p.m.)	Repo/ (pledge)	Bank of England	21368	+44 207 601 3627
Euro-market and international securities of non-UK issuers issued with Euroclear Bank (FAMT) ⁴⁾	Euroclear Bank	MGTCBEBEECL	7 a.m. and 4 p.m. (5.15 p.m.)	Pledge/ repo	Nationale Bank van België/ Banque Nationale de Belgique	Specific account ⁵⁾	+32 2 221 2504
Euro-market issues and international issues issued with Clearstream Frankfurt as CSD (FAMT), German public and private eligible securities (FAMT)	Clearstream Frankfurt	DAKVDEFF	6 a.m. and 4 p.m. (6.30 p.m.)	Pledge/ (repo)	Deutsche Bundesbank	7073	+49 69 2388 2470
German non-marketable assets (UNIT)	Deutsche Bundesbank	MARKDEFFCCB	9 a.m. and 4 p.m.	Pledge	Deutsche Bundesbank	N/a	+49 69 2388 2470
Greek treasury bonds (FAMT)	BOGS	BNGRGRAASSS	7 a.m. and 4 p.m. (4.30 p.m.)	Pledge/ repo	Bank of Greece	9103	+30 210 320 3296
Spanish public debt securities (FAMT)	Iberclear	IBRCESMM	7 a.m. and 4 p.m. (6 p.m.)	Pledge/ repo	Banco de España	Specific account ⁶⁾	+34 91 338 5707 or 6221
Spanish regional securities (FAMT)	SCL Valencia	XVALESV1	7 a.m. and 4 p.m. (6 p.m.)	Pledge	Banco de España	N/a	+34 91 338 5707 or 6221

1) The time in brackets is the deadline for submitting to the local SSS or NCB free of payment delivery instructions for eligible collateral, under normal conditions, when it differs from the deadline for submitting delivery instructions for the CCBM.

2) For pledges, repos and outright deliveries to the ECB: 9205, or the central bank of BE: 9100, DE: 9202, ES: 9204, GR: 9209, FR: 9207, IE: 9210, IT: 9211, LU: 9212, NL: 9213, AT: 9201, PT: 9214 and FI: 9206. Counterparties must always match any transfer of securities between accounts: the notification sent to NBB Clearing System must include the trade date.

3) For these assets, De Nederlandsche Bank makes use of its account at Euroclear Bank (account 92745). Therefore Dutch counterparties must deliver the assets directly to De Nederlandsche Bank's account, without using the model.

4) See previous footnote.

5) For repos and outright deliveries to the central bank of BE: 21081, DE: 21082, ES: 21083, FR: 21086, PT: 21091, and for pledges made in favour of the central bank of BE: 28204, ES: 28206, GR: 28210, IT: 28212, LU: 28213, AT: 28250, PT: 28214 and FI: 28208. Deliveries on a free of payment basis to or from the Nationale Bank van België/Banque Nationale de Belgique must always match, and the following fields in the MT542/MT540 messages have to be completed:

16R: SETDET

22F: RTGS/YRTG (for a real time settlement).

6) For repos and outright deliveries to the ECB: 1901, or the central bank of BE: 1902, DE: 1904, GR: 1905, FR: 1907, IE: 1908, IT: 1909, LU: 1910, NL: 1911, AT: 1912, PT: 1913 and FI: 1914.

Type of asset	SSS of location	SWIFT BIC code indicating the place of settlement	Under normal conditions, instructions for delivery on S must be input between ¹⁾	Type of instrument available	Central bank acting as CCB	CCB account at SSS	Telephone contact
Euro-market and international securities of non-UK issuers, and Luxembourg securities (FAMT)	Clearstream Luxembourg	CEDELULL	7 a.m. and 4 p.m. (6 p.m.)	Pledge / repo	Banque centrale du Luxembourg	82801	+352 4774 4450 +352 4774 4453 +352 4774 4457
Euro-market issues and international issues issued with Necigef as CSD, Dutch public and private eligible securities (government bonds FAMT; UNIT)	Necigef/ Euroclear Netherlands	NECINL2A	7 a.m. and 4 p.m. (6 p.m.)	Pledge/ (repo)	De Nederlandsche Bank	100	+31 20 524 3696 +31 20 524 2463
Dutch non-marketable assets (FAMT)	De Nederlandsche Bank	FLORNL2A	9 a.m. and 4 p.m. (6 p.m.)	Pledge/ (repo)	De Nederlandsche Bank	N/a	+31 20 524 3696 +31 20 524 2463
Austrian public and private eligible securities (FAMT)	OEKB	OEKOATWW	8 a.m. and 4 p.m. (6 p.m.)	Pledge/ (repo)	Oesterreichische Nationalbank	2295/00	+43 1 404 204210
Austrian non-marketable assets (UNIT)	Oesterreichische Nationalbank	NABAATWWCCB	9 a.m. and 4 p.m. (6 p.m.)	Pledge/ (repo)	Oesterreichische Nationalbank	N/a	+43 1 404 203400
Portuguese Treasury bills and central bank paper (FAMT)	Siteme	BGALPTPLCCB	7 a.m. and 4 p.m. (6 p.m.)	(Pledge)/ repo	Banco de Portugal	Specific account ²⁾	+351 21 353 7279
Eligible Portuguese public bonds and private securities (FAMT)	Interbolsa	XCVMP TPP	7 a.m. and 4 p.m. (6 p.m.)	(Pledge)/ repo	Banco de Portugal	Specific account ³⁾	+351 21 353 7279
Finnish public and private eligible securities (FAMT)	APK – RM system	APKEFIHH	8 a.m. and 4 p.m. (6 p.m.)	(Pledge)/ repo	Suomen Pankki – Finlands Bank	Call	+358 9 183 2171

1) The time in brackets is the deadline for submitting to the local SSS or NCB free of payment delivery instructions for eligible collateral, under normal conditions, when it differs from the deadline for submitting delivery instructions for the CCBM.

2) For these assets, the following reference must be given: BP and type of operation (for repos/outright transactions: CCB and for pledges: PLE) and the specific account (ECB: 15, BE: 01, DE: 03, GR: 04, ES: 05, FR: 06, IE: 07, IT: 08, LU: 09, NL: 10, AT: 11 and FI: 12).

3) For repos/outright transactions the securities must be delivered to account 5998888859, indicating as reference of the instruction to Interbolsa “motivo 180”, for same day transfers, or 5997777751, indicating as reference “motivo 151”, for next day value transfers, and for pledges indicating as reference “motivo 153”.

Type of asset	SSS of location	SWIFT BIC code indicating the place of settlement	Under normal conditions, instructions for delivery on S must be input between ¹⁾	Type of instrument available	Central bank acting as CCB	CCB account at SSS	Telephone contact
Spanish regional securities (FAMT)	SCL Bilbao	XBILES21	7 a.m. and 4 p.m. (6 p.m.)	Pledge	Banco de España	N/a	+34 91 338 5707 or 6221
Spanish regional securities (FAMT)	SCL Barcelona	XBARESBI	7 a.m. and 4 p.m. (6 p.m.)	Pledge/repo	Banco de España	9000	+34 91 338 5707 or 6221
Spanish private securities (FAMT or UNIT)	Iberclear	IBRCESMM	7 a.m. and 4 p.m. (6 p.m.)	Pledge/(repo)	Banco de España	9000	+34 91 338 5707 or 6221
Spanish non-marketable assets (FAMT)	Banco de España	ESPBESMMCCB	9 a.m. and 4 p.m. (6 p.m.)	Pledge	Banco de España	N/a	+34 91 338 5707 or 6221
Euro-market issues and international issues issued with Euroclear France as CSD, French public and private eligible securities (UNIT or FAMT)	Euroclear France	SICVFRPP	8 a.m. and 4 p.m. (5.15 p.m.)	Repo/(pledge)	Banque de France	282	+33 1 4292 6285 +33 1 4292 3250
French non-marketable assets (FAMT)	Banque de France	BDFEFRPP	9 a.m. and 4 p.m. (6 p.m.)	Outright transfer	Banque de France	N/a	+33 1 4292 3961
Irish government bonds (FAMT)	Euroclear Bank	MGTCBEBEECL	7 a.m. and 4 p.m. (5.15 p.m.)	Repo	Central Bank and Financial Services Authority of Ireland	22827	+353 1 4344 325 +353 1 4344 725 +353 1 4344 813
Irish Treasury bills (FAMT)	NTMA	NTMAIE2D	9 a.m. and 4 p.m. (6 p.m.)	Repo	Central Bank and Financial Services Authority of Ireland	N/a	+353 1 4344 325 +353 1 4344 725 +353 1 4344 813
Irish non-marketable assets (FAMT)	Central Bank and Financial Services Authority of Ireland	IRCEIE2DCCB	9 a.m. and 4 p.m. (6 p.m.)	Repo	Central Bank and Financial Services Authority of Ireland	N/a	+353 1 4344 325 +353 1 4344 725 +353 1 4344 813
Euro-market issues and international issues issued with Monte Titoli as CSD, Italian government securities (FAMT) Italian eligible private securities (FAMT)	Monte Titoli	MOTIITMM	7 a.m. and 4 p.m. (6 p.m.)	Pledge ^{2)/} repo	Banca d'Italia	61003	+39 06 4792 3868 or 3669
Euro-market and international securities of UK issuers (FAMT)	Clearstream Luxembourg	CEDELULL	7 a.m. and 4 p.m. (6 p.m.)	Repo/(pledge)	Bank of England	Specific account ³⁾	+44 207 601 3627

1) The time in brackets is the deadline for submitting to the local SSS or NCB free of payment delivery instructions for eligible collateral, under normal conditions, when it differs from the deadline for submitting delivery instructions for the CCBM.

2) Pledges are used only for intraday liquidity operations and for the marginal lending facility, while repos are used for main refinancing operations.

3) For repos, securities must be delivered to the Bank of England's account 83371, and for pledges, to account 83372.

