



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB
DG-MIP
T2/T2S Consolidation Project Team

T2/T2S Consolidation

Settlement services – Reservations and queueing

Task Force on Future RTGS Services

3rd TF meeting on 22-23 February 2017

Overview

1 Objectives of the presentation

2 Reservations

3 Queueing

Objectives of the presentation

- For the HVP service, the TF requested segregation of the liquidity for specific business purposes
- The objective of this presentation is to discuss:
 - The requirements for the reservation mechanism that will achieve this segregation
 - The requirements for the queueing of payments, i.e. how the reservation of liquidity impacts the queue management

Overview

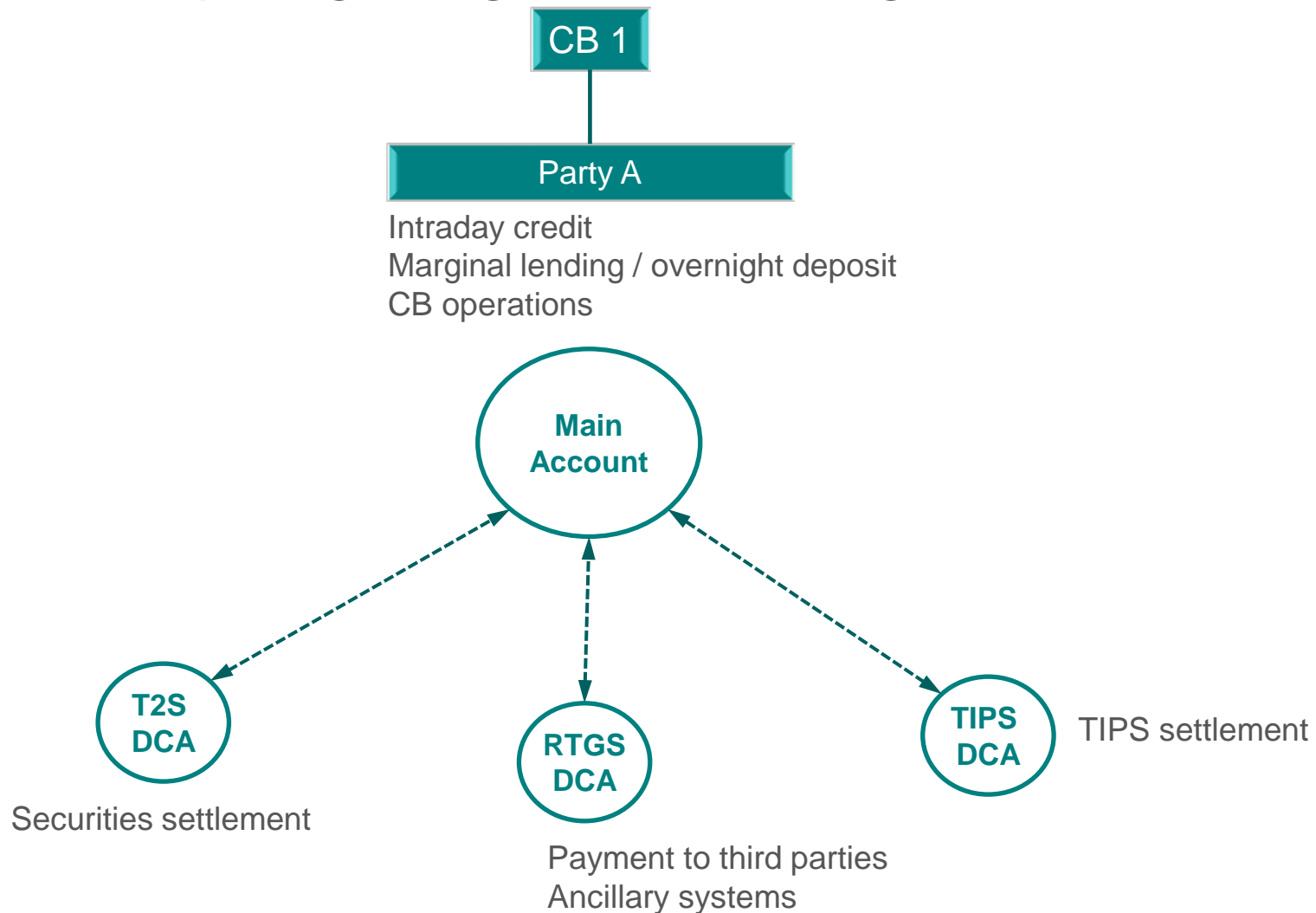
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Reservations

The landscape regarding the account organisation



Reservations

During the meetings, 3 needs for optional features were expressed:

- To reserve liquidity for specific business purposes
- To segregate liquidity for Ancillary Systems
- To reserve liquidity for single payments

Reservations for business purposes

Reservations will be offered in both services:

- In CLM for CB operations
- In RTGS for all payments and AS transactions

Reservations for business purposes

- The proposal:
 - To manage one sub-balance for each business case
 - With intra-balance movements to reserve liquidity for this purpose
 - The remaining liquidity is called “available balance”
- The list of business cases is pre-defined
- For each payment, liquidity is taken
 - First from the reserved balance
 - If need be, complemented with the available balance
- In addition, in case of missing liquidity, liquidity can be requested from the MCA or from other DCAs through “automation”

Reservations for business purposes

- The expected list of business cases
 - CB operations/Cash withdrawals (HU) - MCA
 - AS transactions (including CLS) (HU) – RTGS DCA
 - U payments – RTGS DCA
 - N payments – RTGS DCA
- HU are split between CBO, managed in the MCA, and AS, managed within the RTGS DCA
 - Do we need more?
- It is proposed to have a specific “N queue” in addition to the available liquidity in order to manage the request to have dedicated optimisation for some N payments
 - Is this ok?

Reservations for AS

Two options:

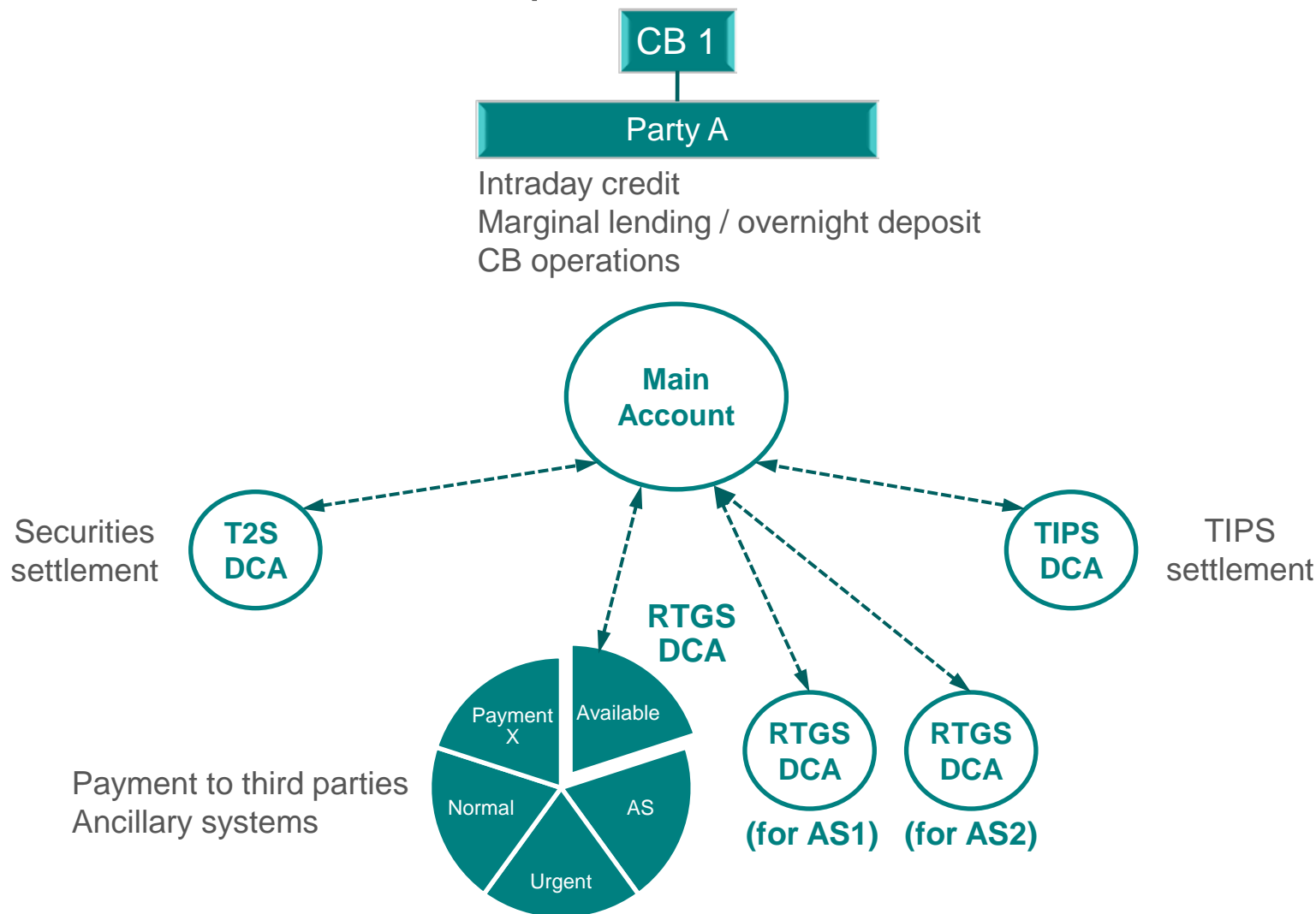
- Having an AS allocation within the RTGS DCA, which could be used for any AS settlement (except current model 6)
- Having a dedicated RTGS DCA, with liquidity reserved for one (or several) AS

Reservations for single payments

- The T2S mechanism with reservation number does not seem to fit the users need
- Would a reservation mechanism with a reference provided by the customer fit?
 - Meaning that the user does not need to wait from the system to generate a reservation number to be used within the payment, but that the reservation number is sent by the customer

Reservations

All in all, the landscape would be:



Reservations – additional questions

- Any requirement for EoD, like emptying all the reservations?
- Any requirement for SoD, e.g. feeding automatically the allocations?
- Would it be needed to transfer liquidity from CLM directly to some allocations, in order to guarantee that the liquidity is not used in the meantime by any payment using the available balance?
- Vice versa, it is assumed that liquidity transfers from the RTGS DCA are taken from the available balance
- What could be the priority of a reservation? The priority of its allocation?

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Queueing

- Current rules proposed for confirmation:
 - 3 queues are managed within the RTGS service: HU, U and N queues, in addition to the HU queue managed within the CLM service for CB operations
 - Payments are queued according to priority and submission time
- Considering the introduction of separate allocations, could we envisage to go in the following direction:
 - In case there is sufficient liquidity within one allocation, the payment can be submitted to booking if it is on top of its allocation
 - In case liquidity needs to be complemented with the available liquidity, the payment can be submitted to booking only if no payment with a higher priority is queued

Example: in the HU queue, there is one AS payment blocked by a lack of liquidity, and one U payment comes in. U queue is empty. In case the U allocation is sufficient to book the U payment, without complementing with the available liquidity, booking the U payment would be the most efficient, and would not hamper the possibility for the AS payment to be booked

Queueing of Liquidity Transfers

The general rule for Liquidity Transfers is that they are not queued. In order to ensure that the liquidity can be obtained from the MCA, when no available liquidity can be found in the RTGS DCA, this means that they are sent to booking immediately and use what is available (potentially settle partially)