

Collateral Mobility

Preliminary Release Notes

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July 2021

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1. Introduction

1.1 Objective of this document

This document introduces the high-level context which led Clearstream to start the harmonisation of its 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.

Additionally, we would like to inform customers about the impacts of this initiative, and how they can prepare for them, by communicating these preliminary release notes.

The preliminary release notes contained in this document will be followed by more detailed ones in October 2021.

This document is relevant for customers of Clearstream Banking Frankfurt and Clearstream Banking Luxembourg, in particular 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).

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

1.2 Context – Towards more integrated and harmonised financial markets in Europe

The ECB's Governing Council has launched two major projects that seek to harmonise Eurosystem infrastructure.

Firstly, the Eurosystem has launched a project to consolidate TARGET2 and T2S in terms of both technical and functional aspects. The new consolidated platform will be launched in November 2022.

Secondly, the Eurosystem's AMI-SeCo¹ announced the *Single Collateral Rulebook for Europe* (SCoRE), seeking to implement the first wave adoption of standards on triparty collateral management, corporate actions and billing processes. At the same time, the ECB also seeks to launch the ECMS by November 2023. ECMS is the ECB's *Eurosystem Collateral Management System* which will be used by the individual National Central Banks (NCBs) with common harmonised functionality and capable of managing the assets which are used as collateral in Eurosystem credit operations for all euro area jurisdictions.

The implementation of both these industry initiatives requires a significant amount of development work and change requests to be made to some of the technical processes, including operating procedures and messaging formats (ISO 20022), that underpin the collateral management services offered by Clearstream.

As a response to this, Clearstream will decommission the legacy collateral management system Xemac and operate all triparty collateral management and pledge services on a single platform. This decommissioning process will happen in 2 phases:

- The first phase will be the migration from Xemac to CmaX for GC Pooling and triparty pledge towards Eurex Clearing, on 24 October 2022. This is referred to as the Collateral Mobility project, and is the scope of this document.

1. Advisory Group on Market Infrastructure for Securities and Collateral

- The second phase will be the migration of triparty pledge towards Deutsche Bundesbank, by Q4 2023. This is part of a wider ECMS project and is not the scope of this document. We will only mention that phase in the introduction of this document, in order to give a complete picture on the decommissioning of Xemac.

We would like to emphasise that adapting the current collateral management services is mandatory as a result of these industry initiatives, and in particular because of the TARGET2 and T2S consolidation.

Please note that Clearstream will also be implementing the Corporate Action Harmonisation project. This project aims at harmonising corporate action processing and includes the KADI replacement for the German market whereby all corporate actions for DE securities will be operated from a single platform. A first view of the impacts will be communicated in Q3 2021.

An additional response to these industry changes will also come from Eurex Clearing, with the introduction of the C7 Securities Clearing Service¹.

The overall timeline for these initiatives is shown below:



1.3 Products in scope

This document will cover the impacts resulting from the 24 October 2022 release, i.e. changes for the following products:

- Eurex GC Pooling ®
- Triparty pledge towards Eurex Clearing via Xemac

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 above, 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 final step for the Xemac decommissioning will be together with the ECMS go-live, in Q4 2023.

1. <https://www.eurex.com/ec-en/find/circulars/clearing-circular-2622236>

1.4 Description of the new model

As a result of the market initiatives described above, and the decommissioning of the Xemac collateral management system, the account structure and settlement model for the products in scope will evolve.

The main changes are the following:

General changes

- Phasing-out of Xemac and use of CmaX as a single integrated collateral management system, supporting customers of CBF and CBL; and
- Introduction of a revised legal framework, to replace the current Xemac participation form.

GC Pooling changes

- DVP settlement will be used for Eurex GC Pooling® in the future, instead of conditional DVP today; and
- Use of dedicated settlement locations (either CBF/T2S or CBL-CBF-i/Creation) for GC Pooling:
 - T2S-eligible baskets traded against Euro will settle via T2S (CBF), in Central Bank Money (CeBM); and
 - Non T2S-eligible baskets traded against any currency, or T2S-eligible baskets traded against non-Euro currency will settle via Creation (CBL or CBF-i), in Commercial Bank Money (CoBM).
- Migration from TARGET2 RTGS accounts to T2S Dedicated Cash Accounts (DCAs) for GC Pooling CeBM settlement; and
- New account structure for GC Pooling:
 - CBL customers that want to continue trading T2S-eligible baskets against Euro will need T2S Securities Accounts (SACs) at CBF and will therefore need to go through an onboarding process at CBF if they are not yet a CBF customer. These services will be governed by the aforementioned revised legal framework.

Triparty pledge towards Deutsche Bundesbank and Eurex Clearing

- New account structure for triparty pledges towards Bundesbank or triparty pledges towards ECAG (including triparty re-use from GC Pooling):
 - For CBF customers, the earmarking process used by Xemac will be replaced by settlement movements, and customers will need to open new accounts for the purpose of pledging towards Eurex Clearing and Deutsche Bundesbank.

As introduced in the previous section, note that the changes regarding pledges towards Deutsche Bundesbank, as a result of the introduction of ECMS, will be described in future release notes.

More information on these changes and their impacts can be found in [“4. Detailed descriptions of impacts”](#) on page 13.

1.5 Benefits for customers

As a result of the changes listed above, we would like to highlight a series of benefits.

Phasing-out of Xemac and introduction of a single integrated collateral management system:

- This results in a single Clearstream triparty platform able to handle all securities, allowing for future increased collateral pooling and mobility; and
- For CBF domestic customers only using Xemac GUI, this will result in a more modern collateral management interface, i.e. Xact, with consolidated reporting, higher flexibility and new interfaces (i.e. API); and
- Increased liquidity due to larger pool of collateral management users.

New Eurex GC Pooling® processing model (cash and securities)

- DVP, instead of conditional DVP, results in reduced intra-day credit usage and collateral consumption; and
- Cash pooling on DCAs and as a result balance sheet netting offered in CeBM; Balance sheet netting in CoBM is offered today and will be in the future; and
- Broader range of T2S accepted assets that can settle in Euro CeBM via CBF; and
- Customers can pool more T2S eligible assets on CBF accounts for usage of BFF (Banking, Funding & Financing) services like GC Pooling or Pledge.

New account structure

Clearly segregated accounts for pledged collateral.

1.6 Impacts

The following table lists all identified impacts for which customers need to prepare, with the scope of impacted customers and a short description of the impact. This list is followed, in the next sections, by a more detailed account of each impact.

Impact Type	Section	Detail	Customer Scope	Description
Onboarding	4.1	Full onboarding as CBF customer	CBL customers that want to settle GCP T2S-eligible baskets in Euro CeBM (T2S settlement)	Full onboarding documentation to be delivered for those customers that are not CBF customers already (on top of the opening of T2S accounts), including any connectivity or tax documentation
Repapering	4.2	Legal repapering	CBL (once onboarded at CBF) and CBF GCP customers	Replacement of Xemac participation form (includes acceptance of Xemac special Terms and Conditions) by a revised legal framework
New account opening	4.3	Creation - GCP	CBL and CBF-i GCP customers	At least 2 accounts: - 1 reservation and 1 segregation account Could be more ^a (mostly reservation accounts) if customers want to segregate securities for business reasons Possibility to re-use existing accounts for CBL customers (see section 4.3 for conditions)
	4.3	Creation - Pledge	CBL and CBF-i pledge customers	At least 1 account , for the purpose of pledging to Eurex Clearing Customers can choose whether they want to use an account on Creation or CASCADE/T2S for that purpose Possibility to re-use existing accounts for CBL customers (see section 4.3 for conditions)
	4.4	T2S (via CBF) - GCP	CBL (once onboarded at CBF) and CBF GCP customers	At least 2 accounts: - 1 reservation and 1 segregation account Could be more ^a (mostly reservation accounts) if customers want to segregate securities for business reasons
	4.4	T2S (via CBF) - Pledge	CBL (once onboarded at CBF) and CBF pledge customers	At least 1 account , for the purpose of pledging to Eurex Clearing Customers can choose whether they want to use an account on Creation or CASCADE/T2S for that purpose

a. Within the limitations imposed by Eurex Clearing of maximum 4 accounts

Impact Type	Section	Detail	Customer Scope	Description
New account opening (continued)	4.5	DCA (optional)	CBL (once onboarded at CBF) and CBF customers	1 account , opened at the customer's NCB For customers that cannot open a T2S DCA, CBF can accommodate the prefunding of Creation accounts by customers
New settlement model	4.6	New process for customer without their own DCA	CBL (once onboarded at CBF) customers without a DCA (for example, B/S netting customers)	The settlement model will change because of the use of DCAs and the use of DVPs
	4.7	New GCP model	CBL and CBF GCP customers	DVP model (instead of conditional DVP today) , where the combination of basket and currency drives the settlement location Securities will now settle on an individual basis and not against the settlement of the basket ISIN. The current shaping mechanism for the cash leg (50 or 200 mn EUR shapes) will not be used anymore
	4.8	New pledge model	CBL (for re-use from GCP) and CBF pledge customers	No longer earmarking, instead securities are transferred between accounts The model for CBL customers pledging own funds to Eurex Clearing does not change, it is actually the target model
Interfaces and technical processes	4.9	New participant short codes	CBL and CBF customers	New participant short codes will be introduced for GC Pooling
	4.10	New CmaX exposure references	CBL and CBF customers	The Xemac claim IDs will be replaced by CmaX exposure references for GC Pooling repos and pledges to Eurex Clearing (own funds or re-use)
	4.11	New interface - Xact	CBF customers	As a result of the phasing-out of Xemac, CBF customers will be given the opportunity to switch to a more modern collateral management interface, i.e. Xact, with consolidated reporting Customers requiring training sessions should contact the relationship management team as needed
	4.12	New reports	CBF customers	From Xemac reports to CmaX reports

Impact Type	Section	Detail	Customer Scope	Description
Billing	4.13	Change in billing - Collateral Management	CBL and CBF customers	The products currently supported by Xemac will be supported by CmaX, therefore the billing will be modified
	4.14	Change in billing - Settlement	CBL and CBF customers	The settlement model of GC Pooling and triparty pledges will change, therefore modifying the types and number of settlement instructions, and consequently their billing
Cut-over	4.15	Cut-over specific impacts	CBL and CBF customers	Customers need to be aware of specific elements related to the cut-over weekend

1.7 Next steps

We would like to emphasise a series of next steps and deadlines that are planned in this project:

- October 2021:
 - Publication of second detailed release notes to customers
 - Publication of necessary legal documentation
- As of October 2021:
 - We will start the onboarding, account opening, legal repapering as well as collateral management contracts and exposures opening processes, in a phased manner, to balance the load of the migration
 - Consecutive groups of customers will be invited to provide the necessary documents according to different deadlines. As a result, we will ask some customers to be ready sooner than others
- Before the migration, we will introduce a period during which new GC Pooling basket and currency combinations will not be accepted, in order to freeze customers set ups – the exact duration of that period will be communicated at a later stage
- From 1 July 2022 to 1 October 2022:
 - Joint testing with ECAG and customers

Note: It is mandatory to have completed onboarding, accounts and contractual setup by 1 July 2022, or according to a deadline set by ECAG, whichever is the earliest. For customers that are not ready by that date, Clearstream will reserve the right to suspend their activity in the concerned services prior to the launch date. Services can be resumed at a post launch date, once the customer is ready and the necessary actions have been properly concluded. Customers who are ready by 1 July 2022 will enjoy an uninterrupted service when the service is moved from the old structure to the new in a seamless manner.

2. Impact for CBL customers

This section is relevant for customers using GC Pooling and/or triparty pledge towards Eurex Clearing via a CBL setup. Please, refer to section [“3. Impact for CBF customers”](#) on page 11 if you are using a CBF(i) setup.

In order to continue trading T2S-eligible baskets against Euro, CBL customers will need to be onboarded at CBF. This onboarding at CBF will be accompanied by the signing of a revised legal framework.

The onboarding process at CBF will trigger the opening of several CASCADE/T2S collateral accounts. At least, a reservation and segregation account will be opened. Moreover, if customers want to pledge securities towards Eurex Clearing via T2S, a dedicated account needs to be opened.

In order to ensure a smooth migration, the future account and contractual setups need to be prepared prior to cut-over. Clearstream offers the following two alternatives regarding existing reservation and segregation collateral accounts on the Creation platform:

1. Either, for CBL customers that are currently not active in CoBM GC Pooling, they continue using the existing Creation accounts, but conditioned to the fact that they remain inactive in non-T2S eligible baskets or non-EUR currencies after the cut-over, for a duration that is still under review and will be communicated in the detailed version of these release notes – this period will be necessary to adapt their accounts and contracts to the new structure;
2. Or, customers open new reservation and segregation collateral accounts on Creation, to support their future CoBM GC Pooling activity – since this can be prepared prior to the cut-over, this allows customers to continue trading GC Pooling non-T2S eligible baskets or non-EUR currencies directly after the cut-over weekend.

If customers do not have a setup in place in CmaX in order to pledge towards Eurex Clearing, and want to pledge securities via Creation, they will need an additional account for that purpose. CBL customers could re-use their existing Creation account to pledge towards Eurex Clearing, conditioned to the fact that there would be no activity in the contracts being migrated to this account, i.e. no re-use from GCP to pledge towards Eurex Clearing.

New participant short codes will be introduced for the GC Pooling activity, that will be visible on the collateral management reporting.

A T2S DCA will also need to be communicated, to ensure central bank money settlement for GC Pooling¹.

This new account structure will be used to support a new settlement model, with the use of DVP settlement transactions instead of conditional DVP settlement transactions (see section hereunder for more details on that point²).

The CmaX contract references underpinning the GC Pooling and triparty pledge towards ECAG activity will be replaced by new ones.

Finally, the harmonisation of collateral management systems and the evolution of the settlement model will result in adapted billing and pricing. Please note that customers require separate billing accounts for CBF and CBL services, and customers can group these accounts in a billing group to benefit from volume based discounts.

1. In exceptional cases where a customer would be unable to obtain a DCA, a CBF T2S DCA will be used instead, which will automatically be prefunded from customers Creation accounts.
2. Earmarking which is currently used by Xemac for pledges will be replaced by bookings to separate accounts. This earmarking process is currently used by a few CBL customers re-using collateral from GC Pooling to pledge towards Eurex Clearing.

Following is a list of all the impacts relevant for institutions using the products in scope via a CBL setup:

Impact	Section	Options
Full onboarding as CBF customer	4.1	Mandatory for GCP in CeBM
Legal repapering	4.2	Mandatory for GCP in CeBM
New account Opening - Creation - GCP	4.3	Conditional for GCP in CoBM
New account Opening - Creation - Pledge	4.3	Optional, either in Creation or T2S
New account Opening - T2S (via CBF) - GCP	4.4	Mandatory for GC Pooling in CeBM
New account Opening - T2S (via CBF) - Pledge	4.4	Optional, either in Creation or T2S
New account Opening - DCA	4.5	Mandatory if customers have CeBM access
New process for customer without DCA	4.6	Conditional
New GCP model	4.7	Mandatory
New pledge model	4.8	Mandatory
New participant short codes	4.9	Mandatory
New CmaX exposure references	4.10	Mandatory
Change in billing - Collateral Management	4.13	Mandatory
Change in billing - Settlement	4.14	Mandatory
Cut-over weekend	4.15	Mandatory

The impact described in section [4.1](#) is only relevant for CBL customers that are not yet CBF customers. The other impacts are relevant for all CBL customers.

Also, the impacts described in sections [4.5](#) and [4.6](#) are mutually exclusive.

3. Impact for CBF customers

This section is relevant for customers using GC Pooling and/or triparty pledge towards Eurex Clearing via a CBF(i) setup. Please, refer to section [“2. Impact for CBL customers”](#) on page 9 if you are using a CBL setup.

The gradual phase-out of Xemac will trigger the replacement of the current Xemac participation form (including Xemac special terms and conditions) by a revised legal framework.

Several new CASCADE/T2S collateral accounts will be opened. At least, a reservation and segregation account will be opened. In addition, if customers want to pledge towards Eurex Clearing via T2S, a dedicated account must be opened.

Additionally, CBF customers will need to open new reservation and segregation collateral accounts on Creation, i.e. via CBF-i, to support their GC Pooling activity, together with one account for the purpose of pledging towards Eurex Clearing, if customers want to pledge assets via Creation¹.

New participant short codes will be introduced for the GC Pooling activity, that will be visible on the collateral management reporting.

In both cases above, on CASCADE/T2S and Creation, existing accounts involved in pledges towards Bundesbank cannot be used for the future GC Pooling setup, as Xemac will remain active for pledges in favour of Bundesbank until the introduction of ECMS in 2023.

A T2S DCA will also need to be communicated, to ensure central bank money settlement for GC Pooling.

This new account structure will be used to support a new settlement model, with the use of DVPs instead of conditional DVPs (see section [4.7 New GCP model](#) for more details). In addition, earmarking which is currently used by Xemac for pledges will be replaced by bookings to separate accounts. This will first concern pledges towards Eurex Clearing (as of October 2022), and later pledges towards Deutsche Bundesbank (as of Q4 2023), together with the ECMS launch.

The Xemac claim IDs underpinning the GC Pooling and triparty pledge towards ECAG activity will be replaced by new CmaX exposure references.

An important impact for CBF customers will be the introduction of the Xact online interface, and the use of CmaX reporting to replace the Xemac ones. Customers will need to make sure that the appropriate mappings are put in place between these reports and their processes. We provide a high-level mapping between Xemac and CmaX reports in section [4.12 New reports](#). More detailed granular mapping will be provided in the final release notes that will be published in October 2021.

Finally, the harmonisation of collateral management systems and the evolution of the settlement model will result in adapted billing and pricing. Please note that customers require separate billing accounts for CBF and CBL/CBF-i services, and customers can group these accounts in a billing group to benefit from volume based discounts.

1. If a customer prefers, CoBM activity can be switched to a CBL setup instead of a CBF-i setup.

Following is a list of all the impacts relevant for institutions using the products in scope via a CBF setup:

Impact	Section	Options
Legal repapering	4.2	Mandatory for GCP in CeBM
New account Opening - Creation - GCP	4.3	Conditional for GCP in CoBM
New account Opening - Creation - Pledge	4.3	Optional, either in Creation or T2S
New account Opening - T2S (via CBF) - GCP	4.4	Mandatory for GC Pooling in CeBM
New account Opening - T2S (via CBF) - Pledge	4.4	Optional, either in Creation or T2S
New account Opening - DCA	4.5	Mandatory if customers have CeBM access
New GCP model	4.7	Mandatory
New pledge model	4.8	Mandatory
New participant short codes	4.9	Mandatory
New CmaX exposure references	4.10	Mandatory
New interface - Xact	4.11	Optional, only if customers want to use the graphical user interface
New reports	4.12	Mandatory
Change in billing - Collateral Management	4.13	Mandatory
Change in billing - Settlement	4.14	Mandatory
Cut-over weekend	4.15	Mandatory

4. Detailed descriptions of impacts

The section describes the impacts that are listed in section [1.6](#) in further detail.

4.1 Full onboarding as CBF customer

The customers in scope for this impact are currently CBL, Eurex Repo and Eurex Clearing customers. Therefore, the already available documentation will re-used whenever possible. In particular, this process will be simplified for customers having up-to-date KYC documentation at CBL or with the SWIFT KYC registry. A letter of consent is available for signature to allow the sharing of information between Deutsche Börse Group entities.

The process is the following:

1. Customers who need to be onboarded at CBF will receive from their respective RM the list of documents to be submitted
2. The list is the following:
 - Customer basic data
 - Proof of Regulation
 - Extract from Registers/ Proof of Existence
 - Proof of Set-up/ Establishment (if applicable)
 - Articles of Association / Proof of Business Purpose
 - Certificate of name change
 - Transparency Register Extract
 - Letter of Consent
 - Ownership and Control
 - Ownership and Control Chart
 - Ultimate Beneficial Owners (UBO)
 - Notional UBO
 - Information on Board of Management/ Directors
 - Significant Shareholders
 - Authorisations
 - Authorisation rights of signatories
 - Natural persons acting on behalf
 - ID Card
 - KYC documents
 - Customer Identification Template
 - DDQ (Due Diligence Questionnaire)
 - ISSA (International Securities Services Association)
 - Sanctions Certificate
 - Policies and Procedures
 - US Patriot Act
 - Audited Annual Report

- Tax
 - FATCA (Foreign Account Tax Compliance Act) Status
 - CRS (Common Reporting Standard) Status
 - US tax certificates (W-8 series or W-9) (optional)
 - CRS Controlling Persons (if applicable)

4.2 Legal repapering

A revised legal framework will be introduced in order to replace the Xemac participation form (including Xemac special terms and conditions).

This revised legal framework will be shared later this year with customers.

This framework will cover all Xemac services to be migrated: GC Pooling, triparty pledge or title transfer to Eurex Clearing and triparty pledge to Deutsche Bundesbank.

4.3 New account opening on Creation for GCP and triparty pledge towards ECAG

In order to ensure a smooth migration, the future account and contractual setups need to be prepared prior to cut-over. Clearstream therefore requires all customers (CBL and CBF-i) to review their collateral account setup.

Additionally, for CBF-i customers, the current Creation collateral accounts will continue to be used for the purpose of pledging towards Deutsche Bundesbank.

The process is the following:

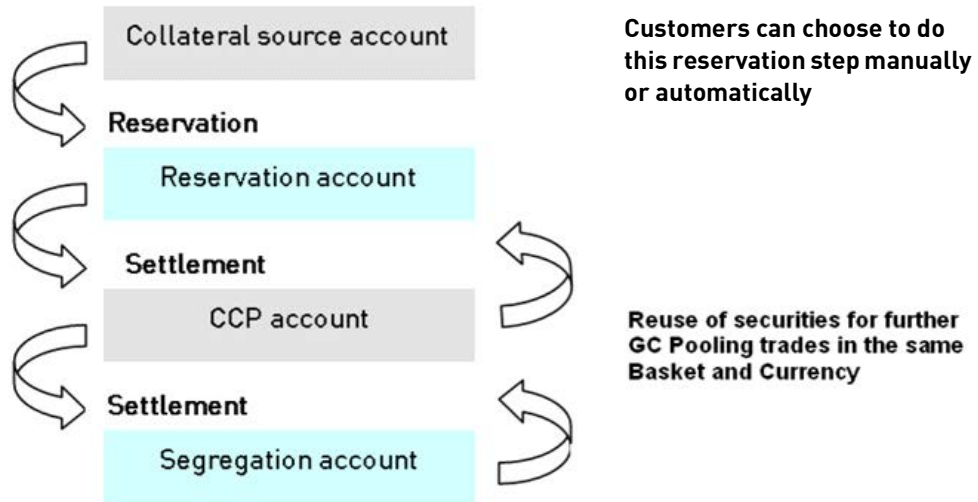
- Collateral accounts are opened by CBL upon **receipt of Appendix A or B** to the Collateral Management Service Agreements under Luxembourgish law, duly signed or notified by authenticated media in accordance with the CMSAs. Collateral accounts are set up in accordance with the Customer Operational Profile (**Appendix D to the CMSAs**).

Customers may be required to open **3 new accounts**, if they use the associated services:

Account purpose	CBF-i customer	CBL customer
1 reservation account – GC Pooling CoBM	mandatory	optional
1 segregation account – GC Pooling CoBM	mandatory	optional
1 account in the name of the customer, for the purpose of segregating securities pledged towards Eurex Clearing	optional	optional

For CBL customers that are currently not active in CoBM GC Pooling, as explained in section [“2. Impact for CBL customers”](#) on page 9, they could continue using the existing Creation accounts, but conditioned to the fact that they remain inactive in non-T2S eligible baskets or non-EUR currencies after the cut-over for a duration that is still under review – this period will be necessary to adapt their accounts and contracts to the new structure.

The role of these accounts is the following: a customer needs to transfer collateral from a source account to a reservation account before it can be used in a transaction where the customer is acting as collateral giver. Alternatively, CmaX can do that transfer automatically. When acting as collateral receiver, the collateral will be received on a segregation account. This is illustrated below:



Regarding the account to pledge towards Eurex Clearing, customers can choose whether they want to use an account in Creation or CASCADE/T2S for this purpose. CBL customers could re-use their existing Creation account to pledge towards Eurex Clearing, conditioned to the fact that there would be no activity in the contracts being migrated at the time of the migration, that is, no re-use from GCP to pledge towards Eurex Clearing.

4.4 New account opening on T2S for GCP and triparty pledge towards ECAG

In order to ensure a smooth migration, the future account and contractual setups must be prepared before cut-over. Clearstream therefore requires customers to open new collateral accounts at CBF. These new collateral accounts can be subaccounts of existing master accounts.

Additionally, for existing CBF customers, the current /550 collateral subaccount will continue to be used for the purpose of pledging towards Deutsche Bundesbank.

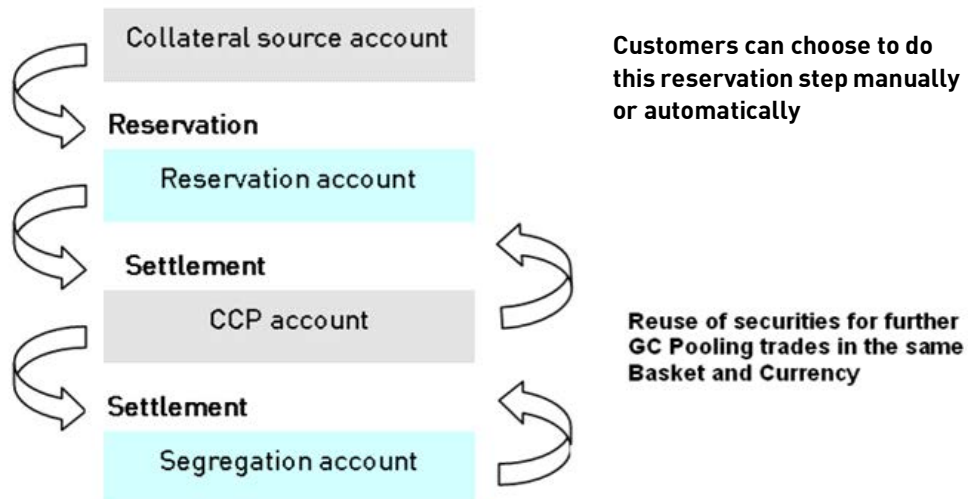
The process is the following:

- Opening of subaccounts under an existing master account (recommended setup); or
- New master account, depending on customer's preferences.

Customers may be required to open **3 new accounts**, if they use the associated services:

Account purpose	CBF customer	CBL customer
1 reservation subaccount – GC Pooling CeBM	mandatory	mandatory
1 segregation subaccount – GC Pooling CeBM	mandatory	mandatory
1 subaccount in the name of the customer, for the purpose of segregating securities pledged towards Eurex Clearing	optional	optional

The role of these accounts is the following: a customer needs to transfer collateral from a source account to a reservation account before it can be used in a transaction where the customer is acting as collateral giver. Alternatively, CmaX can do that automatically. When acting as collateral receiver, the collateral will be received on a segregation account. This is illustrated below:



Regarding the account to pledge towards Eurex Clearing, customers can choose whether they want to use an account on Creation or CASCADE/T2S for that purpose.

4.5 New account opening of T2S DCA

Customers settling T2S-eligible GC Pooling baskets in Euro are expected to provide a reference to a T2S DCA account. We invite customers to contact their respective National Central Banks in order to open T2S DCA accounts.

Note that Clearstream does not require customers to be the account owner of this T2S DCA, i.e. customers can also communicate a T2S DCA owned by a third-party.

4.6 New process for customers without T2S DCA

As can be seen in "[CBL customer account and settlement setup](#)", the future CBL model foresees the case where a customer would not be capable of opening a T2S DCA account, as is the case for buy-side customers for example. In that case, CBF would act as sponsor by offering a T2S DCA. Customers will have to pre-fund their Creation accounts, before CmaX can then instruct cash payments from these Creation accounts towards CBF's T2S DCA.

Customers will be given the possibility to either communicate their main cash account used for other CBL business or a specific account dedicated to GC Pooling.

Contracts with this set up will need to follow earlier closing deadlines to guarantee same-day settlement of cash, compared to the T2S default ones. This is required in order to allow customers to perform external cash transfers from CBL via the Cash Correspondents network.

We will communicate at a later stage on the exact deadlines and governing legal documentation.

4.7 New GCP model

The future GC Pooling model will evolve in several ways:

- From conditional DVPs in the current model, to DVPs in the future model
- Definition of settlement location as a function of GCP basket and currency
- Migration from TARGET2 RTGS accounts to T2S Dedicated Cash Accounts for GC Pooling CeBM settlement
- Onboarding at CBF for CBL customers to access CeBM settlement
- Balance sheet netting models proposed in CeBM and CoBM

The current conditional DVP model relies on the following principles:

- Step-by-step cash and securities movements, i.e. for both securities purchases and sales a step-by-step process reserves collateral, separates the cash and then finalises the securities movements to achieve DVP processing; and
- Shaping of the instructions by Eurex Clearing AG: currently, exposures are shaped in pieces of maximum 200 mn EUR.
- Each shaping parameter settles following the "all or nothing" principle.

The future model will be based on DVPs, i.e. synchronous movements of cash and securities. Eurex Clearing will instruct exposure adjustments for which individual securities are selected by the collateral management system, resulting in one to several DVP instructions for the settlement system. Each DVP instruction will settle "all or nothing", and an end-of-day process will realign the exposure in case of undelivered principal. However compared to today's model, where shaped transactions settle "all or nothing", in the future model a partial coverage of the exposure adjustment is possible using available cash and/or securities.

Central Bank Money (**CeBM**) GC Pooling, settling on T2S, will be for the following baskets and currency:

- Baskets: ECB, ECB Ext, Equity, CTD

- Currency: EUR

For this purpose, CBL customers will need to be onboarded at CBF, in order to open T2S SACs (see section 4.5).

Commercial Bank Money (**CoBM**) GC Pooling, settling on Creation, will be for the following baskets and currencies:

- Baskets: ECB, ECB Ext, Equity, CTD
- Currencies: USD, CHF, GBP

or

- Baskets: Int MXQ, JGB, US Treasury¹
- Currencies: EUR, USD, CHF, GBP

The account and settlement setups, seen from the point of view of a CBL customer, or a CBF customer, can be observed respectively in the figures below.

These figures describe the account setup:

- First column: from the point of view of the customer
- Second column: from the point of view of Eurex Clearing
- Third column: for exhaustive purposes, we highlight the fact that any GCP trade involves 2 parties

Each account is opened for a specific settlement location:

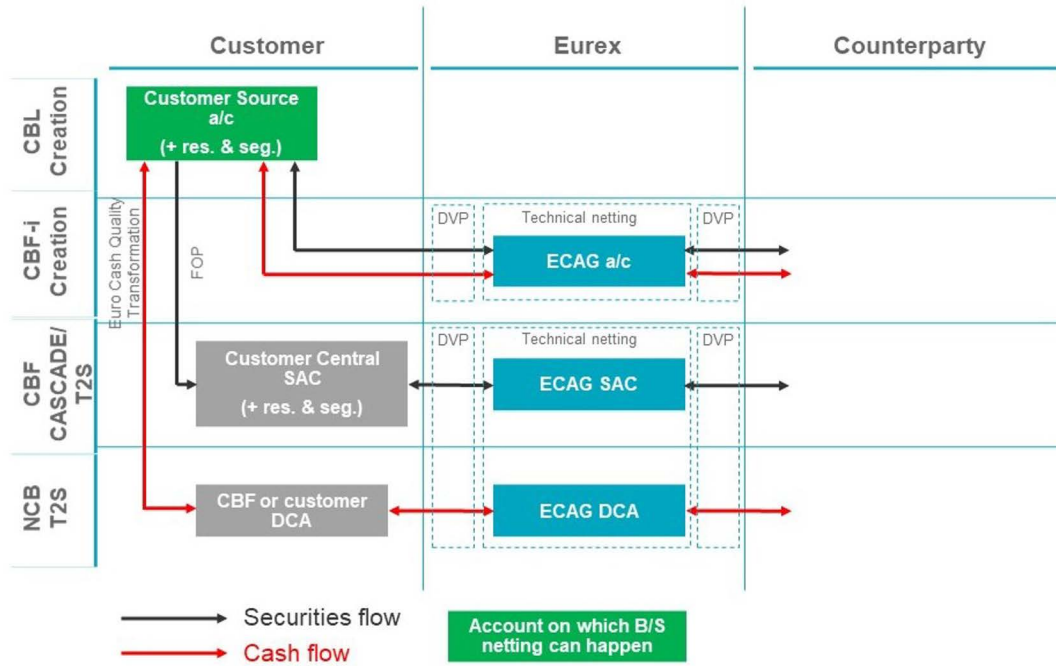
- First row: Creation securities settlement system, for a CBL customer
- Second row: Creation securities settlement system, for a CBF-i customer
- Third row: CASCADE/T2S securities settlement system, for a CBF customer
- Fourth row: T2S securities settlement system, via a customer's National Central Bank (NCB) to open a T2S DCA

The abbreviations "res." and "seg." refer to a reservation and segregation account respectively.

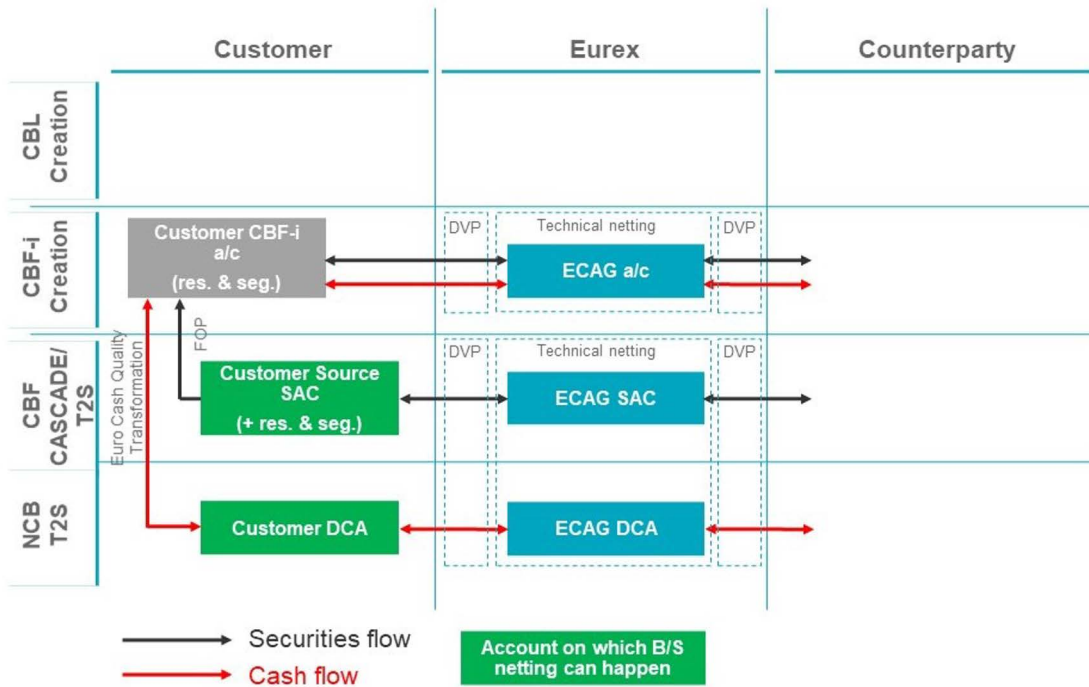
Additionally, the possibility will be offered to customers to use a Balance Sheet netting setup, either in CoBM or in CeBM.

1. The JGB and US Treasury are baskets that Eurex Repo plans to introduce, as was announced in January 2021 on [Eurex's website](#)

CBL customer account and settlement setup



CBF customer account and settlement setup



4.8 New pledge model

The decommissioning of Xemac will lead to an evolution of the settlement model for the pledges towards Eurex Clearing (October 2022) and Deutsche Bundesbank (Q4 2023), with the replacement of earmarking by transfer between accounts.

This impact is related to the ones described in sections [4.3](#) and [4.4](#), concerning the opening of Creation and T2S accounts for the purpose of pledging towards Eurex Clearing.

As explained in the section [1.3](#), this document relates to the October 2022 release. The changes regarding pledges towards Deutsche Bundesbank will be covered in future release notes.

4.9 New participant short codes

New participant short codes will be introduced for the GC Pooling product. In the future setup, the collateral accounts used for GC Pooling (i.e. reservation and segregation accounts on Creation and CASCADE/T2S) will be connected to these participant short codes.

4.10 New CmaX exposure references

In order to generate a clear audit trail, as well as to allow the co-existence of the current structure of accounts with the future one, Clearstream requires customers to open new collateral accounts and will create new CmaX exposures, therefore with new references, linked to these accounts through their respective triparty contracts.

Note that the full GC Pooling repo book will be migrated by Clearstream to the new account structure during cut-over, i.e. there is no need for customers to close existing term repos crossing the cut-over date.

Clearstream will provide a full audit trail of the transfer activities from the old to the new structure, including the impacted securities and accounts, to all customers.

4.11 New interface – Xact

With the decommissioning of Xemac, the single interface that will be offered to customers is the Xact web portal. Customers that require a GUI connection will be asked to onboard on this portal. Customers requiring training sessions should contact the relationship management team as needed.

4.12 New reports

The current Xemac reports will be replaced by the standard CmaX reports. A re-mapping of information between these reports and customers' systems will need to be performed. More detailed granular mapping will be provided in the final release notes that will be published in October 2021.

A description of the available reports in CmaX can be found in the [CmaX Connectivity Guide](#).

To ease the transition a high-level mapping between Xemac and CmaX reports is provided on the next pages.

An additional change in the reporting comes from the differences between Xemac MT569 ([Xact via SWIFT User Guide](#)) and CmaX MT569 ([CmaX Connectivity Guide](#)).

Current – CBF – Xemac

Xemac MT569 summary report contains information on the customer's claim. Xemac MT569 detailed report is generated for **each claim separately** and contains comprehensive information on allocated collateral per claim in Xemac.

At CBF, the report is generated and transmitted at around 19:00 CET after daytime processing. The report is generated only EOD.

The report is generated as one report per claim.

New – CBL – CmaX

CmaX MT569 report is generated for **participant** and provides an overall summary of the triparty collateral management activity with a breakdown per service type. For each service type a further breakdown by contract is given. All amounts provided in the MT569 are expressed in the customer's reporting currency except the Total Exposure Amount in the Transaction Details subsequence (C1a).

At CBL, the report is available in complete form multiple times intraday and once after end of day processing. The EOD report is generated and transmitted around 20:15 CET.

The report is generated per participant/role.

We will provide a detailed comparison of CBF and CBL's MT569 reports when publishing the detailed version of these release notes, in October 2021.

XEMAC		CmaX				
Report name	Remark	Report	GUI View	Report section	Report name	GUI view
Claim Amount		X		Exposure reports	AGRE; AS; Collateral Receiver Summary Report; Collateral Giver Summary Report	
Current Claims		X		Exposure reports	AGRE; AS; Collateral Receiver Summary Report; Collateral Giver Summary Report	
Daily Change Global Amount		X		Exposure reports	AGRE; AS; Collateral Receiver Summary Report; Collateral Giver Summary Report	
Allocated Collateral		X		Collateral allocation and reuse reports	Collateral Allocation Report	
Allocated Collateral per CRef		X		Collateral allocation and reuse reports	Collateral Allocation Report	
Allocation Changes		X		Collateral allocation and reuse reports	Collateral Allocation Report	
Allocation		X		Collateral allocation and reuse reports	Collateral Allocation Report	
Collateral Pool	Pool not in new structure				n/a	
Collateral Pool per CRef	Pool not in new structure				n/a	
Collateral Pool Value	Pool not in new structure				n/a	
Collateral Position		X		Full positions	Full positions report	
Collateral Overview		X		Full positions	Full positions report	
Historical Allocation Instructions			X			Instructions/Collateral mngt
Eligible Securities per CRef		X			Eligibility Check report	Eligibility Check
Credit and Debit Instructions			X			Instructions/Collateral mngt
Rejected Instructions			X			Instructions/Collateral mngt
Detailed Claim Amount CMSI					n/a	
Deletion by System					n/a	

4.13 Change in billing – Collateral Management

These changes will be communicated at a later stage.

4.14 Change in billing – Settlement

These changes will be communicated at a later stage.

4.15 Cut-over weekend

Customers need to be aware of specific impacts during the cut-over weekend.

It is planned that the cut-over will happen over the course of 3 days, from Friday 21 October 2022 to Sunday 22 October 2022. On Friday, the collateral management system is not available for settlement of GC Pooling trades and Eurex Clearing will publish more information on this topic.

During this cut-over, please note that:

- Recalls of collateral will not be possible; and
- All securities with custody event on Friday will be made ineligible, and need to be substituted prior to the cut-over; and
- Incorrect/incomplete information could be reported and visible for customers through CmaX on Friday 21 October 2022; and
- The returned collateral will be returned on a single source account, which will need to be communicated by customers; and
- All unused collateral on current reservation accounts will not be moved to the new structure, and will therefore not be directly usable for GC Pooling.

As of the cut-over, please note that:

- We anticipate that re-use from GC Pooling to pledge towards Deutsche Bundesbank will not be possible during the intermediary period between the migration of GC Pooling and the go-live date of ECMS – re-used collateral has to be removed from the pledges prior to the cut-over; and
- Only T2S-eligible securities can be covering Euro trades for the following baskets: ECB, ECB EXTended, Equity, CTD Germany, CTD France and CTD Italy. All securities non T2S-eligible will be made ineligible for these trades as of Friday.

We would like to notify our customers that we will do our best to resume normal activities as of Monday morning 24 October 2022 following the cut-over weekend. However, in case of unforeseen difficulties, the migration activities might continue after the cut-over weekend.

5. Glossary

AMI-SeCo	Advisory Group on Market Infrastructure for Securities and Collateral
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 CBF-i
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
CRef	Client Reference
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
KYC	Know Your Customer
NCB	National Central Bank
RTGS	Real-Time Gross Settlement
SCoRE	Single Collateral Rulebook for Europe
T2S	TARGET2-Securities, ECB settlement system
TPA	Triparty agent
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

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July 2021
