



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB
DG-MIP
T2-T2S Consolidation Project Team

T2-T2S Consolidation

Status update and T2S perspective

AMI-SeCo meeting

20 March 2018

Overview

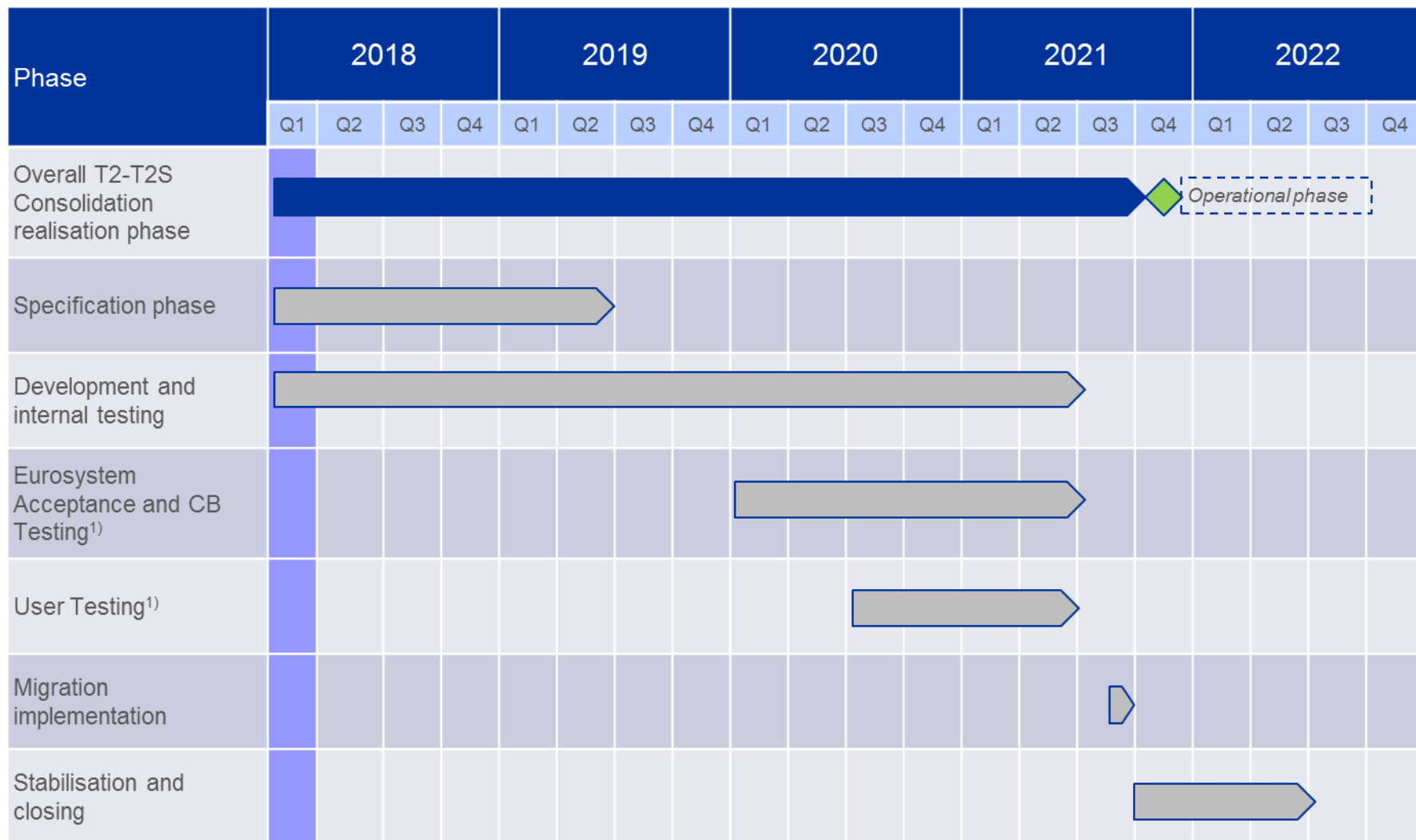
1 Project status

2 T2S perspective

Project status

- The Governing Council approved the project in December 2017
- Target Consolidation Contact Group has been set up
 - All meeting documentation is also shared on the ECB website (<http://www.ecb.europa.eu/paym/initiatives/html/documents.en.html?skey=T2/T2S>)
- Current focus → drafting of User Detailed Functional Specifications (UDFS)
 - Provides the functional description and design focusing on the message based interaction with the CLM and RTGS
 - UDFS delivery in iterations with feedback being taken on board in the next iteration
 - Version 1.0 containing all payment related message and related message functionalities is foreseen for November 2018

Project Plan



1) Preparation and Execution phase are included to equal proportions

Overview

1 Project status

2 **T2S perspective**

Objectives

- ✓ improved efficiency
- ✓ optimised liquidity management
- ✓ easier access to services via harmonised interface
- ✓ enhancement of RTGS services
- ✓ aligned use of messaging standards
- ✓ optimised operational costs across all services

What is there for T2S stakeholders?

- ✓ Long term rationalisation of cash-securities operations
- ✓ Estimated appr. €17 million of aggregate operational cost savings
- ✓ Benefits specifically attributable to the T2S Services will be quantified in the course of 2018

Will the T2S governance structure change?

No

- T2S Framework Agreement will stay as it is.
- CSD roles and rights in T2S will remain unchanged.
- All T2S relevant changes proposed by the consolidation project will undergo the regular T2S Change and Release Management process.

Will the T2S functionalities be affected significantly?

No

- There will be no change in settlement, information management and reporting.
- The functional consolidation consists, to a large extent, in applying some T2S concepts and architecture to the other TARGET services.

Approach on potential changes (CRs)

- Categories:

- T2S Operational Day



- Static Data Management



- Liquidity Management



- Technical aspects



- Mandatory – necessary CRs for fulfilling the T2-T2S Consolidation requirements. Will be financed by the T2-T2S Consolidation project
- Example:

Switch from T2 to CLM for the liquidity provisioning (Mandatory)

- Optional – CRs not necessary for fulfilling the T2-T2S Consolidation requirements. T2S would also benefit from synergies and optimisation. Will be financed as any other T2S CR
- Example:

End-of-Day Cash sweep (17:45) becomes optional (Optional)

Will operations become more complex?

No, on the contrary.....

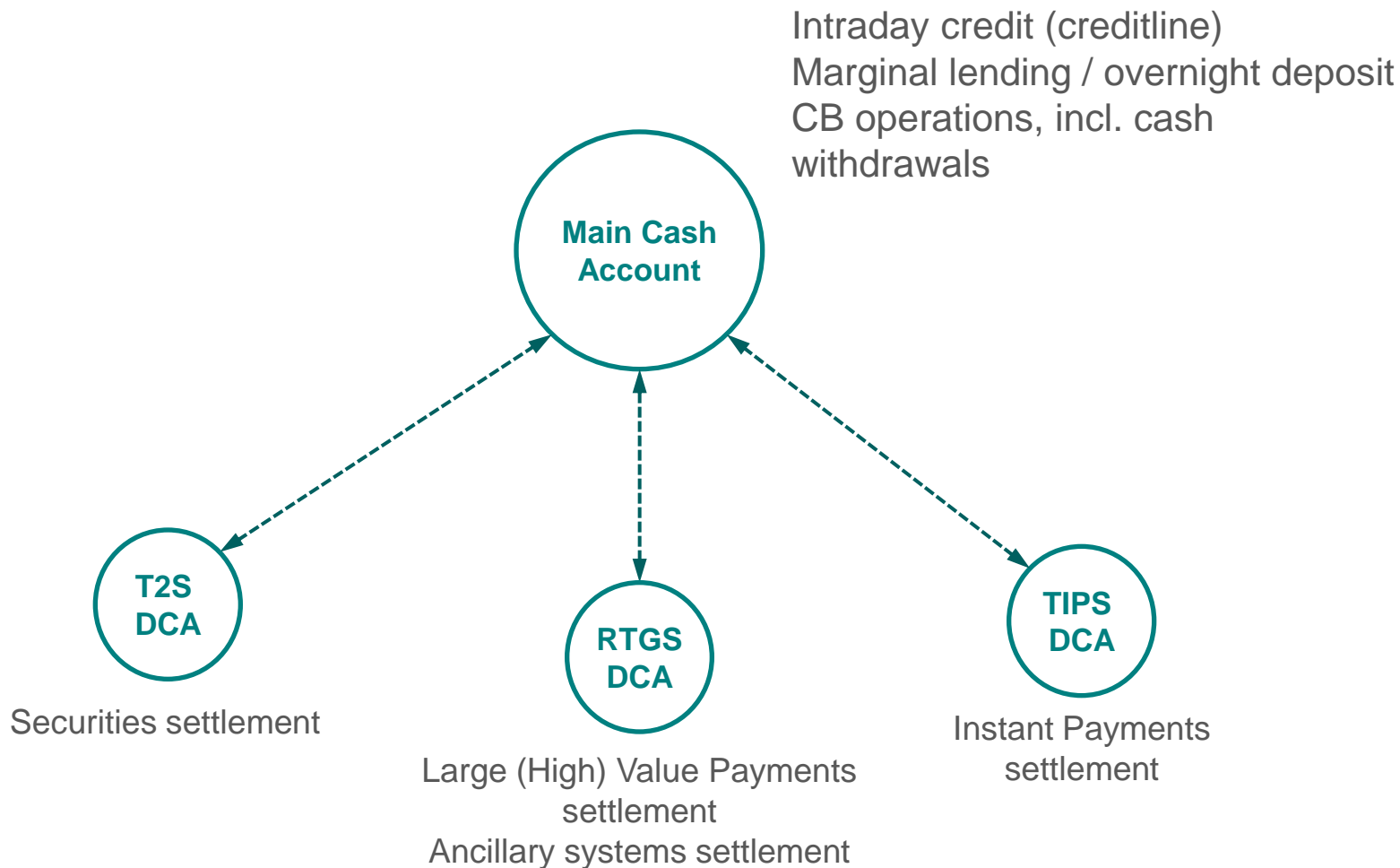
The consolidation will enhance operational monitoring and increase the level of automation of operational activities in the area of RTGS and T2S services.

Will the T2S business day and T2S calendar change?

No

- **business day:** a maintenance window alignment is planned between TARGET2 and T2S to facilitate coordinated maintenance of services and to increase liquidity transfer availability.
T2S stakeholders will be involved in the decision on whether the timing of the maintenance window will be aligned with the current T2S timing or moved forward.
- **Calendars:** the consolidation project does not propose any changes.

Account Structure



Will the T2S cash accounts (DCAs) disappear?

No

- T2S DCAs will remain as they are today.
- Static data management of DCAs will stay the same.
Delivery-vs-Payment settlement will not be affected.
Credit Memorandum Balances will remain the same to handle liquidity management in T2S.
- The consolidation will offer advanced liquidity management features, also covering T2S DCAs.
- T2S will not settle the cash leg directly in an RTGS account.

Annex: Illustration of possible CRs in T2S resulting from T2/T2S Consolidation project

T2S Operational Day

Maintenance Window shifted to 00:30-02:30 (Optional)

T2-T2S Consolidation

- the point in time at which the maintenance window occurs will be aligned for all Services
- the maintenance window should ideally be over at 02:30

Change in the T2S context

- request to bring the T2S maintenance window forward from 03:00-05:00 to 00:30-02:30



T2S Operational Day

End-of-Day Cash sweep (17:45) becomes optional (Optional)

T2-T2S Consolidation

- the minimum reserve calculation process takes a snapshot of the relevant RTGS and T2S DCA balances
- EOD cash sweep is no longer mandatory and cash may remain on T2S DCA at EOD
- participants can still configure a transfer of the remaining liquidity at the EOD

Change in the T2S context

- the automated cash sweep from DCA (T2S DCA) to T2 PM account (RTGS DCA) at 17:45 can become an optional cash sweep
- the EOD balance of a T2S DCA can be different from zero
- during the EOD phase (by 18:15 or 18:30 in the last day of the reserve maintenance period), T2S has to produce a general ledger file for each active DCA



Liquidity Management

Automated Liquidity Transfers from/to DCA (Optional)

T2-T2S Consolidation

- The Central Liquidity Management optimises the efficient usage of liquidity for the different services and the transfers between them
- The participant can relocate liquidity either manually (based on individual liquidity transfers) or automatically (based on regular standing orders or event-based standing orders)

Change in the T2S context

- Automated Liquidity Transfer Orders based on pre-defined events (e.g. floor/ceiling) can be introduced for T2S DCAs



Liquidity Management

Whitelist (Optional)

T2-T2S Consolidation

- a Party can optionally create a Whitelist covering:
 - A list of Cash Accounts from which LTs are accepted; or
 - A list of Cash Accounts to which LTs are authorised
- before a LT is executed, the system checks if the debited and credited Cash Accounts are included within the Whitelist (if it exists)
- liquidity transfers are always possible between accounts belonging to the same Party and also for any transfer involving a CB Account

Change in the T2S context

- The Whitelist functionality foreseen in the consolidation context for CLM and RTGS can be extended to T2S
- a T2S participant will have an option to decide from/to which accounts a liquidity transfer can be sent to/from its T2S DCA
- a participant will create and maintain a list of such accounts (a Whitelist) as part of the Common Reference Data



Liquidity Management

Liquidity Transfer Group (Optional)

T2-T2S Consolidation

- Liquidity Transfer Group is a group of Cash Accounts within one Service for which intra-service liquidity transfers are allowed
- Cash Accounts within a Liquidity Transfer Group may be owned by different Parties (banks), and these banks may be associated with more than one Central Bank

Change in the T2S context

- The concept of Liquidity Transfer Group could be introduced in T2S in the context of T2S DCAs
- The existing rules for LTs between accounts of the same Party and between the accounts linked to the same RTGS might need to be amended



Liquidity Management

Adaptation to harmonised Messages (Necessary)

T2-T2S Consolidation

- Messages relevant in the context of more than one service (e.g. Liquidity Transfers) should be used in a consistent way

Change in the T2S context

- Messages currently in use by T2S might have to be enriched or slightly updated
- Status codes shall be aligned



Static Data Management

Adaptation to Common Reference Data Mgmt (Necessary)

T2-T2S Consolidation

- Common Reference Data Mgmt (CRDM) covers the common processes for the management of reference data required for the configuration and operation of all Services
- This includes the *creation*, *amendment* and *deletion* of all reference data entities as well as the propagation of all changes to all Services impacted by the change

Change in the T2S context

- T2S Static Data Management and Interface shall be aligned with CRDM



Static Data Management

Redirection of messages (Optional)

T2-T2S Consolidation

- Wrongly addressed messages are redirected

Change in the T2S context

- Messages erroneously addressed to T2S but intended to be addressed to another service (e.g. Common Reference Data Management) may be redirected



Static Data Management

Links between T2S DCA and Main Cash Account (Necessary)

T2-T2S Consolidation

- Every DCA must be associated with one Main Cash Account (n:1 relationship)

Change in the T2S context

- Today in T2S Static Data, every T2S DCA is linked to a T2 PM account
- In Common Reference Data, the T2S DCA will be linked to an MCA
- Potentially, several types of links will be created



Static Data Management

Changes to Legal Archiving (Necessary)

T2-T2S Consolidation

- The Data Warehouse Service provides data for historical, statistical and regulatory reporting

Change in the T2S context

- The Legal Archiving being currently a part of the Long-Term Statistical Module shall be decommissioned and will be replaced by the T2-T2S Consolidation Data Warehouse



Static Data Management

Billing for Shared Services (Necessary)

T2-T2S Consolidation

- A centralised data repository will collect all billable events from all Services as well as billable information (e.g. participation)

Change in the T2S context

- Billing process for T2S Services for the securities part shall remain unchanged
- The T2S Billing Module shall be decommissioned and replaced by the T2-T2S Consolidation billing



Technical aspects

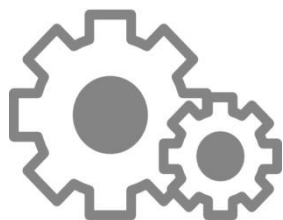
Adaptations to ESMIG (Necessary)

T2-T2S Consolidation

- Eurosystem Single Market Infrastructure Gateway (ESMIG) supports communication using the same connectivity setup to access several services via A2A and U2A

Change in the T2S context

- Although ESMIG is based largely on an approach already used for T2S, there might be slight adaptations and therefore changes in T2S required to ensure that it works in a multi-service environment



Thank you for your attention