

Operational procedures for the mobilisation of cross-border credit claims with the Bank 25 January 2016

In accordance with the Bank's Documentation on Monetary Policy Instruments and Procedures (the 'MPIPs'), cross-border credit claims are those for which the credit claim agreement is governed by the laws of a euro area Member State other than Ireland. Cross-border mobilisation of credit claims is provided for by Article 148(2)(b), Article 149(3)-(5) and Annex VI, paragraph 4 of the MPIPs. Credit claims mobilised with the Bank on a cross-border basis will be added to a counterparty's collateral pool, in accordance with the framework agreement in respect of Eurosystem operations secured over collateral pool assets. Any credit claims that a counterparty wishes to mobilise with the Bank on a cross-border basis must satisfy the eligibility criteria for credit claims set out in Part 4, Title III, Chapter 1, Section 1 of the MPIPs. The procedures for mobilisation of cross-border credit claims with the Bank are set out below.

Requirements for counterparty seeking to mobilise cross-border credit claims for the first time

A counterparty that has not previously mobilised cross-border credit claims with the Bank is required to give the Bank a minimum of three months' notice of its intention to use them. This will allow the Bank to carry out a once-off verification check of the systems/procedures used by the counterparty to submit information on the existence of credit claims and debtors, in accordance with Article 100 of the MPIPs. In addition, testing of the submission mechanism will take place during this time.

Ongoing requirements for counterparties that have mobilised cross-border credit claims

As set out in Article 101(1)(a) of the MPIPs, the Bank requires any counterparty that has mobilised cross-border credit claims with the Bank (i.e., that includes cross-border credit claims in its collateral pool) to provide certain confirmations in regard to these credit claims (including in relation to their existence and eligibility) on a regular basis. This must be done by way of a monthly letter, a specimen version of which is set out in Annex 1. A signed copy of this letter must be emailed to ORDmonetarypolicy@centralbank.ie when any cross-border credit claims are initially mobilised and, thereafter, no later than the last business

day of any month during which a counterparty has included cross-border credit claims in its collateral pool. In addition, in accordance with Article 101(1)(b) of the MIPs, random checks will be performed in respect of the quality and accuracy of the written confirmations provided by counterparties.

Requirements for mobilisation of cross-border credit claims

Credit claims may be mobilised on a cross-border basis in accordance with the applicable procedures of the Correspondent Central Banking Model (CCBM). Information on the CCBM, including market practices, which contains contact details for CCBM units in Eurosystem national central banks (NCBs), and some details on procedures for non-marketable assets such as credit claims (including NCBs' handling procedures and a summary of credit claims details to be communicated to a CCB) may be found on the ECB's website at the following link:

<https://www.ecb.europa.eu/mopo/assets/coll/ccbm/html/index.en.html>

In addition, the CCBM 'brochure', a document entitled *Correspondent Central Banking Model (CCBM) Procedures for Eurosystem Counterparties*, may be found at the following link:

<http://www.ecb.europa.eu/pub/pdf/other/ccbmprocedureeurosystemcounterparties201501.en.pdf?dd34f4b5b7ce2cd1d6ace14924b858e0>

Section 2.2 of this document sets out CCBM procedures for non-marketable assets and the annex covers the mobilisation of cross-border credit claims.

Mobilisation with the Bank

Where credit claims are mobilised with the Bank, the Bank acts as home central bank (HCB) and the NCB of the Member State whose laws govern the credit claim(s) in question acts as the correspondent central bank (CCB). The following steps must be taken to mobilise credit claims on a cross-border basis with the Bank:

1. The counterparty is required to email collateralmanagement@centralbank.ie detailing their intention to mobilise a specific credit claim. This email should identify the credit claims(s) that the counterparty intends to mobilise and the central bank that will act as CCB.

2. The counterparty must contact the relevant CCB and is required to satisfy any requirements imposed by that NCB, before the credit claim can be mobilised as collateral. Please refer to the CCBM brochure, which includes contact details, <https://www.ecb.europa.eu/pub/pdf/other/ccbm2008en.pdf?02f191c8b602f2b88970955cc55c9566>.
3. The counterparty must meet each of the legal and technical preconditions for the mobilisation of cross-border credit claims listed in the annex to the CCBM brochure.
4. The counterparty must create a security interest over the credit claim(s) in favour of the Bank. The CCB will act as agent of the Bank and the Bank's interest in the credit claim(s) offered as collateral shall be secured by a legal technique applied by the CCB.
5. The counterparty is required to register the details of the security interest at the Companies Registration Office in Ireland in a manner approved by the Bank. This must be done in advance of the cross-border credit claim(s) being mobilised as collateral in accordance with step 6 below.
6. Having met the legal and technical preconditions, the counterparty may mobilise the cross-border credit claim(s) by taking the additional steps listed in the annex to the CCBM brochure. The counterparty is required to send the Bank a SWIFT MT540 message in the form set out in Annex 1 in order to mobilise a cross-border credit claim or credit claims.
7. Any updates to a cross-border credit claim that has been mobilised by a counterparty (e.g., early, partial or total repayments, downgrades and material changes to conditions of the credit claim) must be provided, by the counterparty, to the CCB using the contact details in the CCBM brochure.
8. If a counterparty wishes to remove a cross-border credit claim from their collateral pool, they must advise the Bank of the release of the credit claim in accordance with the CCBM procedures set out in the CCBM brochure. It should

be noted that partial repayments of the cross-border credit claim, which reduce the amount of the claim outstanding, are not processed as a release of collateral and will be handled by the Bank in the same way as a partial redemption of a security (i.e., the Bank will be advised of the amount of the repayment by the CCB and will reduce the amount of the credit claim accordingly). ***Counterparties should be aware that this may result in a margin call.***

9. Cross-border credit claims must be removed from a counterparty's collateral pool at least 1 full business day before the maturity date as such claims will not be eligible for use as collateral on their maturity date.

Central Bank of Ireland Contact Details:

For existence/verification checks: ordmonetarypolicy@centralbank.ie

For CCBM/mobilisation queries: collateralmanagement@centralbank.ie

Annex 1

MT540 Receive Free Notification of receipt

Status	Tag	Qualifier	Generic Field Name	Detailed Field Name	Content/Options
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Mandatory Sequence A - General Information

M	16R			Start of Block	GENL
M	20C	SEME	Reference	Sender's Reference	:4!c//16x; "SEME"//structured transaction reference number (TRN)
M	23G	NEWM/CANC		Function of the Message	4!c[/4!c]; "NEWM" for a new message or "CANC" to request the cancellation of a previously sent instruction

Mandatory Subsequence A1- Linkages

M	16R			Start of Block	LINK
M	20C	RELA/PREV	Reference	Related Reference	:4!c//16x; In case of a new message then use the following: "RELA"// "NEW" In case the function of the message is to cancel a previous message (field 23G is

					"CANC" then use the following: "PREV"//TRN of the message previously sent
M	16S			End of Block	LINK

End of Sequence A - General Information

M	16S			End of Block	GENL
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Mandatory Sequence B - Trade Details

M	16R			Start of Block	TRADEDET
M	98a	SETT	Date/Time	Option A	:4!c//8!n; "SETT"//yyyymmdd for the delivery date
CM	98a	TRAD	Date/Time	Option A	:4!c//8!n; "TRAD"//yyyymmdd for the trade date of transaction
M	35B			Identification of the Financial Instrument	[ISIN1!e12!c]; [4*35x] Standard identification numbers for non-marketable assets (for credit claims, in subfield 2 insert: [LOAN1!e15!c] followed by the identification number) subfield 3 insert: [DEBT1!e15!c] for debtor followed by standard identification number

Conditional Mandatory Subsequence B1 - Financial Instrument Attributes

M	16R			Start of Block	FIA
CM	11A	DENO	Currency	Currency of Denomination	:4!c//3!a; "DENO"//ISO code of the currency of the asset
M	16S			End of Block	FIA

End of Sequence B - Trade Details

M	16S			End of Block	TRADEDET
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Mandatory Sequence C - Financial Instrument/Account

M	16R			Start of Block	FIAC
M	36B	SETT	Quantity of Financial Instrument	Quantity of Financial Instrument to be settled	:4!c//4!c/15d; "SETT"//type/quantity of security to be settled; The type is expressed in UNIT if quantity is expressed as a number or "FAMT" if quantity is expressed as a face amount
M	97a	SAFE	Account	Option A	:4!c//35x; "SAFE"//account with the CCB In cases where a specific account number is not available with the CCB then the following should be used: SAFE//OWN or SAFE//PLEDGE
M	16S			End of Block	FIAC

Optional Sequence D - Repo Details

M	16R			Start of Block	REPO
O	98a	TERM	Date/Time	Option A	:4!c//8!n "TERM"//yyyymmdd for the maturity of the operation. This information is used to check the maturity of the securities and the next coupon payment against the length of the operations
M	16S			End of Block	REPO

Mandatory Sequence E - Settlement Details

M	16R			Start of Block	SETDET
M	22F	SETR	Indicator		:4!c//4!c; "SETR"//"REPU" for trades involving repo transactions "SETR"//"COLI" for trades involving pledge transactions

Repetitive Mandatory Subsequence E1 - Settlement Parties

M	16R			Start of Block	SETPRTY
M	95a	SELL	Party	Option P	Option P: 4!c//4!a2!a2!c[3!c]; SELL//BIC (for credit claims: specify BIC of the counterparty)
M	16S			End of Block	SETPRTY

M	16R			Start of Block	SETPRTY
CM	95a	DEAG	Party	Option P or R	Option P: 4!c//4!a2!a2!c[3!c]; DEAG//BIC of the delivery agent Option R: 4!c/8c/34x;DEAG//issuer code/Proprietary code. (required for settlement in certain (I)CSDs). For credit claims, BIC of the counterparty See Market Practices section for further information
M	16S			End of Block	SETPRTY

M	16R			Start of Block	SETPRTY
M	95a	PSET	Party	Option P	Option P: 4!c//4!a2!a2!c[3!c]; PSET//BIC of place of settlement For credit claims, BIC of the CCB
M	16S			End of Block	SETPRTY

End of Sequence E - Settlement Details

M	16S			End of Block	SETDET
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Usage Rules

In the Repetitive Mandatory Subsequence E1 - Settlement Parties, several intermediaries may be present in the message and may include the use of the field 97A:SAFE (account number), provided that SWIFT rules are respected.

A new code CNCB has been created for field 22F in Mandatory Sequence E - Settlement. This new code relates to collateral deliveries/receipt from custodians to an NCB for central bank

credit operations. However, it is not for use among NCBs but rather among counterparties and their custodians.

In the Mandatory Subsequence A1 - Linkages, the qualifier word PREV may only be used once, to ensure unambiguous use of linkages.

When credit claims are used the following apply:

In the Mandatory Sequence B - Trade Details, the field 98a TRAD becomes optional, and

In the field sub-custodian of the counterparty, the BIC of the counterparty should be provided.

ANNEX 2: Template Confirmation letter to be submitted by the counterparty mobilising cross-border credit claims

[Letterhead of Counterparty]

Organisational Risk Division
Central Bank of Ireland
PO Box No. 559
Dame Street
Dublin 2

[Date – to be submitted on the last working day of every month during which the counterparty has included any cross-border credit claims in its collateral pool]

Dear Sir/Madam

In respect of the credit claims submitted by [Counterparty Name] to the Central Bank of Ireland (the 'Bank') for use as collateral in Eurosystem credit operations, I hereby confirm the following, in accordance with Article 101 of the Bank's Documentation on Monetary Policy Instruments and Procedures (the 'MPIPs'):

- (i) the existence of these credit claims;
- (ii) the compliance of these credit claims with the eligibility criteria applied by the Eurosystem, as laid down in Articles 89 to 105 of the MPIPs;
- (iii) that none of these credit claims are being used simultaneously as collateral to the benefit of any third party and that [Counterparty Name] shall not mobilise any of these credit claims as collateral to any third party; and
- (iv) that [Counterparty Name] undertakes to communicate to the Bank no later than within the course of the next business day, any event that materially affects the contractual relationship between [Counterparty Name] and the Bank, in particular early, partial or total repayments, downgrades and material changes in the conditions of any of these credit claims.

Yours sincerely

[Signed by authorised representative]