

Marginal Lending on Request (MLOR) / Automatic Marginal Lending (AML)

Test cases ECMS_TC_CPTY 19 MLOR (mandatory) and ECMS_TC_CPTY 20 AML (optinal)

Version	Date	Amendments
1.0	11.08.2023	Initial Version
1.1	01.07.2024	Including AML
1.2	12.07.2024	4 eyes principle

1. Test Principles
2. Applying for MLOR
 - 2.1 U2A – Instructions
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3. Automatic Marginal Lending
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1. Test Principles

Scenarios and Preconditions

Test szenario:

1. Applying for Marginal Lending on Request (MLOR) - mandatory test case, actively applied for via A2A/U2A by the CPTY
2. Automatic marginal lending (AML) - optional test case, CPTYs must be able to create the necessary preconditions in CLM

Required roles:

„Validator“ (4 eyes principle) or „Supervisor“ (2 eyes principle) - are both roles allocated to a user (either as single role or via a role group) the „Supervisor“ prevails.

U2A User: ECMS ENTITY - U2A STANDING FACILITIES EXECUTION - #66

A2A User: ECMS ENTITY - A2A CASH COLLATERAL AND MAXIMUM CREDIT LINE EXECUTION

CLM MCA: For a successful end-to-end test, an existing main cash account in T2/CLM PreProd/UTEST is required. The MCA was linked to your collateral pool in ECMS by Bundesbank.

Collateral pool: Your Collateral Pool must have sufficient balance for your successful application for MLOR. Furthermore, the pool must be approved for MLOR (set up by Bundesbank). For testing the AML the MCA needs a credit line greater than 0.

- „Marginal Lending Facility“ is the position in ECMS where each utilisation of MLOR is listed.
- ECMS also lists the amount of the **calculated interest rates**.
- When applying for MLOR, Counterparties can select between two settlement options:
 1. immediate,
 2. to the beginning of the next day, in case there is a credit position due on the next business day.
(**Offsetting MLOR against due transactions**)
- The AML will be automatically triggered by CLM at EOD (“end of day”) und will be settled immediately in ECMS. Interest calculation and redemption take place after the change of business day.
- Remark: With the ECMS go live, operational procedure for MLOR will be different from the current one: Marginal lending operations will be settled via central bank CLM-Accounts. The counterparties’ accounts held at the Bundesbank, since March 20, 2023, will cease to exist and the settlement of the marginal lending is carried out via an CLM account.

2. Applying for MLOR (U2A/A2A)

2. MLOR Setup

2.1 U2A - Instructions

Modul: Collateral and Credit

Collateral and Credit >> Exposure >> Standing Facilities >> **Input Standing Facilities Instruction**

Input MLOR Instruction

Transaction Details

Transaction Reference DESTF23080930000001	Counterparty Transaction Reference Number	Pool Identifier
Counterparty Identifier	NCB Identifier	Instruction Description MLOR
Amount	Currency EUR	
Instruction Date 09/08/2023	Intended Settlement Date	Maturity Date
Last Update Reason		

Reset Save

Transaction Reference: is assigned automatically.

Counterparty Transaction Reference Number: unique reference.

Pool Identifier: Pool selection via Dropdown.

Amount: any amount

Intended Settlement Date: ECMS business day on which the MLOR instruction is settled (either on the same day or on the following day, in the case there is already a credit transaction due).

Last Update Reason: filling is optional.

Fields highlighted in grey are filled automatically by ECMS after selecting the Pool Identifier.

2. MLOR Setup

2.1 U2A - Instructions - 4 eyes principle

In case the 4 eyes principle is used, the MLOR instruction needs to be validated by a second user.

Module: Collateral and Credit

Path: Validation / Rejection >> Exposure >> Open market operations >> Validate/Reject Standing Facilities >> „Search“

Advanced Validation Screen : Standing Facilities

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<input checked="" type="checkbox"/>	Transacti...	Counterp...	Counterp...	Counterp...	Pool Identi...	NCB Identi...	CLM CB	Instructi...	Amount	Interest	Accrued	Currency	Instructi...	Intended	Maturity	To Be Ne...	Netting R...	Netting S...	UZA	Instructi...	Status R...	Update D...	Update D...	Is Reject...	Action T...
<input checked="" type="checkbox"/>	DESTF24	4EP1207	DE50091	ZYRNDEF	DEPL000	4	MARKDE	MLOR	1,500,000		0	EUR	12/07/20	12/07/20	15/07/20	No			Yes	Exposure		12/07/20	DECPY...	No	creation

Reject

Validate View

After clicking on an instruction, the following buttons appear...

... View: instruction opens in view-mode so that the instruction data can be checked

... Validate: release/validate the instruction

... Reject: reject the instruction

2. MLOR Setup

2.2 A2A - Instructions

Application Header:

```
<AppHdr xmlns="urn:iso:std:iso:20022:tech:xsd:head.001.001.01">
  <Fr>
    <FIId>
      <FinInstnId>
        <BICFI>INSTITUTS-BIC</BICFI>
        <ClrSysMmbId>
          <ClrSysId>
            <Prtry>ECMS</Prtry>
          </ClrSysId>
          <MmbId>A2A-USER-REFERENZ</MmbId>
        </ClrSysMmbId>
        <Othr>
          <Id>MARKDEFFXXX</Id>
        </Othr>
      </FinInstnId>
    </FIId>
  </Fr>
  <To>
    <FIId>
      <FinInstnId>
        <BICFI>TRGTXTETECM</BICFI>
        <Othr>
          <Id>MARKDEFFXXX</Id>
        </Othr>
      </FinInstnId>
    </FIId>
  </To>
  <BizMsgIdr>202303050002</BizMsgIdr>
  <MsgDefIdr>admi.005.001.01</MsgDefIdr>
  <CreDt>2023-05-03T06:41:24Z</CreDt>
</AppHdr>
```

Please check your A2A user in the reference data module.

1. User reference
2. Are the necessary roles assigned?
3. Is the DN* of the signature certificate stored?

*DN: Distinguished Name

<BizMsgIdr> must correspond to an individual one-off value

<MsgDefIdr> corresponds to the value „pacs.009.001.08“ for MLOR instructions

2. MLOR Setup

2.2 A2A - Instructions

Adjust the mandatory fields.

Information on how to fill in the message area for each common ECMS message type, can also be found in the published catalogue of messages.

[ECMS catalogue of messages and credit claim files \(europa.eu\)](https://ecms.europa.eu)

```
<Document xmlns=""urn:iso:std:iso:20022:tech:xsd:pacs.009.001.08">
  <FICdtTrf>
    <GrpHdr>
      <MsgId>NONREF</MsgId>
      <CreDtTm>2023-07-25T11:57:51+02:00</CreDtTm>
      <NbOfTxs>1</NbOfTxs>
      <SttlmInf>
        <SttlmMtd>CLRG</SttlmMtd>
        <ClrSys>
          <Cd>TGT</Cd>
        </ClrSys>
      </SttlmInf>
    </GrpHdr>
    <CdtTrfTxInf>
      <PmtId>
        <InstrId>TEST20230725666</InstrId>
        <EndToEndId>20230725000666</EndToEndId>
        <UETR>c9a21120-0534-4883-98f2-f0b8e3ea5835</UETR>
      </PmtId>
      <PmtTpInf>
        <LclInstrm>
          <Prtry>MLOR/INTERNAL POOL ID IHRES POOLS</Prtry>
        </LclInstrm>
      </PmtTpInf>
      <IntrBkSttlmAmt Ccy="EUR">20000</IntrBkSttlmAmt>
      <IntrBkSttlmDt>2023-07-25</IntrBkSttlmDt>
      <InstgAgt>
        <FinInstnId>
          <BICFI>MARKDEFFCMS</BICFI>
        </FinInstnId>
      </InstgAgt>
      <InstdAgt>
        <FinInstnId>
          <BICFI>BIC IHRES CLM MCAS</BICFI>
        </FinInstnId>
      </InstdAgt>
      <Dbtr>
        <FinInstnId>
          <BICFI>MARKDEFFXXX</BICFI>
        </FinInstnId>
      </Dbtr>
      <Cdtr>
        <FinInstnId>
          <BICFI>IHR BIC IN ECMS</BICFI>
        </FinInstnId>
      </Cdtr>
    </CdtTrfTxInf>
  </FICdtTrf>
</Document>
```



3. Automatic marginal lending (AML)

3. Automatic Marginal Lending (AML) Preconditions for testing

Automatic marginal lending is triggered automatically by CLM to convert an intra-day credit (a used credit line that was not balanced out) at the end of the CLM business day.

The CPTY is responsible for ensuring that the monetary policy pool has enough free collateral value and that the CPTY maximum credit line, if applied to the pool, is greater than 0. The CPTY also has to create an intra-day credit in CLM.

Example for a credit line in ECMS - RCL (sent to CLM), ECL (confirmed by CLM):

CREDIT LINE DETAILS				
SCL	ECL	RCL	Maximum Credit Line value	
	242,333,613.06	160,000,000	160,000,000	160,000,000
Insufficient Collateral	Collateral Deficit	Excess ECL	Deficit Econs	
No	0	92,333,613.06	0	

* Screen: Collateral & Credit >> Pool overview >> Pool overview (Role #70 or #71)

Example CLM used credit cline:

Current Balance	-1,829,856.47 EUR
Credit Line	160,000,000.00 EUR
Available Liquidity	158,170,143.53 EUR

3. Automatic Marginal Lending (AML) Overview of AML process

Opening of the AML at EoD - CLM sends a camt.004 to ECMS

→ ECMS records and settles the AML and amends pool position and SCL (internally)



CLM triggers AML closure after change of business day - camt.019 sent to ECMS



ECMS calculates the interest payment - ECMS sends pacs.010 to CLM

→ CLM confirms the interest payment via pacs.002 to ECMS



ECMS amends pool position and SCL (if necessary also ECL und RCL) - the AML instruction is set to status „closed“

4. Monitoring (MLOR/AML)

4. Monitoring (MLOR/AML)

Modul: Collateral and Credit

Collateral and Credit >> Exposure >> Standing Facilities >> **Display Standing Facilities Instruction**

>> Click on the Search button (if necessary, enter search criteria) >> select the instruction and click on the View button to jump to the details.

Display Standing Facilities Instruction

Search Criteria : Standing Facilities

Transaction Reference ** ▾

Counterparty Transaction Reference Number ** ▾

Counterparty Identifier ** ▾

Pool Identifier ** ▾

Intended Settlement Date ** ▾

UZA ** ▾

Instruction Description ** ▾

Maturity Date ** ▾

Update Date ** ▾

Instruction Date ** ▾

Instruction Status 0 ▾

Reset

Search

Latest Searches

Date Criteria

Stored Searches

You have no stored search.
To start customizing, launch a search and use the "favorite" button to start your first search.

4. Monitoring (MLOR/AML)

Modul: Collateral and Credit

Collateral and Credit >> Payment And Credit Line Instructions >> **Display Instructions**

In this screen, ECMS lists the payment instructions sent to CLM, resulting from MLOR requests. (Credit disbursement and repayment, payment of credit interest)

>> Click on the Search button (if necessary, enter search criteria) >> select the instruction and click on the View button to jump to the details.

The screenshot shows the 'Display Instruction' interface. At the top, there is a tab labeled 'Display Instruction'. Below it, the search criteria are defined as 'Payment and Credit Line Instruction'. The search fields are arranged in a grid:

- Transaction Reference Number: dropdown menu
- Counterparty: dropdown menu with a search icon
- Pool Identifier: dropdown menu
- Value Date: dropdown menu with a calendar icon
- Payment Type: dropdown menu
- ECMS Reference: dropdown menu
- Variation Sign: dropdown menu
- Instruction Status: dropdown menu with '0' selected
- Update Date: dropdown menu with a calendar icon

At the bottom left, there is a green 'Reset' button. At the bottom right, there is a blue 'Search' button with a magnifying glass icon.