EUROPEAN CENTRAL BANK
EUROSYSTEM

Eurosystem standards for the use of triparty agents in Eurosystem credit operations

September 2017

1 Introduction

1.1 General information on the use of triparty collateral management services by the Eurosystem

Triparty collateral management services (TCMS) provided by triparty agents (TPAs) allow counterparties to optimise the use of their portfolios of securities when collateralising credit and other exposures across different products and instruments (e.g. repo, securities lending, central bank credit, secured loans, and exposures arising from over-the-counter transactions). As part of their daily operations, TPAs provide services such as collateral (auto)selection, valuation and substitution, optimisation of the composition of the triparty pool ("allocation cycles") and corporate actions processing. A TPA providing TCMS acts on behalf of the collateral giver and collateral taker.

In December 2011 the Eurosystem decided to support the cross-border use of TCMS – in addition to their domestic use – in the context of Eurosystem credit operations. Subsequently, the Eurosystem defined the features of generic models for cross-border TCMS[1] to be offered by (international) central securities depositories ((I)CSDs) acting as TPAs in the context of Eurosystem credit operations. The correspondent central banking model (CCBM)[2] provides a basis for the cross-border use of TCMS. Thus, the national central bank (NCB) of a market where TCMS are being offered on a cross-border basis acts as a correspondent central bank (CCB) for central banks in other countries with local counterparties wishing to take advantage of such services on a cross-border basis. TPAs provide the following services on behalf of the Eurosystem: checking/verifying the eligibility of assets against the list of eligible assets published by the ECB on its website on a daily basis; carrying out the daily asset valuation process (based on information sent by the relevant NCB to the TPA); checking the eligibility of the mobilisation channels;

[1] TCMS can be provided to counterparties based on three models, which are currently provided by Clearstream Banking Frankfurt (Model 1), Clearstream Banking S.A. (Model 2) and Euroclear Group (Model 3). The information on which model is used by each TPA is available on the ECB's website.

[2] The CCBM is a mechanism established by the European System of Central Banks with the aim of enabling counterparties to use eligible collateral in a cross-border context. In the CCBM, NCBs act as custodians for one another. This means that each NCB (correspondent central bank – CCB) has a securities account in its securities administration for each of the other NCBs (home central banks – HCBs) and the ECB.

carrying out close link checks (when necessary); and processing payments related to corporate actions.

1.2 Legal basis for the assessment

Under Article 18 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank[3], the ECB and the NCBs may conduct credit operations, with lending being based on adequate collateral. For this purpose, the ECB shall establish general principles for open market and credit operations carried out by itself or by the NCBs, including for the announcement of conditions under which they stand ready to enter into such transactions. Furthermore, the requirement for a positive assessment of TPAs for their use in Eurosystem credit operations is set out in the General Documentation Guideline[4].

These standards elaborate how the Eurosystem expects to structure arrangements with TPAs that intend to provide TCMS for use in Eurosystem credit operations, in order for the Eurosystem to assess the overall safety and efficiency of the TCMS to be used by it in this context. This document will apply upon the entry into force of the forthcoming revised General Documentation Guideline (planned for the end of 2017/beginning of 2018).

2 Overview of the user assessment

With the introduction of cross-border TCMS in the Eurosystem collateral framework in September 2014, and for the purpose of the aforementioned assessment, the Eurosystem has defined a set of user requirements applicable to both the cross-border and domestic use of TCMS. The general objective of these requirements is to ensure the safety and efficiency of the services provided by TPAs in relation to Eurosystem credit operations.

As a precondition for the Eurosystem assessment, a TPA should be an (I)CSD operating a securities settlement system (SSS) declared as eligible for use in Eurosystem credit operations[5]. The assessment therefore focuses only on specific aspects of TCMS. The list of requirements which were used for TPA assessments conducted in 2014 and 2015 has been reviewed in view of the introduction of the CSD Regulation[6] and the related Regulatory Technical Standards[7].

---

3 Protocol (No 4) on the Statute of the European System of Central Banks and of the ECB (OJ C 326, 26.10.2012, p. 230).

4 Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

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

6 Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1).

The current user requirements cover the following aspects:

- entitlement to securities held with TPAs and pledged to central banks, TPAs' obligations towards central banks, liability regime, etc.;
- handling of corporate actions (e.g. coupon payments), substitution of collateral and retention of cash proceeds stemming from corporate actions;
- handling of Eurosystem eligibility criteria for assets and mobilisation channels;
- risk management procedures applicable in some specific circumstances;
- opening days and operating hours of TCMS.

User assessments are carried out for TPAs already in operation and which offer TCMS for use in Eurosystem credit operations on a domestic basis or on a domestic and cross-border basis. In addition, any TPA offering a cross-border triparty service in the Eurosystem context shall comply with the set of additional functional requirements set out by the Eurosystem in the CCBM brochure[8].

3 Assessment procedures

3.1 Application for assessment

Euro area (I)CSDs acting as TPAs that operate TCMS and that intend for their services to be used for Eurosystem credit operations are expected to initiate the assessment process by submitting a formal request to their local NCB, which will then submit it to the Eurosystem. Once the (I)CSD's request has been received by the Eurosystem, the latter initiates the assessment process.

3.2 Assessment

A positive result of the assessment allows a TPA to be considered eligible for use in Eurosystem credit operations.

If a TPA does not meet the user standards, it may still be used in the context of Eurosystem credit operations, possibly on a limited basis, and only on the condition that adequate measures are adopted against risks until the user standards are met in full. The Eurosystem may issue recommendations to the TPA to enable it to achieve full compliance with the user standards.

---

7 TPAs positively assessed by the Eurosystem prior to the publication of this framework continue to be eligible for use in Eurosystem credit operations. Dates for future reassessments will be communicated by the Eurosystem in due course.

8 *Correspondent central banking model (CCBM) procedures for Eurosystem counterparties*, ECB, January 2017, Section 2.1.3, second paragraph.

To ensure the continuous compliance of TPAs with the user standards, the Eurosystem regularly conducts assessment reviews and monitors the implementation of its recommendations by TPAs.

The Eurosystem compiles a list of TPAs which can be used in Eurosystem credit operations; the list is published on the ECB's website.

4 User standards

The user assessment of TPAs is carried out with a view to ensuring the safety and efficiency of the services provided by the TPAs for the purpose of Eurosystem credit operations. With regard to cross-border TCMS, it should be noted that the requirements for TPAs under the current framework do not aim to validate the functional features of the individual TCMS against the triparty models defined by the Eurosystem. The latter is considered to be addressed as part of the implementation process for cross-border TCMS[9].

Standard 1: Legal soundness

TPAs, in particular as regards their legal arrangements for TCMS as concluded with the relevant central bank, should function on a sound legal basis and should provide for adequate protection of the rights of the NCBs and the ECB in respect of collateral mobilised by and through them for the purposes of Eurosystem credit operations.

Key considerations

1. The entitlement to securities, including substituted securities, held within an SSS and pledged or transferred to a central bank in the context of TCMS should not expose the central bank, as collateral taker, to the insolvency or default of the counterparty.

2. The entitlement to the cash proceeds of a corporate action, in the case where those cash proceeds are retained as collateral for the benefit of the central bank or otherwise retained by the central bank, should not expose the central bank to the insolvency or default of the counterparty, the TPA or a third party. The measures put in place by the TPA in order to avoid credit risk when processing corporate actions, as referred to in Standard 2, should be legally sound, and the applicable legal framework should be clear and understandable and provide a high degree of legal certainty.

3. The TPA, in its capacity as provider of TCMS to the central bank, should not cap its liability towards the central bank. The TPA's liabilities should be

9 The respective functional features of the triparty models are applicable only for cross-border TCMS and not for those which are used only domestically.

adequate and clearly formulated and should cover, as regards its relationship with the central bank, all direct losses caused by the TPA's negligent or wilful breach of any obligation in the context of the provision of TCMS. Any exclusion of the TPA's liability for force majeure events should be mitigated by the TPA's commitment to provide its support to minimise any negative consequences for the central bank.

4. The TPA should enable the central bank to monitor and assess the TPA's performance of TCMS.

Explanatory notes

It is important for the central banks, as collateral takers, that the entitlement to securities mobilised via the TCMS does not expose them to any risk of loss. The Eurosystem user standards for SSSs[10] require that the entitlement of the central banks to the securities held in the SSS is bankruptcy remote, i.e. that it is not affected by the insolvency of the system operator or of a third party. In the context of TCMS, the applicable legal framework – namely the financial collateral arrangements, the contractual arrangements between the TPA and the central bank as well as the rules and procedures of the TPA – should ensure the effectiveness of the rights of the central bank, as collateral taker (acting on its own behalf or on behalf of another central bank), over the securities mobilised as collateral via the TPA's services. These rights should be valid and enforceable vis-à-vis third parties and vis-à-vis the collateral giver, including in the event of attachment, insolvency proceedings or other default of the collateral giver.

The functioning of the TPA may involve the retention of the cash proceeds of corporate actions (e.g. interest, redemption or coupon) as collateral or otherwise for the contracting central bank. In such cases, the nature of the entitlement of the latter to such cash proceeds should be clear. If collateral arrangements are put in place, they should provide a high degree of certainty that the pledge or transfer of title over the cash has been validly created in the relevant jurisdiction and is enforceable. It should be clear in which situations and under which conditions the cash proceeds of the corporate action are credited to the contracting central bank. The TPA usually sets up mechanisms, e.g. prior substitution of securities subject to corporate actions, to ensure that retention of cash as collateral in the TCMS materialises only exceptionally. Such mechanisms should be disclosed to the Eurosystem. However, if cash proceeds are retained as collateral or otherwise for the benefit of the central bank, the applicable legal arrangements should ensure the possibility for the central bank to legally, effectively and immediately (during the operating hours of the system) use the cash to set off or otherwise secure the obligations of the counterparty. The rights of the central bank to such cash proceeds should not be affected by the insolvency of the TPA.

[10] http://www.ecb.europa.eu/paym/coll/coll/html/index.en.html

The central banks, as users of TCMS, should not be exposed to a risk of loss due to a limitation of the TPA's liabilities to a certain amount or to an exclusion of the TPA's liability in certain events. As a minimum, the liability regime in place in the relevant contractual arrangements between the contracting central bank and the TPA should ensure that: (i) the contractual liability of the TPA vis-à-vis the contracting central bank is not limited in its amount, i.e. it should not contain a minimum threshold or a maximum cap; (ii) the TPA is liable vis-à-vis the contracting central bank for all direct losses caused by its negligent or wilful breach of any obligation in the context of the provision of TCMS; (iii) the TPA is liable for any negligence or wilful misconduct on the part of third parties to which it has (sub)delegated or outsourced part of its tasks as a TPA and (iv) where the TPA excludes its liability in the case of force majeure events, it commits to take adequate action or adopt measures within its reasonable control with a view to minimising any negative consequences for the contracting central bank. The contractual arrangements between the contracting central bank and the TPA may provide for a more stringent liability of the TPA.

The procedures and services provided by the TPA should be clearly described in the contractual arrangement with the central bank so as to allow the latter to have a clear understanding of the services performed and the conditions thereof. The contractual arrangements should cover the tools that allow the contracting central bank to monitor and assess the TPA's performance of the TCMS. For instance, specific reporting requirements or access to information relating to the services provided pursuant to, or transactions covered by, the contractual arrangements may be established as monitoring tools.

Standard 2: Substitution of collateral and the processing of corporate actions

TPAs shall ensure that the substitution of collateral and the processing of corporate actions related to assets used in Eurosystem credit operations are executed in a way that does not expose the Eurosystem to credit risk, including settlement bank risk.

Key considerations

1. Substitution of collateral shall be settled with the use of procedures which link the release of the securities initially posted as collateral to the delivery of the new collateral, i.e. on a delivery-versus-delivery (DvD) or delivery-versus-payment (DvP) basis. Alternatively, substitution of collateral can be settled by pre-depositing the new collateral before the initially posted collateral is released.

2. If DvP settlement is used for collateral substitution, the funds shall be settled in central bank money. DvP settlement in commercial bank money may be accepted only when both the release of the initially posted collateral and provision of the new collateral are settled by means of two conditional and

simultaneous DvP settlements, or in another way which does not expose the Eurosystem to credit risk.

3. TPAs shall ensure that in the course of corporate actions processing, the global amount[11] communicated to the central bank providing credit in the context of Eurosystem credit operations is not negatively impacted.

4. The TPA shall ensure that if the Eurosystem needs to (temporarily) retain the cash proceeds paid in relation to the securities mobilised as collateral, the respective amounts are held:

   - in central bank money in an account in the name of the central bank which is the collateral taker or which acts on behalf of the collateral taker; or

   - in a way which does not expose the Eurosystem to credit risk.

Explanatory notes

The Eurosystem eligibility criteria for SSSs ensure that the initial settlement of credit operations is conducted on a DvP basis in central bank money or by pre-depositing collateral on a free-of-payment (FoP) basis. This ensures that the Eurosystem is not exposed to credit risk (including settlement bank risk) when providing liquidity to its counterparties. However, the Eurosystem may also be exposed to credit risk or settlement bank risk after the initial settlement of the credit operations. In the case of the mobilised assets needing to be substituted (e.g. if the assets' eligibility criteria are no longer fulfilled), the credit risk may increase if the delivery of the new collateral takes place after the demobilisation of the securities that are to be replaced. In order to mitigate this risk, the TPAs need to ensure that the substitution of collateral is settled on a DvD basis which ensures that the demobilisation of the collateral that is initially provided is conditional on the delivery of the new collateral. This can be also achieved by settling the substitution operation on a DvP basis. However, to avoid additional risk related to the default of a settlement (commercial) bank on its obligations (e.g. when it becomes insolvent), the transfer of the cash leg should take place between accounts held with the Eurosystem, i.e. in central bank money.

As an alternative to DvD and DvP settlements, substitution of collateral can be settled by pre-depositing the new collateral before the initially posted collateral is released. DvP settlement in commercial bank money may only be accepted when both the release of the initially posted collateral and the provision of the new collateral are settled by means of two conditional and simultaneous DvP settlements (so that the time span over which the commercial settlement bank could default on its obligations is eliminated) or when other procedures which do not expose the Eurosystem to credit risk are applied.

[11] The global amount is the value of the collateral that is posted in favour of the central bank in the context of Eurosystem credit operations.

Securities mobilised as collateral for Eurosystem credit operations can be subject to corporate actions, i.e. interest, coupons and redemption payments, which have a negative effect on the market value of the collateral. TPAs need to have appropriate mechanisms in place to ensure that the Eurosystem is not exposed to credit risk as a result of the corporate actions processing (i.e. the credit provided is still fully collateralised). This could be achieved by substitutions (i.e. securities for which a corporate action is due are replaced with other eligible assets) or by posting additional collateral, with both being executed before the corporate actions are processed.

In some extreme circumstances, these mechanisms might not achieve the intended objective before corporate actions proceeds are paid out. In order to ensure a high degree of protection, the TPA should be able in such circumstances to set aside and retain the cash stemming from the corporate actions proceeds for the benefit of the Eurosystem. The respective cash proceeds should be transferred by the TPA to an account of the relevant central bank. In order to mitigate settlement bank risk, the amounts should be held in central bank money. If the cash proceeds are not held in central bank money in an account in the name of a central bank, the TPA should ensure that the respective amounts can only be used to satisfy the obligation of the respective counterparty towards the central bank providing credit, and that the central bank can, at any time during the system operating hours, access and transfer the respective amounts to its own accounts held in central bank money. The measures for retaining cash proceeds can be applied by the TPA provided that they do not lead to the Eurosystem being exposed to credit risk. Such measures should also ensure that the Eurosystem does not provide additional new credit which may be fully or partially backed by the retained cash proceeds.

Standard 3: Eligibility of assets and mobilisation channels

TPAs shall put in place processes which properly cater for specific Eurosystem requirements as regards the eligibility of assets and collateral mobilisation channels.

Key considerations

1. TPAs shall provide collateral management services for Eurosystem credit operations only in respect of Eurosystem-eligible securities.

2. TPAs shall ensure that if one or more central banks that use its services have decided to use only a subset of eligible assets, the central banks receive only the eligible collateral which they have ex ante agreed to accept.

3. TPAs shall have the operational capacity to implement restrictions at short notice on the eligibility of some assets if the Eurosystem or one of the central banks decides to apply such restrictions.

4. TPAs shall ensure that the collateral used for Eurosystem credit operations through TCMS is held and settled through SSSs and links that are declared as

eligible for use in Eurosystem credit operations, as published on the ECB's website.

Explanatory notes

Typically, TPAs are used by eligible counterparties not only for Eurosystem credit operations but also for other purposes (e.g. the management of collateral for transactions cleared through a central counterparty), with the objective of optimising the use of the portfolio of securities and the collateral management flows. The TPA should be able to ensure that only securities that fulfil the Eurosystem eligibility criteria are used in Eurosystem credit operations.

The Eurosystem publishes on a daily basis on the ECB's website[12] a list of eligible marketable assets which can be used as collateral in Eurosystem credit operations. However, to the extent that discretionary central bank restrictions are permitted, each central bank has the right to accept only a subset of eligible assets from the overall list. TPAs need to be able to collect, store and manage the information on the subset of assets that is used by each central bank and should ensure that appropriate checks are in place so that only securities accepted by a given central bank are mobilised as collateral (e.g. baskets set-up).

In some circumstances, the Eurosystem may decide to restrict the eligibility of certain assets. In practical terms, this means that the TPA to which the management of collateral has been outsourced should exclude the respective assets of their use in the new collateral mobilisations. For the already mobilised assets, the TPA should ensure that the assets are replaced, e.g. via substitution processes, with other assets with no eligibility restrictions. Such decisions on the restrictions of eligible assets may need to be implemented at short notice and, therefore, TPAs should have the operational capacity to implement the necessary changes in their systems so that the Eurosystem decision is effective as of the following business day.

Furthermore, for Eurosystem credit operations, assets may be used on a cross-border basis via eligible arrangements between SSSs, i.e. (operated) direct links and relayed links. Thus, eligible counterparties may use securities transferred from the issuer SSS to the investor SSS and subsequently use them for Eurosystem credit operations via TCMS offered by the respective investor SSS as a TPA. It is the responsibility of the TPA to ensure that the eligible securities are transferred from the issuer SSS to the investor SSS via eligible links only.

Standard 4: Collateral realisation

TPAs shall have in place operational measures to ensure that, in the case of a default of an eligible counterparty, the instructions for the transfer of collateral to the realisation account of a central bank are executed without delays and mistakes.

12 http://www.ecb.europa.eu/mopo/assets/html/index.en.html

Key considerations

1. The TPA shall have in place procedures and processes ensuring that collateral is available in a timely manner for realisation in the case of a default of an eligible counterparty.
2. The TPA shall ensure that there are no technical or operational restrictions on accessing the collateral in the case of collateral realisation by a central bank.
3. The TPA shall ensure that the operational framework adequately mitigates the possibility of execution errors.

Explanatory notes

There could be situations in which an eligible counterparty defaults and does not reimburse the credit granted in the context of Eurosystem credit operations. In such a scenario, the collateral mobilised by the eligible counterparty needs to be realised by the central bank. Delays and/or mistakes in the transfer of the collateral could translate into losses for the Eurosystem (e.g. due to adverse market conditions). Furthermore, credit exposures may be collateralised by a large number and a wide variety of individual assets. As a consequence, collateral realisation may entail a large volume of transfer instructions. Without appropriate processes in place, the realisation of the collateral could become a lengthy operation.

Depending on the triparty model used, the collateral may be posted in an account of the relevant central bank or in a (sub)account of the collateral provider. The TPA should ensure that, regardless of the triparty model and where the securities have been posted as collateral, there are no technical or operational restrictions on accessing the respective collateral and that the transfer instructions are promptly executed.

Manual processing in particular is prone to delays and mistakes and recourse to such processes should preferably be reduced to a minimum. If manual processes are used, however, it should be ensured that they are designed and applied in a way that ensures efficient processing of the realisation transactions and that they cater for the volume of transactions to be processed in extreme scenarios.

Standard 5: Data confidentiality

TPAs shall ensure that the data provided by the central banks for the purpose of managing the collateral related to Eurosystem credit operations are used on a confidential basis and exclusively for the purpose of Eurosystem credit operations.

Key considerations

1. The TPA shall ensure that the data obtained from the Eurosystem for the purposes of TCMS are treated on a confidential basis.

2. The TPA shall ensure that the data are used solely for the purpose of TCMS provided to the Eurosystem in the context of its credit operations.

Explanatory notes

For each eligible marketable asset, the Eurosystem defines the most representative price to be used for the calculation of the market value. Because TPAs perform (outsourced) collateral valuation of triparty pools pledged to central banks, the relevant central bank – as part of its daily procedures and typically shortly before its closing time – disseminates to the TPAs the relevant information to be used for valuation purposes for the next business day (e.g. pricing information and other data provided by the Eurosystem). The respective information should be subject to contractual confidentiality obligations.

The Eurosystem provides eligible counterparties with the collateral value of each individual asset that is used for credit operations. Similarly, the TPA should provide the collateral value of assets to the eligible counterparties which have mobilised such assets with the Eurosystem through the TPA for credit operations. In so doing, the TPA should not provide the individual prices of the assets as received from the Eurosystem.

Furthermore, the Eurosystem provides the prices to TPAs solely for the purpose of valuation of assets used as collateral for Eurosystem credit operations. Therefore, TPAs should not use or disclose these prices for any other activity, service or purpose apart from the ones agreed with the Eurosystem. In particular, CSDs which are authorised to provide ancillary banking services should ensure that Chinese walls are in place between the activity of the TPA and the banking services.

More generally, it is expected that TPAs have in place systems and processes controlling the access, use and disclosure of data in order to ensure that all Eurosystem data which are subject to confidentiality obligations are only accessed by/disclosed to those who have rights in this regard and are used solely for the purpose of providing TCMS to the Eurosystem.

Standard 6: Opening days and operating hours

The opening days and operating hours for the TCMS provided by TPAs shall comply with Eurosystem requirements for conducting credit operations.

Key considerations

1. TPAs shall operate their TCMS in accordance with the TARGET2 opening days.
2. TPAs shall operate their TCMS in accordance with the TARGET2 operating hours.
3. TPAs shall have measures in place to enable the extension of these operating times in case of emergencies.

Explanatory notes

The opening days and operating times for the TCMS provided by TPAs should comply with the Eurosystem requirements for the TARGET2 system in order to meet Eurosystem needs for the collateralisation of Eurosystem credit operations.

Compliance with the TARGET2 opening days and operating times means that TCMS should be available for use in line with the TARGET2 calendar, as published on the ECB's website[13], between 07:00 CET and 18:00 CET.

In emergency situations (e.g. delayed closing hours of TARGET2), counterparties may need to mobilise collateral later than usual. In order to cater for these situations, TPAs should, upon a request from the Eurosystem, be able to extend the operating times of TCMS, in line with a simultaneous extension of SSS operating hours.

Annex: Questionnaire for the assessment of TPAs against the Eurosystem user standards

[Jurisdiction]

Responding institution: [name]

Information provided in the answers is accurate as of [date]

Any enquiries should be sent to [contact details]

Standard 1: Legal soundness

1. Does the entitlement to securities, including substituted securities, held within an SSS and pledged or transferred to a central bank in the context of TCMS ensure that in the event of the default of a counterparty, the central bank responsible for the realisation of the assets can legally, effectively and immediately dispose of the assets?

13 http://www.ecb.europa.eu/home/contacts/working-hours/html/index.en.html

2. Please explain the nature of the entitlement of a central bank to the cash proceeds of a corporate action, in the case where those cash proceeds are retained by or on behalf of the central bank as collateral or otherwise. In the case of the default of the counterparty, would the central bank be able to legally, effectively and immediately use the cash to set off or otherwise secure obligations of the counterparty arising from the Eurosystem credit operations? Would the insolvency of the TPA affect in any way the rights of the central bank? If so, the TPA should describe how the rights of the central bank may be affected. Are the measures applied in order to avoid the Eurosystem's exposure to credit risk, as referred to in Standard 2, legally effective and enforceable?

3. Is the liability of the TPA capped? Is the TPA liable to a central bank for all direct losses caused by its negligent or wilful breach of any obligation in the context of the provision of TCMS, including any negligence or wilful misconduct on the part of third parties to which it has (sub)delegated or outsourced part of its tasks as a TPA? Does the TPA exclude its liability due to force majeure events? If yes, does the TPA commit to undertake adequate action or adopt measures within its reasonable control with a view to minimising any negative consequences for the central bank?

4. Does the agreement between the TPA and the contracting central bank provide the means for the latter to monitor and assess the TPA's performance? Please describe these means and how they are applied in practice.

Standard 2: Substitution of collateral and the processing of corporate actions

1. Does the TPA handle collateral substitutions on a DvD or DvP basis?

2. If substitutions are settled on a DvP basis, is the cash leg of these operations settled in central bank money?

3. If neither DvD nor DvP in central bank money is used for substitutions, please describe what other procedures are applied and how it is ensured that the central bank is not exposed to credit risk, including settlement bank risk. Please provide additional information on the reasons for implementing these processes.

4. How is it ensured that the processing of the corporate actions does not negatively impact the global amount?

5. If the Eurosystem needs to retain the cash proceeds stemming from corporate actions, are the respective amounts held in an account opened in the name of a central bank which is (or acts on behalf of) the collateral taker? Is this account opened in the books of a central bank (i.e. is the retained cash kept in central bank money)?

6. If the cash proceeds are not held in an account in central bank money in the name of a central bank, how it is ensured that:

   (a) the respective amounts can only be used to satisfy the obligation of the respective counterparty towards the central bank providing credit;

   (b) the central bank can at any time during the system operating hours access and transfer the respective amounts to its own accounts held in central bank money?

7. How do the measures used for retaining cash proceeds applied by the TPA ensure that the Eurosystem is not exposed to credit risk?

Standard 3: Eligibility of assets and mobilisation channels

1. How is it ensured that the TPA provides collateral management services for Eurosystem credit operations only in respect of Eurosystem-eligible securities?

2. How is it ensured that for each central bank the collateral management services are provided only in respect of those eligible assets which it has ex ante agreed to accept (i.e. if one or more central banks decide to accept only a subset of eligible assets)?

3. Does the TPA have the operational capacity to implement Eurosystem restrictions on assets' eligibility at short notice? From the moment the restrictions have been notified to the TPA, what is the earliest point in time when such restrictions become effective?

4. How does the TPA ensure that collateral used for Eurosystem credit operations through TCMS is held and settled only through eligible SSSs and links?

Standard 4: Collateral realisation

1. Please describe the procedures and processes that are in place to ensure that collateral is available in a timely manner for the Eurosystem to realise in the case of a default of an eligible counterparty.

2. If the Eurosystem needs to realise the collateral, are there any technical or operational restrictions for accessing the respective collateral?

3. How does the TPA ensure that execution errors are mitigated in the case of collateral realisation (e.g. in the case of manual processing and/or a large number of assets to be realised)?

Standard 5: Data confidentiality

1. How does the TPA ensure that the data obtained from the Eurosystem for the purpose of TCMS are treated on a confidential basis, in accordance with the applicable confidentiality obligations?

2. How does the TPA ensure that the data are used solely for the purpose of TCMS provided to the Eurosystem in the context of its credit operations?

Standard 6: Opening days and operating hours

1. Are the opening days for the TCMS of the TPA in conformity with the TARGET2 operating calendar? If not, on which days is the TPA closed while TARGET2 is open?

2. What are the operating hours for the TCMS of the TPA?

3. Is the TPA able to extend the operating times of its TCMS upon a request from the Eurosystem in the event of an emergency?

Postal address 60640 Frankfurt am Main, Germany
Telephone +49 69 1344 0
Website www.ecb.europa.eu

DOI 10.2866/264309 (pdf)
ISBN 978-92-899-3011-6 (pdf)
EU catalogue No QB-01-17-877-EN-N (pdf)