



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB
DG-MIP
T2/T2S Consolidation Project Team

T2/T2S Consolidation

Open topics

For discussion in TF-FRS

Task Force on Future RTGS Services

7th meeting on 19 July 2017

Statistics (as of 14 July 2017)

URD	Institutions	Comments
CLM	59	826
RTGS	57	643
SHRD	54	981
Glossary	22	68
TOTAL		2518

Clarification on terms: Banking Group vs Consolidated Monitoring of Accounts

- Banking Group – group of banks that are monitored jointly for oversight purposes
- Consolidated Monitoring of Accounts – group of participants that are operated jointly from a liquidity management perspective

Central Banks can setup both aspects independently from each other based on the registration forms

White List

- Use is optional
- Defines to which account a DCA/MCA can transfer or from which account it can receive Liquidity Transfers
- No equivalent list or feature for payments
- Liquidity Transfers can be blocked on the sending or receiving end
- Will be checked during the validation of the transfer and would lead to a rejection

Questions:

- Shall White Lists be set up and maintained by parties?
- Shall White Lists be publicly available?

RTGS features

- Shall customer payments received after cut-off time, but before EOD, be cancelled or processed on the following value day?
- Today, in case a payment order includes a “Reject Time” and is still not settled, T2 sends a mandatory notification (broadcast message) to the party to be debited 15 minutes before the “Reject Time” is reached

Question:

- Is this 15 minutes, as a system parameter, sufficient?

RTGS features

- Each Party (BIC11) can have only one RTGS DCA for payment business
- An MCA can be used for interactions with NCBs

Question:

- Is there still a requirement for unpublished RTGS DCAs?

Limit Management

Bilateral and multilateral limits can be set up only in the RTGS service

Question:

- Shall the limits be set-up on RTGS DCA towards
 - Dedicated RTGS DCA of the other party (i.e. specifically for HVP or for AS business) or
 - Another party (i.e. a joint limit for HVP and AS business)

Message Subscription

Participants can subscribe to receive certain messages (or not)

Question:

- Shall this message subscription be set-up on party or account (i.e. DCA/MCA) level?

Liquidity Transfers

- In case of a lack of liquidity on MCA for settling a CB operation, the system shall trigger an automatic LT and pull liquidity from the RTGS DCA of the participant
 - Mandatory
 - No configuration needed/possible
- In case of lack of liquidity on RTGS DCA for a U/HU payment or reaching the optionally defined floor amount on a DCA, the service can
 - Do nothing
 - Create and process immediately an automated LT to inject liquidity from the MCA
 - Send an alert to the owner of the DCA

Question:

- Is any option missing?

Liquidity Transfers

Currently, the URD defines

- Partial settlement of liquidity transfers from RTGS DCA to MCA is possible
- Partial settlement of liquidity transfers from MCA to RTGS DCA is NOT possible (will be rejected)

Question:

- Shall the LTs be treated in the same way irrespective on which MCA/DCA there is a lack of liquidity?

Notifications

- Validation results will be communicated to the instructing party (if subscribed or via U2A)
- Settlement results will be communicated to the instructing party and account owner (if subscribed)
- Notification of changes of queued payments will be communicated to the instructing party (of the change) and account owner (if subscribed)

Question:

- Are further notifications required?

Contingency case of a participant

- **Backup Payments** – In case a participant's home system is down, the Central Banks shall “act on behalf” of the participant and enter to the RTGS the respective Backup Payments
 - Backup Payments – backup liquidity distribution payments for relocating liquidity by means of short term repayable deposits and do not relate to any specific underlying payment

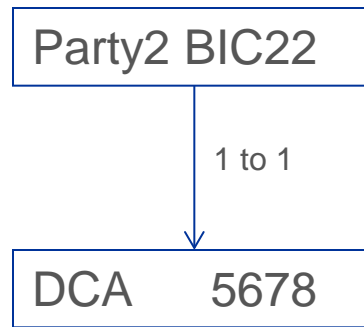
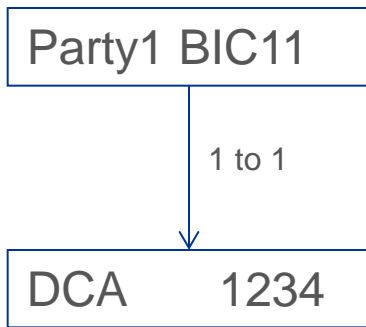
- **Back value Payments** – in case a participant's home system is down, then on the following day they may require sending Back value Payments to balance the positions

Question:

- Is there still a business case for Back value Payments (i.e. to switch off the check on original value date in the message for a participant)

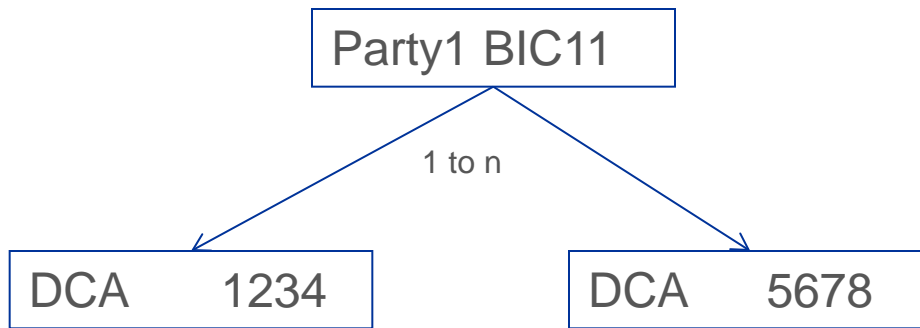
Participant / Accounts

- **T2 settings**



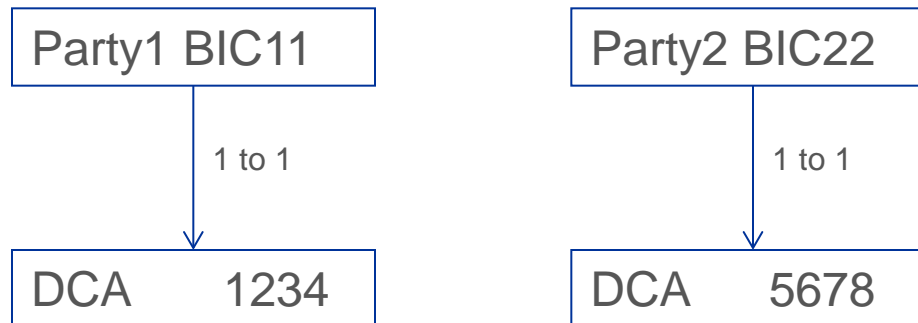
Participant / Accounts

- **Moving in the direction of T2S**



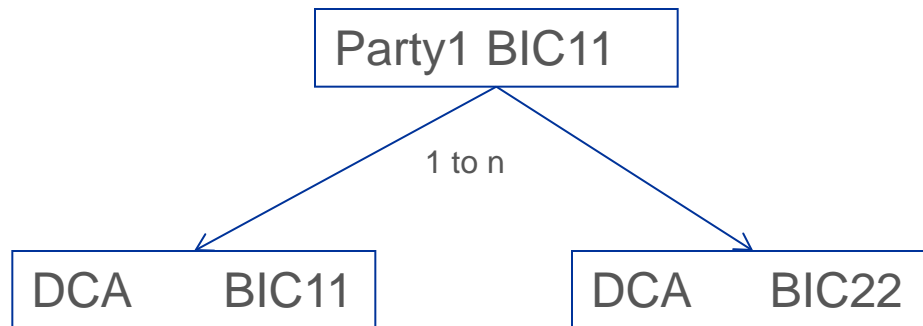
Participant / Accounts

- **Considering routing issues, and notably the absence of account number in payment messages, we went in the direction of having only one RTGS DCA for payments per party. So that with the BIC11 from the message, we can easily get the account.**
- **The T2S model is still valid but restricted for payments.**



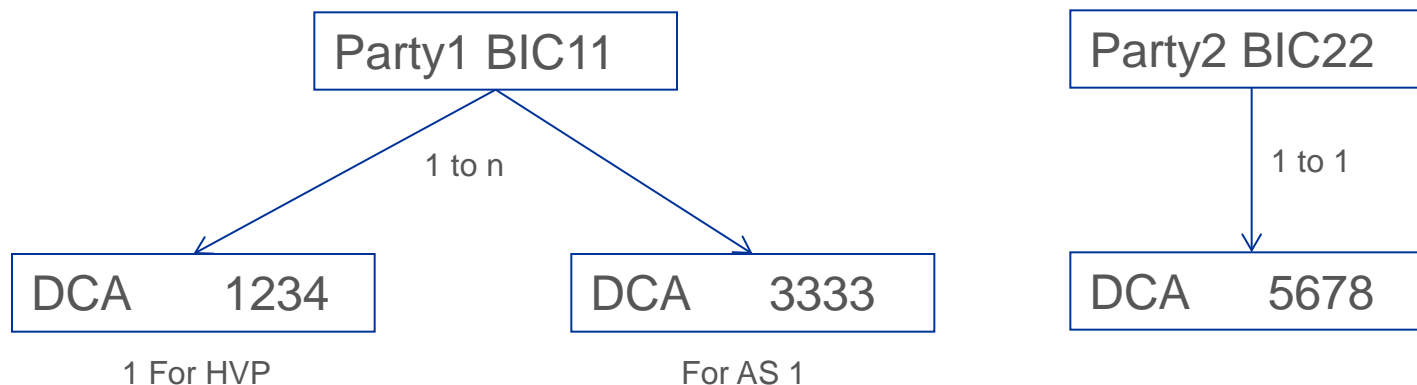
Participant / Accounts

- Of course, one other solution could have been to say that the account number is the BIC11, but considering that the first solution is fine, we didn't want to go in such a hard-coded solution



Participant / Accounts

- Then comes the discussion of dedicated RTGS DCA for AS. Since we have the mapping between AS and their participants, we could deduce the account number from the AS ID, leading to have one Party having additional RTGS DCA for AS



- Of course, if ISO20022 would allow adding in some cases the account number, this would reinforce this model...

Participant / Accounts

- For sub-accounts, the issue might be similar to today (identified by the BIC11 of the party and sub-account nb)

