



EUROPEAN CENTRAL BANK

EUROSYSTEM

European Central Bank

DG-MIP

T2/T2S Consolidation Project Team

T2/T2S Consolidation

Investigation Phase Overview

Task Force on Future RTGS Services

1st meeting on 07 December 2016

Overview

- 1 The 4 workstreams of the investigation phase
- 2 Functional scope for the Task Force
- 3 The split in business domains
- 4 Expectations from the Task Force

Start of the investigation phase

- In the 1st and 2nd quarter 2016 the Consultation on the future RTGS services was performed
- On 21 September 2016, the Governing Council gave the green light to start the investigation phase for 3 projects:
 - T2/T2S Consolidation
 - TARGET Instant Payments Settlement (TIPS)
 - Eurosystem Collateral Management System (ECMS)
- The Market Infrastructure Board approved the mandate of the Task Force on Future RTGS Services on 20 October 2016

Objectives of the T2/T2S Consolidation project

The Eurosystem plans to consolidate and optimise the provision of the T2 and T2S services, with the aim to:

- provide the opportunity to consider the development of new services for market participants or to adapt the existing ones to the changing needs of the large value payments business and liquidity management
- allow TARGET2 to benefit from state of the art approaches and technologies offered by T2S through technical consolidation
- noticeably decrease running costs for the Eurosystem through functional consolidation between TARGET2 and T2S which could also mean dropping unused or little used functionality
- improve usability

The 4 workstreams vis-à-vis the Task Force

Workstream	Scope of the workstream
Technical consolidation	<ul style="list-style-type: none"> Mainly the Service Providers' internal activities The aim is to have as little impact on the users as possible
Single Gateway	<ul style="list-style-type: none"> T2S connectivity model (network agnostic) to be extended to TARGET2, including the migration to ISO20022 This workstream covers only technical infrastructure readiness
Functional convergence	<ul style="list-style-type: none"> Identification of services that are provided by one system, but could be of interest also to the users of another system or to harmonise services offered by both systems (e.g. T2S multi-currency services; Consolidation of one single common service for reference data or Billing)
New RTGS services	<ul style="list-style-type: none"> Definition of user requirements for new enhancements/ services (e.g. new liquidity management approach) This workstream covers also the TARGET2 migration to and description of the relevant ISO20022 messages

The 4 workstreams vis-à-vis the Task Force

- As a consequence, the Task Force will focus its work on the last 2 workstreams, and provide requirements for the future services
- The following approach is proposed:
 - T2S remains unchanged, as far as possible
 - To review the RTGS services offered by T2
 - Which services will need to remain unchanged
 - Which services should be adapted and enhanced
 - Which services are no longer needed and can therefore be de-scoped
 - Which new services should be introduced

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Input received from the users in the past

In the context of the market consultation on the future of RTGS services in spring 2016

Account and Liquidity Management

- **Enhanced support for central and comprehensive liquidity monitoring and management**
- **One main central overview and control**
- Dedicated liquidity for different settlement services (LVP, AS, IP, T2S)
- Enhanced (automated) liquidity management options
- Eased intraday liquidity monitoring
- Customizable complete usage of the whole liquidity irrespective of its dedication for reserve fulfilment, marginal lending, overnight deposit etc.

Input received from the users in the past

In the context of the market consultation on the future of RTGS services in spring 2016

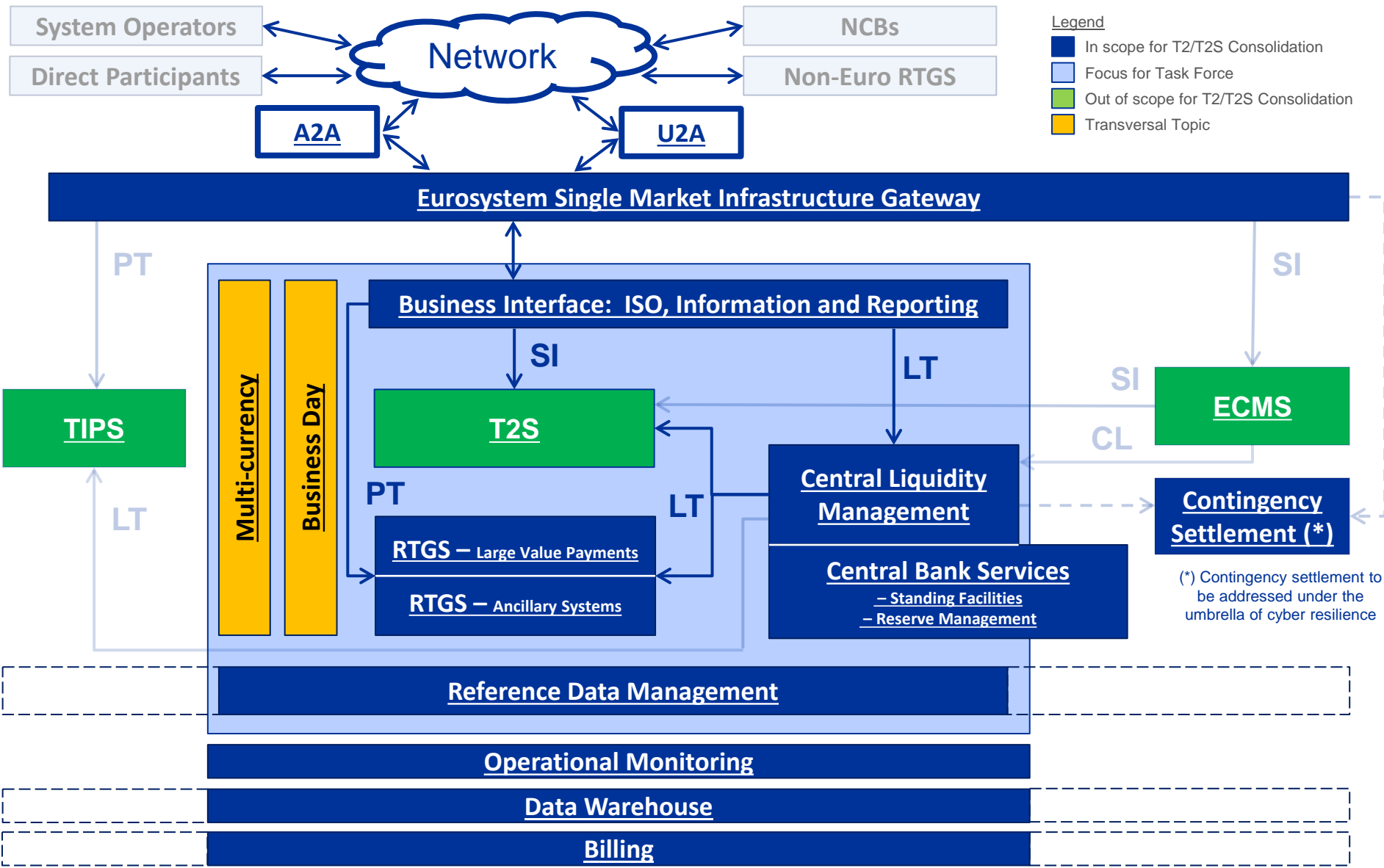
Settlement Services

- **Ancillary Systems:** Align and streamline models with future needs; Agreeing on availability in day-time and/or night-time
- Migration of SWIFT MT messages to **ISO 20022** Standards to enable the enrichment of payments data, the better integration of participants' internal back office applications and the optimisation of the end-to-end processing
- **Multi-currency** services such as PvP

The main functional objectives of the T2/T2S Consolidation project

- **A centralised and enhanced liquidity management** → One main account with dedicated sub-accounts for the different settlement services
- A consequently rationalised **reference data management**, including harmonised **access rights and privileges**
- **Services for settlement** → Changes to TARGET2 and T2 for Ancillary Systems; new service for TIPS (*managed in a dedicated Task Force*); T2S service shall remain unchanged as far as possible
- **New RTGS services** (remittance information, Multi-Currency/PvP, extended opening hours, etc)
- Enhanced **downstream services** such as data analysis and regulatory compliance
- Harmonised **business interface**

Functional scope for the Task Force



PT – Payment Transaction; LT – Liquidity Transfer; SI – Settlement Instruction; CL – Credit Lines

The centralised management of the liquidity

- The main functional objective of the consolidation is to manage more efficiently the liquidity between the various services
- The user should
 - Have a consolidated overall view of its liquidity
 - Be able to dedicate liquidity for one single service
 - Be able to re-allocate easily liquidity from one service to another via CLM (such as by liquidity transfer or by a time-based or event-based standing order)
- Impacts of this approach on Standing Facilities and Reserve Management have to be first checked with the NCBs

The enhanced reference data management

- T2S and T2 reference data management should be merged to avoid duplication of entries through the use of centralised repositories
- Access rights management should be harmonised
- Single Sign On

RTGS Settlement services

- A Payment Life Cycle Management Function to validate incoming payments and related maintenance (cancel, update, hold and release), and to send validation and settlement info?
- Lean approach for a highly efficient real-time settlement and queue management with recycling and optimisation?
- The usage of different settlement services for different purposes (LVP, AS, TIPS, T2S) reduces the need for priority management?
- Ancillary system models should be reviewed; e. g. reduce the number of ASI procedures?
- Bilateral and multilateral limits to be checked in the light of the overall liquidity management?
- Pooling of liquidity through CLM advanced functions?

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Organisation of work

For better organisation of the work, the Project Team proposes to split the four workstreams into business domains based on the functional objectives:

- **CLM:** Central Liquidity Management
- **RDMG:** Updated Reference Data Management, including Access Rights Management
- **RTGS:** Settlement Services for T2/LVP and AS, including new services such as PVP settlement and multi-currency
- **BD:** Business day
- **ISO:** Messages ISO20022
- **IR:** Information and Reporting
- **DWH:** Data Warehouse incl. data analysis and regulatory requirements
- **CBS:** Central Bank Services incl. reserve management, standing facilities, accounting, HAM
- **OM:** Operational Monitoring
- **BILL:** Billing

NB: Multi-currency is a transversal topic to be considered in each domain above

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Main expectations from the users

The Task Force on Future RTGS Services is invited to

- Define and specify the user requirements for the future RTGS services (functional and non functional), according to the business domains identified previously
- Discuss the impact which the 4 workstreams may have (or not) on the services available to TARGET2 participants
- Contribute to the testing and migration strategy
- Assist in clarifications and specifications of any other topics requested by the Market Infrastructure Board