



# Instant Payments and Intraday Liquidity Management

---

ECB Money Market Contact Group 12.06.2024



# 1. Operational Days

TARGET Services

## 2. Status Quo

## 3. Consequences of current set-up

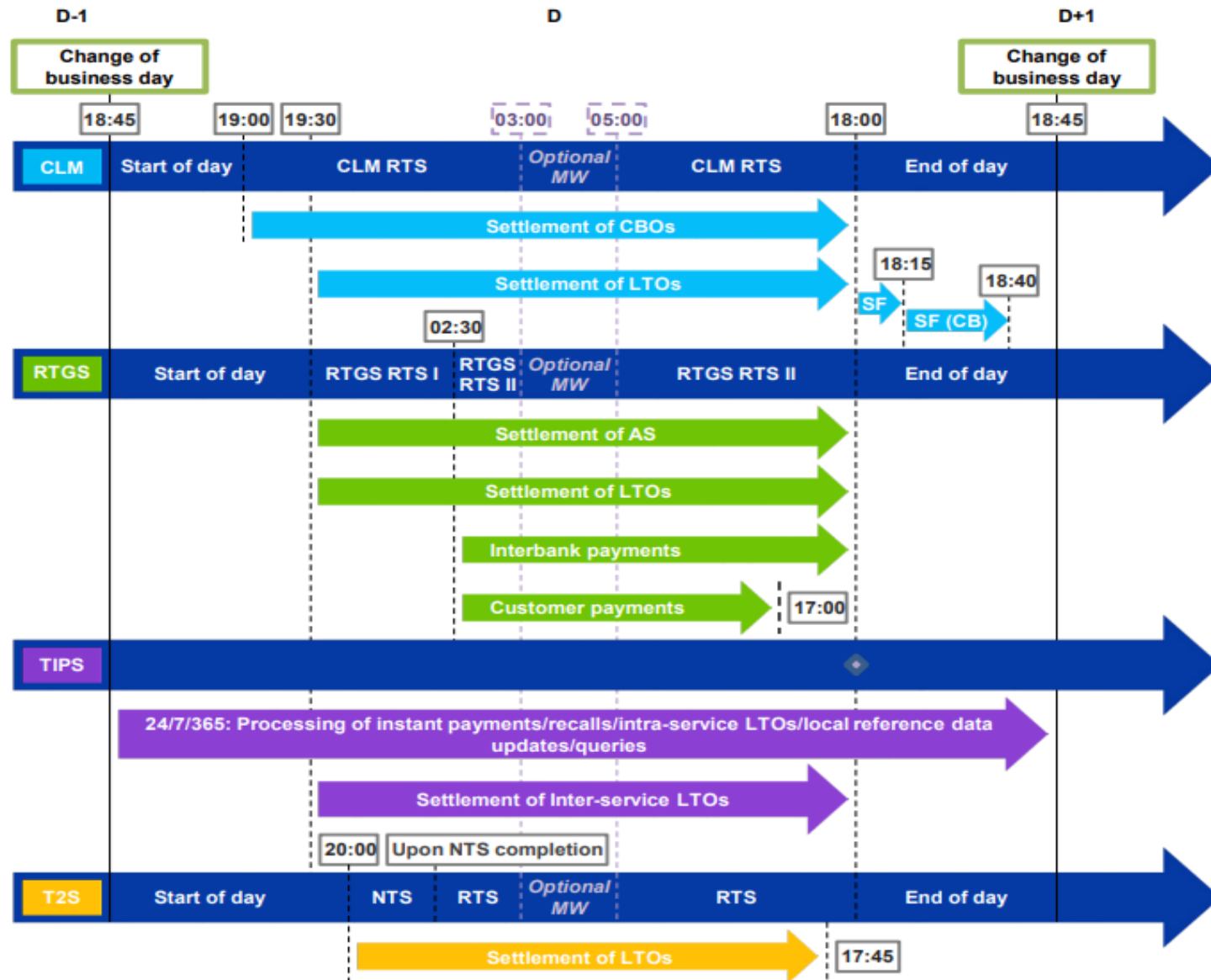
## 4. Solution

## 5. Conclusion



Agenda

# Operational Days - TARGET Services



# Status Quo



- Currently no remuneration for MCA and DCA accounts
- Liquidity has to be distributed to where it is needed (MCA  $\Leftrightarrow$  DCAs)
- Active monitoring via treasury liquidity management throughout the whole day
- Manual liquidity transfer orders for pooling liquidity in MCA
- Standing orders help to automate distribution of liquidity (Currently used for RTGS and T2S)
- Complex EoD procedures needed in order to achieve remuneration of reserves via standing facilities
  - EoD Snapshot in TIPS is taken around 18:05
- Active minimum reserve steering via internal calculation (TIPS DCA, RTGS DCA, T2S DCA, MCA)
- Active standing facilities usage for optimising surplus liquidity above minimum reserve requirements
  - Transfer to overnight deposit between 18:00-18:15 is only possible from MCA account
- Change of business day at 18:45
- Return of overnight deposit at start of day
- Liquidity transfers from MCA to TIPS start at 19:30 (No TIPS funding between 18:00 and 19:30 possible!)



# Consequences of current set-up



- Complex and time critical procedures towards every end of day, especially on last day of minimum reserve period
- Operational risk due to technical or human errors
- Reputational risk in regards to Nonfulfillment of Minimum Reserve Requirements
- Lack of liquidity for TIPS between 18:00 – 19:30 when liquidity is moved into overnight deposit
- Inconsistent treatment of funds (remuneration) in national Instant Payment Systems (e.g. STET, IBERPAY, RT1, etc.) versus funds in TIPS
  - Disadvantage in TIPS from an economical point of view
  - Zero remuneration on TIPS vs Deposit Facility Rate (ESTR from 01.12.24) on ASTA (Ancillary System technical accounts)
  - Funding of ASTA account from TIPS DCA 24/7 vs. funding of TIPS DCA from T2 only during T2 business hours





- Remuneration and minimum reserve calculation directly on MCA and all DCAs
- Avoiding complex and time critical end of day procedures
- Efficient intraday liquidity steering via choosing TIPS as main source of liquidity
- Availability of CB liquidity wherever it is needed (24/7)
- Solving competitive disadvantage (TIPS DCA vs ASTA (Ancillary System technical accounts))
  - Zero remuneration on TIPS vs Deposit Facility Rate (ESTR from 01.12.24) on ASTA
- **Establishing procedures equivalent to what was state of the art in negative interest environment**
  - Charging negative Deposit Facility Rate over all DCA accounts automatically
  - See TARGET Guideline Article 12 Remuneration of Accounts: [CL2022O0912EN0020010.0001\\_cp 1..1 \(europa.eu\)](https://www.europa.eu)
- Unlimited availability of Central Bank money via TIPS 24/7/365
- Future source of liquidity for digital Euro funding and defunding via bridge from TIPS DCA
- Future source of liquidity for Private Sector DLT initiatives, aiming for on chain wholesale payments
- Increased Instant Payment volumes (no transaction limit for single transaction) leading to higher CB cash needs in TIPS
- TIPS will become the central funding source in the TARGET Services during non T2 business hours/days (MCA=>TIPS DCA)





# Conclusion

The **automatic aggregate calculation** of reserve requirements and the **automated (calculated) remuneration** of the deposit facility are low hanging fruits in making banks' liquidity management more efficient and secure

The ECB is committed to **efficiency and innovation**, and **removing this “sand in the wheels”** seems to be a low hanging fruit which would save significant costs to banks and strengthen the liquidity architecture offered by the Eurosystem to the financial system

The **less favourable remuneration of TIPS disincentivise** settlement in central bank money, despite the general preference for the latter also expressed by central banks (e.g. from financial stability perspective)



# Annex





# Remuneration of Accounts according to the TARGET Guideline



## *Article 12*

### **Remuneration of Accounts**

1. MCAs, DCAs and sub-accounts shall either be remunerated at zero per cent or at the deposit facility rate, whichever is lower, unless they are used to hold any of the following:

- (a) minimum reserves;
- (b) excess reserves;
- (c) government deposits as defined in Article 2, point (5) of Guideline (EU) 2019/671 of the European Central Bank (ECB/2019/7) <sup>(2)</sup>.

In the case of minimum reserves, the calculation and payment of remuneration of holdings shall be governed by Council Regulation (EC) No 2531/98 <sup>(3)</sup> and Regulation (EU) 2021/378 (ECB/2021/1).

In the case of excess reserves, the calculation and payment of remuneration of holdings shall be governed by Decision (EU) 2019/1743 of the European Central Bank (ECB/2019/31) <sup>(4)</sup>.

In the case of government deposits, the remuneration of holdings shall be governed by the provisions relating to those government deposits as set out in Article 4 of Guideline (EU) 2019/671 (ECB/2019/7).

2. Overnight balances held on a TIPS AS technical account or on an RTGS AS technical account for AS settlement procedure D, and guarantee funds, including those held on an AS guarantee fund account, shall be remunerated at the deposit facility rate.

## TARGET Guideline

[CL2022O0912EN0020010.0001\\_cp 1..1](#)

[\(europa.eu\)](#)

# Remuneration of AS technical Accounts

## Change from DFR to ESTR from December 2024



[ECB confirms remuneration ceiling for euro area government deposits and adjusts remuneration of other non-monetary policy deposits \(europa.eu\)](#)

Exceptions will apply particularly for non-monetary policy deposits held in TARGET for guarantee funds and prefunded accounts by financial market infrastructures (FMIs) domiciled in the European Economic Area (EEA). These deposits will be remunerated at the €STR. The Governing Council considers these exceptions necessary given the relevance of these deposits for the smooth operation of payment systems and financial stability in the euro area.

# Disclaimer



In accordance with ESMA MAR requirements this report was completed on 17 June 2024 and disseminated on 17 June 2024.

In respect to Article 4 of ESMA MAR, for an overview of recommendations made in the previous 12 months on any instrument or issuer covered in this report as well as an overview of all recommendations made by the producer(s) of this report in the previous 12 months, please follow this link: <https://research.commerzbank.com/RecommendationHistoryCredit>; <https://research.commerzbank.com/RecommendationHistoryInterestRates>

**This document has been created and published by the Group Research department (GM-R) within the Group Management division of Commerzbank AG, Frankfurt/Main or Commerzbank's non-US branch offices mentioned in the document.**

Please note that the author(s) certify that (a) the views expressed in this report accurately reflect their personal view about the subject securities and issuers; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document.

It has not been determined in advance whether and in what intervals this document will be updated. Unless otherwise stated current prices refer to the most recent trading day's closing price or spread which may fluctuate.

## Conflicts of interest

Disclosures of potential conflicts of interest relating to Commerzbank AG, its affiliates, subsidiaries (together "Commerzbank") and its relevant employees with respect to the issuers, financial instruments and/or securities forming the subject of this document valid as of the end of the month prior to publication of this document\*:

Please refer to the following link for disclosures on companies included in compendium reports or disclosures on any company covered by Commerzbank analysts: <https://commerzbank.bluematrix.com/sellside/Disclosures.action>\*

Updating this information may take up to ten days after month end.

## Distribution of Commerzbank AG rates research recommendation as of 31 March 2024

	All covered instruments	Share of category with investment banking activities in previous 12 months
Long/Buy	38%	0%
Neutral	17%	0%
Underweight	45%	0%

Source: Commerzbank Research

## Disclaimer

This document is for information purposes only and has been prepared for recipients who, like professional clients according to MiFID II, have the experience, knowledge and expertise to understand information related to the financial markets. The document does not take into account specific circumstances of any recipient and the information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments and/or securities mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever. Investors should seek independent professional advice and draw their own conclusions regarding suitability of any transaction including the economic benefits, risks, legal, regulatory, credit, accounting and tax implications.

The information in this document is based on public data obtained from sources believed by Commerzbank to be reliable and in good faith, but no representations, guarantees or warranties are made by Commerzbank with regard to accuracy, completeness or suitability of the data. Commerzbank has not performed any independent review or due diligence of publicly available information regarding an unaffiliated reference asset or index. The opinions and estimates contained herein reflect the current judgement of the author(s) on the date of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Commerzbank. Commerzbank does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

In order to address potential conflicts of interest Commerzbank's Research department operates independently of other business units of the bank. This is achieved by way of physical and administrative information barriers and separate reporting lines as well as by written internal policies and procedures.

# Disclaimer (contd.)



This communication may contain trading ideas where Commerzbank may trade in such financial instruments with customers or other counterparties. Any prices provided herein (other than those that are identified as being historical) are indicative only, and do not represent firm quotes as to either size or price. The past performance of financial instruments is not indicative of future results. No assurance can be given that any financial instrument or issuer described herein would yield favourable investment results. Any forecasts or price targets shown for companies and/or securities discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Commerzbank or by other sources relied upon in the document were inapposite.

Commerzbank and or its affiliates may act as a market maker in the instrument(s) and or its derivative that has been mentioned in our research reports. Employees of Commerzbank and or its affiliates may provide written or oral commentary, including trading strategies, to our clients and business units that may be contrary to the opinions conveyed in this research report. Commerzbank may perform or seek to perform investment banking services for issuers mentioned in research reports.

Neither Commerzbank nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

Commerzbank may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Commerzbank endorses, recommends or approves any material on the linked page or accessible from it. Commerzbank does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Commerzbank. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

## Additional notes to readers in the following countries:

**Germany:** Commerzbank AG is registered in the Commercial Register at Amtsgericht Frankfurt under the number HRB 32000. Commerzbank AG is supervised by both the German regulator, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Strasse 108, 53117 Bonn, Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main and the European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany.

**United Kingdom:** This document is not for distribution to retail customers and has been issued or approved for issue in the United Kingdom by Commerzbank AG, London Branch, which is authorised and regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and the European Central Bank. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

**United States:** This research report was prepared by Commerzbank AG, a company authorized to engage in securities activities in Germany and the European Economic Area (EEA). Commerzbank AG is not a U.S. registered broker-dealer and is therefore not subject to U.S. rules regarding the preparation of research and associated rules pertaining to research analysts. This document is not for distribution to retail customers. Any distribution of this research report to U.S. investors is intended for "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6(a)(2) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any U.S. recipient of this research report seeking to effect transactions to buy or sell securities, or related financial instruments based upon the information provided in this research report, may only do so through a Financial Industry Regulatory Authority (FINRA) registered broker-dealer. Commerz Markets LLC (CMLLC) is a U.S. registered broker-dealer and wholly owned subsidiary of Commerzbank AG. Commerzbank AG is a registered derivatives swap dealer with the Commodity Futures Trading Commission (CFTC), in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act. U.S. Person(s) and related Dodd-Frank relevant investors seeking to effect transactions in non-security based swaps based upon the information provided in this research report, may only do so through a CFTC registered swap dealer.

**Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. In Canada, the information contained herein is intended solely for distribution to Permitted Clients (as such term is defined in National Instrument 31-103) with whom Commerzbank AG and/or Commerz Markets LLC deals pursuant to the international dealer exemption. The information contained herein is not permitted to reference securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, as Commerzbank AG and Commerz Markets LLC operates under the international dealer exemption pursuant to National Instrument 31-103. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence.

**European Economic Area:** Where this document has been produced by a legal entity outside of the EEA, the document has been re-issued by Commerzbank AG, London Branch for distribution into the EEA. Commerzbank AG, London Branch is authorised and regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and the European Central Bank. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

**Switzerland:** Neither this research report nor the information contained herein should be regarded as personal recommendations for transactions in financial instruments within the meaning of the Financial Services Act.

**Singapore:** This document is furnished in Singapore by Commerzbank AG, Singapore branch. It may only be received in Singapore by an institutional investor, an accredited investor or an expert investor as respectively defined in section 4A of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") pursuant to section 274 or section 275 (as applicable) of the SFA. Nothing in this document constitutes accounting, legal, regulatory, tax, financial or other advice and/or recommendations to the recipient of this communication. Further, the communication/information provided herein does not constitute a "financial advisory service" within the meaning of the Financial Advisers Act, Chapter 110 of Singapore ("FAA") and therefore, the regulatory requirements and duties that may be owed to a client pursuant to or in connection with the FAA are not applicable to the recipient in connection with this communication. Recipients are advised to seek independent advice from their own professional advisers about the information contained discussed herein.

**Japan:** This information and its distribution do not constitute and should not be construed as a "solicitation" under the Financial Instrument Exchange Act (FIEA). This information may be distributed from Commerzbank international branches outside Japan solely to "professional investors" as defined in Section 2(31) of the FIEA and Section 23 of the Cabinet Ordinance Regarding Definition of Section 2 of the FIEA. Please note that Commerzbank AG, Tokyo Branch has not participated in its preparation. The instruments recommended in this report cannot be introduced by the Branch. You should contact the Corporate Clients division of Commerzbank AG for inquiries on availability of such instruments.

# Disclaimer (contd.)



**Australia:** Commerzbank AG does not hold an Australian financial services licence. This document is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for Commerzbank AG under Class Order 04/1313. Commerzbank AG is regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) under the laws of Germany which differ from Australian laws.

**People's Republic of China (PRC):** This document is furnished by Commerzbank AG and is only intended for eligible entities in the PRC. No-one else may rely on any information contained within this document. The products and services in this document only apply to entities in the PRC where such products and services are permitted to be provided by PRC laws and regulations. For any person who receives this document, the information in this document shall neither be regarded as promotion or solicitation of the business nor accounting, legal, regulatory, tax, financial or other advice and/or recommendations to the recipient of this communication, and the recipient is advised to seek independent advice from its own professional advisers about the information contained herein and shall understand and abide by PRC laws and regulations while conducting any related transactions.

© Commerzbank AG 2024. All rights reserved. Version 24.03

## Commerzbank Offices

### Frankfurt

Commerzbank AG

DLZ - Gebäude 2, Händlerhaus  
Mainzer Landstraße 153  
60327 Frankfurt

Tel: + 49 69 136 21200

### London

Commerzbank AG

PO BOX 52715  
30 Gresham Street  
London, EC2P 2XY

Tel: + 44 207 623 8000

### New York

Commerz Markets LLC

225 Liberty Street, 32nd floor,  
New York,  
NY 10281-1050

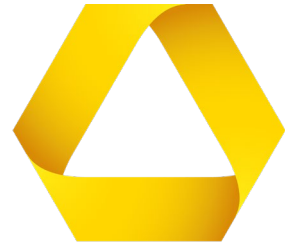
Tel: + 1 212 703 4000

### Singapore

Commerzbank AG

128 Beach Road  
#17-01 Guoco Midtown  
Singapore 189773

Tel: +65 631 10000



**COMMERZBANK**