Collateral Mobility – External Readiness

Detailed Release Notes for Customers

October 2022 release

Contents

1   Introduction

1.1   Objective of this document

This document describes in detail how collateral management reporting will be impacted due to the harmonisation of Clearstream's collateral management platforms, including the gradual phase out of Xemac, with specific changes coming for implementation in October 2022, and a full decommissioning by Q4 2023.

It follows Preliminary Release Notes published in July 2021, A21081 and D21029.

These notes are relevant for customers of Clearstream Banking Frankfurt and Clearstream Banking Luxembourg, especially when they are Eurex Repo participants active in the GC Pooling (GCP) market or using Xemac to provide margin collateral and/or Default Fund contributions in favour of Eurex Clearing (ECAG).

Customers providing margin collateral and/or Default Fund contributions in favour of ECAG via CmaX are not impacted by this initiative.

In this document, margining and/or Default Fund contributions activities will be referred to as "triparty pledge towards Eurex Clearing".

1.2   Timeline

The overall timeline for these initiatives can be seen in Figure 1.
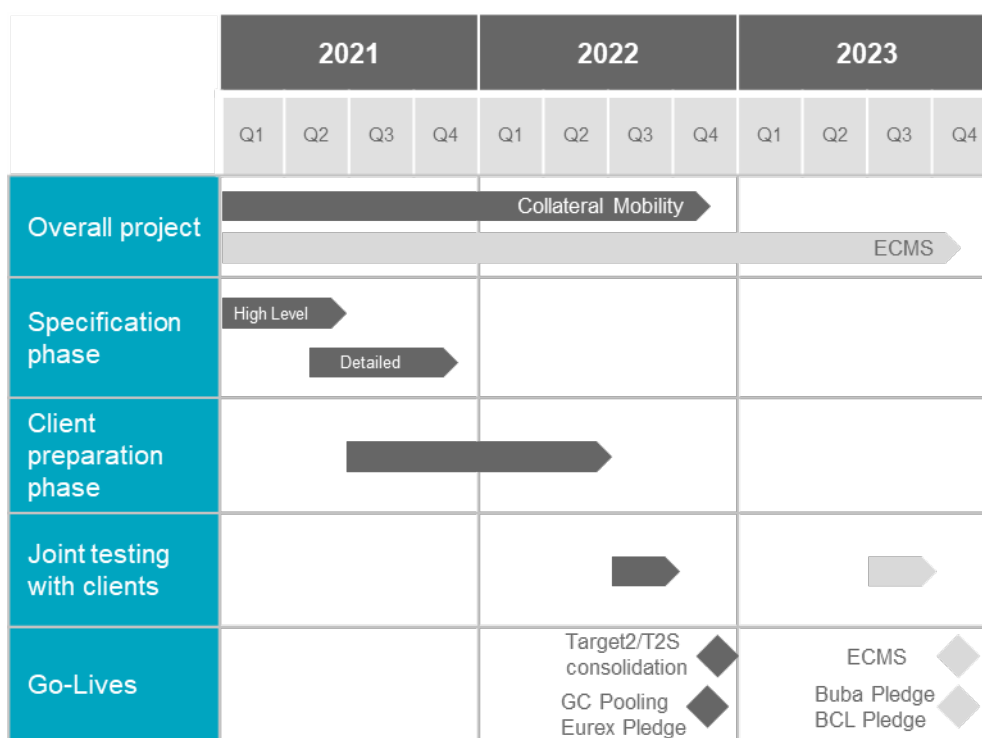
Figure 1 Overall market and Clearstream timeline

1.3 Products in scope

This document will cover the impacts resulting from the 24 October 2022 release, that is changes for the following products:

- Eurex GC Pooling ®
- Triparty pledge towards Eurex Clearing

The future changes regarding the pledge towards Deutsche Bundesbank are not covered in this document and will be covered in future release notes. As illustrated in Figure 1, these changes will be released in Q4 2023.

Other products and services based on the Xemac system will be handled within their own initiatives in due course. The full Xemac decommissioning will be possible only after the ECMS go-live in Q4 2023.

2 New accounts in CASCADE/T2S

In order to benefit from EUR GC Pooling settlement for certain basket/currency combinations[1] in the new model, new SACs on T2S will be required: one Reservation account to provide securities as well as one Segregation account to receive securities (similar to the set-up in Creation today).

In addition, for Triparty pledge towards Eurex Clearing from 1 to n (if customers would like to segregate different pledge types) new T2S accounts could be required. This would be required only if customers wanted to pledge to ECAG via CBF. Customers could decide to pledge to ECAG via CBL and Creation accounts instead.

Within the CBF master data system KUSTA, the account type 272 (1CMS) will be used for these new accounts. No new CASCADE main accounts will be required for existing CBF customers, sub-accounts will be opened using the following numbering scheme:

- 700   GC Pooling Reservation account
- 701   GC Pooling Segregation account
- 702-710   Sub-account number range reserved for Triparty pledges

The 702-710 sub-accounts will also be used for subsequent migration of Bundesbank pledges with ECMS (in November 2023).

New CBF customers must open a CASCADE main account first before the required sub-accounts can be opened.

The assets used as collateral on the CASCADE-550 Xemac sub-account, for GC Pooling and Eurex pledge, will be migrated to the new account structure with cut-over automatically.

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[1] GC Pooling Classic and Extended basket as well as the CTD baskets when traded in EUR

3 Main changes for a customer transitioning from Xemac to CmaX

Below several differences between Xemac and CmaX are listed:

- In CmaX, the term "exposure" is used instead of "claim". An exposure reference is a unique identifier of the trade through its full lifecycle
- Within a single CmaX contract, and therefore within the exposures linked to that contract, a customer can only act in a single role, that is either as a collateral giver or as a collateral receiver. This differs from Xemac – within the same claim in Xemac, a customer can act as giver as well as receiver. We illustrate this in Figure 2
- In CmaX it is not possible to collateralise a single exposure via two (2) different collateral accounts, while it is possible today in Xemac, with accounts at CBF and CBF-i being used at the same time to collateralise a single claim. This is in line with the use of DvP instructions, that are done against one (1) account only
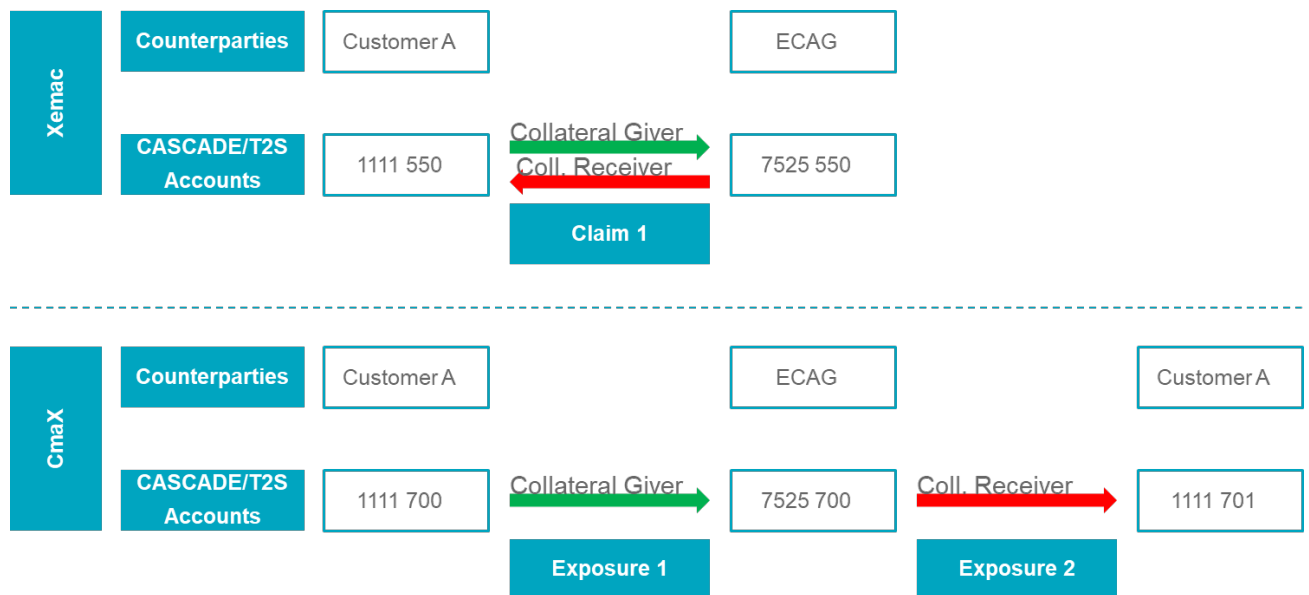

Figure 2 In Xemac, two roles for one claim – In CmaX, one role per exposure

4 Data model for the account, contract and exposure setup in CmaX

In terms of setup and flexibility in CmaX, the relationships between the different elements can be described with the following list of rules:

1. One customer can have many collateral accounts
2. One customer can have many participant short codes. However, GC Pooling participant short codes are defined according to a rule. These short codes will be built as the concatenation of:
   - 5-letters Eurex Repo Member ID
   - "CG" or "CR" depending on whether the participant acts as collateral giver or receiver
3. One collateral account is linked to a single collateral receiver, identified by its participant short code.
   As a result of rules 2 and 3 in this list, if a customer decides to use two Eurex Repo Member IDs, this will lead to two distinct sets of participant short codes (rule 2), and therefore two distinct sets of reservation and segregation accounts to support GC Pooling activity (rule 3)
4. Contracts are identified by the following combination:
   - Collateral giver's participant short code
   - Collateral receiver's participant short code (the one linked to the collateral account, as explained in constraint 3 above)
   - Collateral account number, where collateral is received
   - Basket reference
   Consequently, only one contract can be opened for a given combination of these four elements
   For the services described in this document, ECAG is always a counterparty
5. The link between a contract and the number of exposures is the following:
   - Pledge towards Eurex Clearing: maximum one exposure under one contract
   - GC Pooling on T2S collateral accounts: maximum one exposure under one contract, always in EUR
   - GC Pooling on Creation collateral accounts: several exposures are allowed under one contract. There will be one exposure per currency – CHF, GBP, USD, and for some baskets even EUR

5   MT569 reports via CmaX

In this section the following information is provided:

- How to subscribe to reports via Xact;
- The structure of the report when generated by CmaX;
- Examples of MT569 reports for a set of exposures in the GC Pooling and Eurex margining products.

5.1   Subscribing to MT569 reports

As explained in the Xact Web Portal User Manual:

- "As a user with the appropriate permissions you can subscribe to […] reports in Xact Web Portal for retrieval via Xact Web Portal, or file transfer in different formats depending on the report (ISO, PDF, XLS, or XML)"

The reports described in these Release Notes are:

- Triparty Collateral Management Reports (to ISO 15022 standards):
  - o   Triparty Collateral and Exposure Statement for Collateral Giver via MT569
  - o   Triparty Collateral and Exposure Statement for Collateral Receiver via MT569

The reports are available multiple times intraday and once after end of day processing. Details about the timings can be found in the Reports Timing Matrix .

5.2   General structure of MT569 reports generated by CmaX

In CmaX, these reports are generated per participant short code and per role (either Collateral Giver or Collateral Receiver). The short code is the main identifier for a participant, with a maximum of eight (8) characters (please refer to the Xact Web Portal User Manual, section "Operational Profiles").

A detailed description of MT569 formatting can be found in the Xact via SWIFT User Guide.

In this section the main structuring elements of an MT569 report for a customer using GC Pooling and/or triparty pledge towards Eurex Clearing are highlighted.

The elements of interest will be highlighted using colour in the table below, and they will be described in the text following the table. When using customer specific values, the values are in line with the example in section 5.3.

Sequence	Tag	Field name	CBL Usage	GC Pooling example	Eurex pledge example
Collateral Parties	:16R: :95a: :16S:	Start of Block Party A End of Block	This field contains the customer's CmaX participant short code with Data Source Scheme "CEDE"	:16R:COLLPRTY :95R::PTYA/CEDE/ABCDECG :16S:COLLPRTY or :16R:COLLPRTY :95R::PTYA/CEDE/ABCDECR :16S:COLLPRTY	:16R:COLLPRTY :95R::PTYA/CEDE/FGHIJK :16S:COLLPRTY
Overall Summary			No specific GC Pooling or Eurex pledge elements		
Summary by Exposure Type	:16R: :22a:	Start of Block Exposure Type Indicator	This field contains the exposure type indicator as follows: - REPO for TRS, service used for GCP - SLOA For TCMS, service used for Eurex pledge	:16R:SUME :22F::COLA//REPO	:16R:SUME :22F::COLA//SLOA
Summary by Counterparty	:16R: :13B: :95a: :95a:	Start of Block Eligibility Set Profile Number Party B Triparty Agent	These fields contain, in this order: - the basket number - CmaX participant short code of customer's counterparty with Data Source Scheme CEDE - collateral account with Data Source Scheme CEDE	:16R:SUMC :13B::ELIG//DE000A0AE077 :95R::PTYB/CEDE/EUREXGCP :95R::TRAG/CEDE/xxxxxx (the account number is driven by the role (CG or CR) and settlement location (CBF or CBL), cf. mapping provided in next section)	:16R:SUMC :13B::ELIG//ECAGMARGIN01 :95R::PTYB/CEDE/ECAGMAR1 :95R::TRAG/CEDE/33333 or :16R:SUMC :13B::ELIG//DE000A0AE077 :95R::PTYB/CEDE/ECAGMAR1 :95R::TRAG/CEDE/44444
Transaction Details	:16R: :20C: :20C:	Start of Block Client's Collateral Transaction Reference Triparty-Agent's/Service-Provider's Collateral Transaction Reference	These fields contain, in this order: - customer's collateral management transaction reference or "NONREF" - collateral management transaction reference	:16R:TRANSDET :20C::CLTR//Customer Ref :20C::TCTR//123456	:16R:TRANSDET :20C::CLTR//Customer Ref :20C::TCTR//123456

5.2.1 Collateral Parties

As can be seen in the table above and as introduced in section 4, specific rules will be introduced to define participant short codes for GC Pooling. The rules are repeated and illustrated here. These short codes will be built from the:

- 5-letter Eurex Repo Member ID (e.g., ABCDE); and
- "CG" or "CR" depending on whether the participant acts as collateral giver or receiver

There is no specific rule regarding participant short codes used for triparty pledge towards Eurex Clearing (e.g., FGHIJK).

5.2.2 Summary by Exposure Type

The GC Pooling product falls under the category Triparty Repo Service (TRS), documented in the CmaX Product Guide.

Triparty pledge towards Eurex Clearing falls under the category Triparty Collateral Management Service (TCMS), also documented in the CmaX Product Guide.

5.2.3 Summary by Counterparty

5.2.3.1 Eligibility Set Profile Number

For GC Pooling, the basket ISIN is used for this field:

- ECB Basket: DE000A0AE077
- ECB EXTended Basket: DE000A0WKKX2
- INT MXQ Basket: DE000A1PHUP5
- Equity Basket: DE000A1EZNP6
- CTD Germany Basket: DE000A1PHUN0
- CTD France Basket: DE000A2GG7V0
- CTD Italy Basket: DE000A2GG7W8

For triparty pledge towards Eurex Clearing, the basket reference ECAGMARGIN01 is used when pledging own assets, while the basket references listed above for GC Pooling are used in case of re-use from GC Pooling to pledge towards Eurex Clearing. This is illustrated in the example reports provided, that are introduced in section 5.3.

5.2.3.2 Party B

Both in the context of GC Pooling and triparty pledge towards Eurex Clearing, party B is Eurex Clearing.

The participant short codes used by Eurex Clearing in these notes are:

- For GC Pooling: EUREXGCP
- For triparty pledge towards Eurex Clearing: ECAGMAR1

These are mentioned for illustration purposes, and different participant short codes could be used in the future production setup by Eurex Clearing.

5.2.3.3 Triparty Agent

In this field, the collateral account on which the collateral is received is mentioned. This is a 5-digit account for settlement on Creation, and a 7-digit account for settlement on CASCADE/T2S.

For the GC Pooling product, the mapping as a function of the customer role and settlement location is the following:

Customer role	Settlement location	Account number	Account owner
Collateral Giver	CASCADE/T2S via CBF	7525700	Eurex Clearing
Collateral Giver	Creation via CBL/CBF-i	69999[a]	Eurex Clearing
Collateral Receiver	CASCADE/T2S via CBF	xxxx701[b]	Customer
Collateral Receiver	Creation via CBL/CBF-i	xxxxx/6xxxx[c]	Customer

a. ECAG's GC Pooling CBF-i account is not yet defined, 69999 will be used throughout these notes for illustration purposes.
b. Concatenation of customer specific 4-digit master account, with 701 as sub-account.
c. Customer specific 5-digit account, starting with 6 if a CBF-i account is used.

5.2.4 Transaction Details

5.2.4.1 Client's Collateral Transaction Reference

As explained in Xact via SWIFT User Guide, this field contains the customer's collateral management transaction reference or "NONREF".

5.2.4.2 Triparty-Agent's/Service-Provider's Collateral Transaction Reference

This field contains the 6-digit CmaX exposure reference.

5.3 Example: exposures, future accounts and participant short codes structure

These Release Notes illustrate the future collateral management reporting via examples of GC Pooling and triparty pledge towards Eurex Clearing activity.

5.3.1 Exposures

The following is a use case, with a total of six exposures:

- GC Pooling
    - Collateral giver and receiver, EUR claim, ECB basket, 200 Mio – two exposures
    - Collateral giver and receiver, USD claim, ECBX basket, 200 Mio – two exposures
- Eurex margining
    - Pledge with own securities, 50 Mio – 1 exposure
    - Pledge with transferred securities (Re-use), ECB basket, 50 Mio – one exposure

5.3.2 Accounts

Regarding GC Pooling trades settlement location, as introduced in the preliminary release notes and in section 2:

- T2S eligible baskets settled against EUR will settle on T2S, via CBF collateral accounts for securities and T2S DCA for cash, this is called CeBM settlement;
- Non-T2S eligible baskets settled against any currency, as well as T2S eligible baskets settled against non-EUR currencies (USD, CHF, GBP) will settle on Creation, via CBL or CBF-i collateral accounts for both cash and securities, this is called CoBM settlement.

For Eurex margining exposures, customers can choose whether they would like to use pledge accounts located on T2S[2], via CBF, or on Creation, via CBL/CBF-i. The exact number of accounts will be defined at a later stage.

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[2] T2S Securities Accounts can only be used to hold T2S-eligible securities

It is assumed that GC Pooling CoBM settlement as well as Eurex margining take place on Creation accounts via CBL.

The account setup necessary to support the exposures listed in section 5.3.1 is the following:

Product/Basket	Currency	Future setup					
		CBF Master a/c			CBL Main a/c		
		Reserva-tion	Segrega-tion	Eurex pledge	Reserva-tion	Segrega-tion	Eurex pledge
GCP ECB	EUR	1111 700	1111 701				
GCP ECB EXT	USD				11111	22222	
Eurex Margining							33333
Re-use Eurex							44444

5.3.3 Participant short codes

The specific rules for participant short codes are explained above in section 5.2.1. A single participant short code can be used to support exposures settling both on Creation and T2S settlement locations.

In this example, a single customer will use three different participant short codes and will receive a total of four MT569 reports. The short codes, linked exposures and MT569 reports are the following:

Participant short code	Exposure(s) description	Number of MT 569 reports
ABCDECG	Eurex Repo Member ABCDE acts as GCP collateral giver in 2 exposures	One
ABCDECR	Eurex Repo Member ABCDE acts as GCP collateral receiver in 2 exposures And Eurex Repo Member ABCDE re-uses collateral received via a GCP trade to pledge towards Eurex Clearing	Two, one for each role
FGHIJK	The same customer, under the participant short code FGHIJK, pledges own assets towards Eurex Clearing	One

The setup is illustrated in Figure 3.

GC Pooling & Re-use for Eurex Pledge	Participant Short Code	Coll. Giver ABCDECG		Coll. Giver & Receiver EUREXGCP		Coll. Giver & Receiver ABCDECR		Coll. Receiver ECAGMAR1
	Creation Accounts	11111	GCP giver contract – ECBX vs USD	69999	GCP receiver contr. – ECBX vs USD	22222	GCP re-use contract	44444
	T2S Accounts	1111 700	GCP giver contract – ECB vs EUR	7525 700	GCP receiver contr. – ECB vs EUR	1111 701		

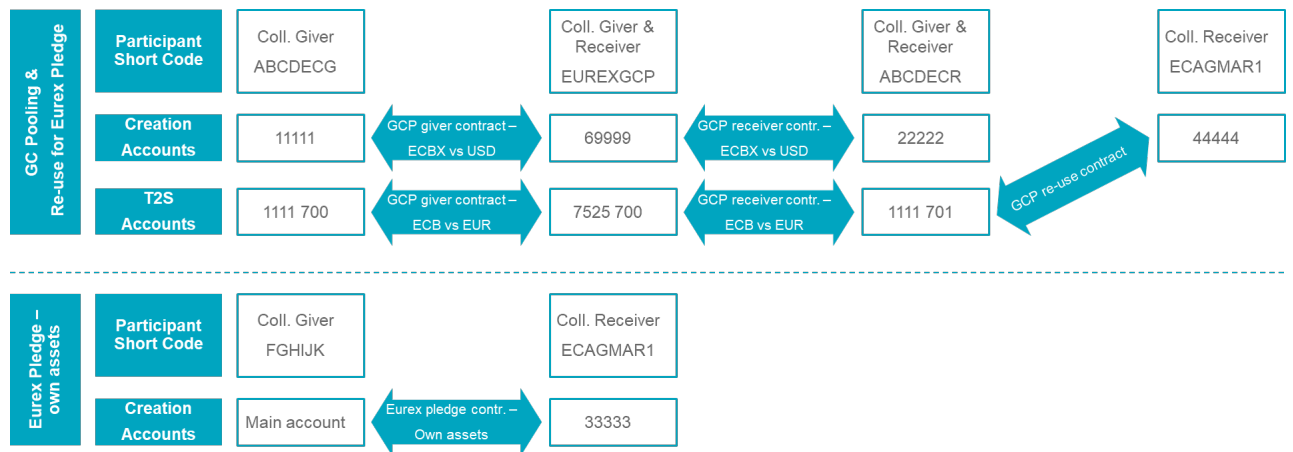| Eurex Pledge – own assets	Participant Short Code	Coll. Giver FGHIJK		Coll. Receiver ECAGMAR1
	Creation Accounts	Main account	Eurex pledge contr. – Own assets	33333

Figure 3 Setup illustration – one customer with multiple exposures settling in different settlement locations, on different accounts under different participant short codes

5.3.4   MT569 reports examples

Examples of the reports can be found on the Clearstream website.

6 CmaX default reporting

In addition to the MT569 reports, we would like to indicate to new CmaX users the existence of another collateral management report that can be used as an alternative to MT569 reports.

The report is called:

- Triparty Collateral Management Daily Exposure Report (short name: AS Report, for Agreement Summary Report)

It is described in the CmaX Connectivity Guide. As explained in this guide:

- *"It is possible to aggregate reporting data of multiple customer short codes into a single report. For this purpose, member short codes have to be defined for the Reporting Group. The structure of the resulting report provides for a subsection for each member short code. Sections are sorted in alphabetical order of short code.*
- *It is also possible to define whether customers with no activity should be reported or not. An inactive customer would only be reported with its short code within its own sub section."*

Three distinct AS reports examples are available on the Clearstream website. These reports illustrate the same setup as the one used to generate the MT569 reports, and are generated for the following participant short codes:

Participant short code	Content description	Number of AS reports
ABCDECG	AS report includes the activity where: - customer as collateral receiver is receiving from the source account - customer as collateral giver is delivering to Eurex Clearing from the reservation account	1
ABCDECR	AS report includes the activity where: - customer as collateral receiver is receiving from Eurex Clearing in the GC Pooling context - customer as collateral giver is pledging towards Eurex Clearing for margining purposes, via re-use from GC Pooling	1
FGHIJK	AS report includes the activity where: - customer as collateral giver is pledging own assets towards Eurex Clearing for margining purposes	1

Additionally, any existing AS subscription reports for the sourcing participant short code would include GCP activity automatically.

7 Glossary

AMI-SeCo	Advisory Group on Market Infrastructure for Securities and Collateral
AS report	Agreement Summary report
BFF	Banking, Funding and Financing
CASCADE/T2S	CBF securities settlement system, where CBF has outsourced the settlement of German and international securities eligible for collective safe custody (CSC) to the T2S platform
CBF	Clearstream Banking Frankfurt, also known as Clearstream Banking AG, registered office at 61, Mergenthalerallee, 65760 Eschborn, Germany and registered in Register B of the Amtsgericht Frankfurt am Main, Germany under number HRB 7500
CBF(i)	CBF together with CBFi
CBF-i	Clearstream Banking Frankfurt International
CBL	Clearstream Banking Luxembourg, also known as Clearstream Banking S.A., registered office at 42, avenue John F. Kennedy, L-1855 Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B-9248
CeBM	Central Bank Money
CmaX	CBL collateral management system
CMSA	Collateral Management Services Agreement
CoBM	Commercial Bank Money
Creation	CBL securities settlement system
CRS	Common Reporting Standard
DCA	Dedicated Cash Account
DDQ	Due Diligence Questionnaire
DVP	Delivery Versus Payment, settlement instruction with simultaneous exchange of cash and securities
ECAG	Eurex Clearing AG
ECB	European Central Bank
ECMS	Eurosystem Collateral Management System
EOD	End Of Day
FATCA	Foreign Account Tax Compliance Act
FOP	Free Of Payment
GCP	GC Pooling, Eurex Repo's General Collateral product
GUI	Graphical User Interface
ISSA	International Securities Services Association
KADI	CBF asset servicing system
KUSTA	CBF master data system
KYC	Know Your Customer
NCB	National Central Bank
RTGS	Real-Time Gross Settlement
SAC	Securities Account
SCoRE	Single Collateral Rulebook for Europe
T2S	TARGET2-Securities, ECB settlement system
TCMS	Triparty Collateral Management Service
TPA	Triparty agent
TRS	Triparty Repo Service
UBO	Ultimate Beneficiary Owner
Xact	Clearstream's browser-based connectivity channel offering online access to settlement, asset servicing, tax information, reference data and cash/liquidity services
Xemac	CBF collateral management system