

Explainer on Links in T2, T2S and TIPS

Last updated on 27 May 2021

Version	Publication date	Comment
1	27.04.2021	Initial Publication
2	01.06.2021	Chapter 1: Notes: last bullet point, word “only” was added. Updated chapters: 2.1, 3.8 New chapter: 2.2 Additional text in the table of section 4: first row New rows in table 4: second and third rows

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Date 2021-05-27

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1. Purpose and structure of the document

Purpose

This document aims at listing and describing account “links” that need to be defined between different accounts and services in the consolidated environment (CLM, RTGS, T2S and TIPS), in comparison with links that need to be defined between the accounts in TARGET2, T2S and TIPS.

Notes

- A link is a one-way relationship between a source and a target account.
- In some cases, the link is bidirectional, but those are technically two links, one in each direction.
- This document does not discuss the concept of group of accounts (where several accounts are grouped together).
- This document combines both policy/legal decisions already taken on various aspects as well as functionality rules and restrictions. Some of the constraints described in this document are derived from policy/legal decision and are not implemented as business rules or restrictions. The scope defining documents (UDFS and UHB) are the reference for the constraints and rules technically implemented.
- The document does not cover links involving only CB accounts.

Structure

The document is structured as follows:

I. Links between accounts in TARGET2, T2S and TIPS¹

1. Links between TARGET2 accounts and T2S DCAs
2. LM links between TARGET2 accounts and TIPS DCAs
3. RM/SF links between TARGET2 accounts and TIPS DCAs
4. CMB link in TIPS

II. Links in T2/TIPS/T2S/ECONS II

1. Overnight deposit to MCA
2. Marginal lending to MCA
3. MCA to RTGS DCA
4. RTGS DCA to MCA
5. Sub Account to RTGS DCA
6. Rule-based liquidity transfers
7. MCA to be charged by BILL
8. T2S DCA to MCA

¹ TIPS AS Technical Accounts are excluded from this document. The document will be reviewed if necessary at a later stage.

9. ECONS II contingency account to MCA
10. Leading CLM Account Holder
11. CMB link in TIPS

III. Comparing links in TARGET2 with links in T2/TIPS/T2S/ECONS II

2. Links between accounts in TARGET2, T2S and TIPS

Note: All links can only be set up by the central banks with the exception of CMB links in TIPS.

2.1 Links between TARGET2 PM Account & T2S DCAs

a. Link for liquidity transfers, billing and T2S cash sweep

➤ **Mandatory link**

Each T2S DCA needs to be linked to one PM account.

➤ **Set-up:**

- Link can only be inserted in T2S and is daily propagated to TARGET2 Static Data.
- Several T2S DCAs may be linked to one TARGET2 account (PM account).

➤ **Cross-border allowed**

➤ **Used for:**

- Allowing T2S DCA to T2S DCA liquidity transfers between two T2S DCAs linked to the same PM account.
- Identifying the linked PM account that will be billed for the charges related to that T2S DCA (Billing).
- Identifying the PM account to which funds are credited/debited with the T2S cash sweep.

➤ **Additional features: Liquidity monitoring/liquidity pulling**

In case subscribed to VAS, the PM account owner may:

- Monitor liquidity on the connected T2S DCA through the ICM.
- Pull liquidity from the linked T2S DCA to its PM account.

b. Link for automatic reimbursement of auto-collateralised intraday credit

➤ **Mandatory link for participants using auto-collateralisation**

Each T2S DCA needs to be linked to one PM account.

➤ **Set-up:**

- Link is stored neither in T2S Static Data nor in TARGET2 Static Data but internally by Central Banks.
- The linked PM account must have access to intraday credit, must be opened within the books of the same Central Bank as the T2S DCA and must be owned by the same legal entity as the T2S DCA.

➤ **Cross-border not allowed**

➤ **Used for:**

- Identification of the PM account to be used in case of automatic auto-collateralisation reimbursement for which the T2S DCAs balance is insufficient after T2S rebalancing.

2.2 Link between T2S DCA and T2S CB accounts

- **Optional link**

T2S DCA may be linked to T2S CB Accounts and related Securities Accounts by using a T2S Credit Memorandum Balance structure.
- **Set-up:**
 - Operator configures a CB defining its auto-collateralisation procedure (Repo or Pledge).
 - CB configures a CMB defining the Securities Accounts that can be used as Regular and Receiving accounts.
 - CB configures auto-collateralisation CMBs for its own Payment Banks linking its CB Cash Account to their T2S DCA, and authorizing CSD Participants to link their own Securities Accounts.
 - CSDs / CSD Participants link Securities Accounts to the CMB through CMB Securities Account Links– thus defining the collateral providing account(s).
 - The CB defines an auto-collateralisation limit on the CMB.
- **Cross-participant not allowed**
- **Cross-border not allowed**
- **Used for:**
 - Setting up T2S auto-collateralisation procedures.

2.3 LM Link between TARGET2 PM Account & TIPS DCA

- **Mandatory link.**

Each TIPS DCA needs to be linked to one PM account.
- **Set-up:**
 - Up to 10 TIPS DCAs may be linked to one TARGET2 account via LM link, but each TIPS DCA can have only one LM link.
 - Link can only be inserted in the TARGET2 Static Data² and is not propagated to TIPS.
- **Cross-border allowed**

(Link can connect TIPS DCA and PM account registered in different central banks)
- **Used for:** billing purposes
(i.e. PM account holder is billed with the charges related to that TIPS DCA).
- **Additional features: Liquidity monitoring/liquidity pulling**

The PM account owner may:

 - a. Monitor liquidity on the connected TIPS DCA(s) through the ICM.
 - b. Pull liquidity from the linked TIPS DCA to its PM account.

² As it is only used on TARGET2 side (for pulling liquidity, monitoring and billing) and not used on TIPS side.

2.4 RM/SF Link between TARGET2 account & TIPS DCA

- **Mandatory link for participants with TIPS DCAs registered in CBs using either RM and/or SF module.**
- **Set-up:**
 - Link can only be inserted in the TARGET2 Static Data³ and is not propagated to TIPS.
 - Several TIPS DCAs may be linked to one TARGET2 account via RM/SF link, but each TIPS DCA can have only one RM/SF link.
- **Cross-border **not allowed****
- **Used for:**
 - Taking onboard the overnight balances in the linked TIPS DCAs for the fulfilment of minimum reserves calculated (RM module).
 - Taking onboard the overnight balances in the linked TIPS DCAs for the automatic recourse to Marginal lending (SF Module).

2.5 TIPS Credit Memorandum Balance (CMB) link

- **Mandatory link in case a CMB is set-up on the TIPS DCA.**
- **Set-up:**
 - Can be done by the TIPS DCA holder.
 - A TIPS CMB must be linked to one TIPS DCA.
 - Several CMBs can be linked to the same TIPS DCA.
- **Used for** defining a payment capacity limit on the linked TIPS DCA for a Reachable Party.

³ As it is only used on TARGET2 side and not used on TIPS side.

3. Links in T2/TIPS/T2S/ECONS II

Note: All links are set up by central banks, except for the links related to floor/ceiling rule-based liquidity transfers and the link between TIPS CMB and TIPS Accounts.

3.1 Overnight Deposit

- **Mandatory link**

Each Overnight Deposit account is linked to the default MCA of the participant to which the overnight deposit account is dedicated.
- **Set-up:**
 - Created in CRDM by the NCB (via “Linked Account Reference” attribute of the Overnight Deposit Account).
 - Only one Overnight deposit account can be opened for a participant (and is linked to its default MCA).
- **Cross-border not allowed**
- **Cross-participant not possible** (by design, as this link establishes in the name of which participant an overnight deposit account is opened)
- **Used for:**
 - Identifying the linked default MCA for reimbursing the overnight deposit automatically (even though the overnight deposit can be deposited from other defined account types).
 - Identifying the linked default MCA on which interest payments will settle.

3.2 Marginal Lending (until ECMS Go-Live)

- **Mandatory link**

Each Marginal Lending account is linked to the default MCA of the participant to which the marginal lending account is dedicated.
- **Set-up:**
 - Created in CRDM by the NCB (via “Linked Account Reference” attribute of the Marginal Lending Account).
 - Only one Marginal Lending account can be opened for a participant (and is linked to its default MCA).
- **Cross-border not allowed**
- **Cross-participant not allowed**
- **Used for:**
 - Marginal lending on request (set-up, reimbursement and interest).

- Automatic Marginal Lending: Identifying the marginal lending account to which the default MCA is linked. Once the amount to be borrowed is computed, it is automatically moved from the marginal lending account to the linked default MCA.
- Automatic Marginal Lending: Identifying the linked default MCA on which related interest payments will settle.
- Reimbursement of the automatic marginal lending.

3.3 Link for the dual purpose of: i) Automated Liquidity Transfers and ii) Rule-based liquidity transfers for high/urgent payments or AS transfers

- **Mandatory link for the default⁴ MCA for participants also owning at least one RTGS DCA. Optional (but recommended) for other MCAs as long as they can be linked to a separate RTGS DCA (not already linked).**

- **Set-up:**
 - This single link (that serves two purposes) is created in CRDM by the NCB using the “Associated LT Account” field (for both the DCA and MCA).
 - It is a “1 to 1” Link:
 - A business rule enforces that, for two accounts where account 1 is pointing to account 2, an update of account 2 to point to any account other than account 1 is rejected.
 - Moreover, no more than one MCA can point to the same RTGS DCA at the same time and vice versa.
 - Configuration steps required: creation of account 1, creation of account 2 with simultaneous linking of account 2 to account 1, update of account 1 to link to account 2.
 - For the activation of rule-based liquidity transfer for high/urgent payment or AS transfers, further configuration Boolean flags need to be checked by the central bank.

- **Cross-participant not allowed**
- **Cross-border not allowed**

- **Used for:**
 - Automated Liquidity Transfers: This link indicates the RTGS DCA from which liquidity will be automatically pulled into the linked MCA in case a CBO is queued/pending on the MCA.

⁴ The default MCA is a concept present in the functional documentation (UDFS/UHB) and is the same as the primary MCA used in the legal documentation.

- Rule-based liquidity transfers for high/urgent payments or AS transfers. This link indicates the MCA from which liquidity will be automatically pulled into the linked RTGS DCA in case a high/urgent payment or AS transfer is queued on the RTGS DCA (this is an optional feature, i.e. can be activated/deactivated by the participant).

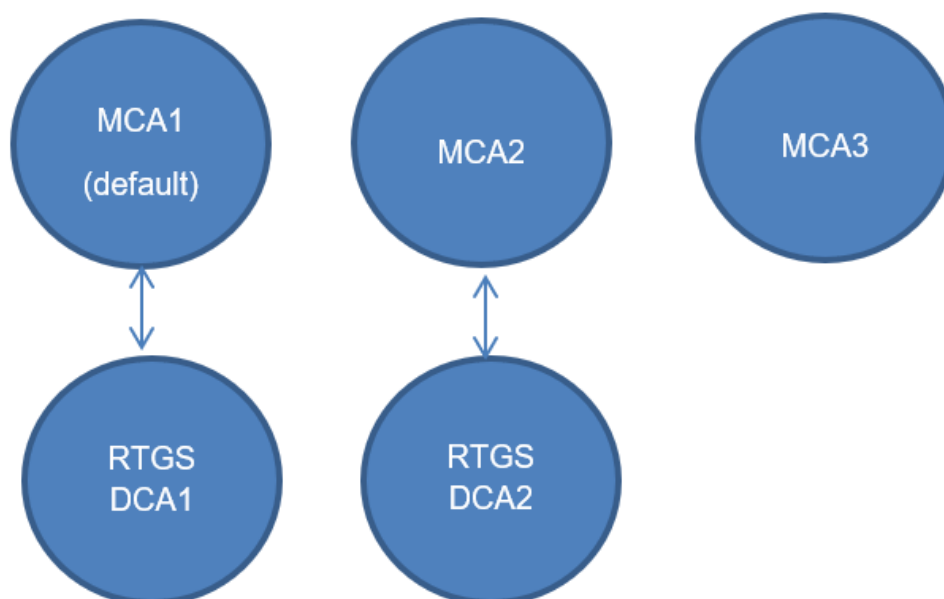


Diagram 1. “Associated LT Account” Link for the dual purpose of:

i) Automated Liquidity Transfers; and ii) Rule-based liquidity transfers for high/urgent payments or AS transfers.

3.4 Optional RTGS DCA to MCA Link for ECONS II/AS

- **Optional link.**
Links an RTGS DCA to an MCA.
- **Set-up:**
 - Created in CRDM by the NCB using the “Linked Account Reference” attribute of the RTGS DCA.
 - No more than one RTGS DCA can point to the same MCA at any given time.
- **Cross-participant allowed**
- **Cross-border not allowed**
- **Used** by ECONS II to “translate” an RTGS Settlement Bank Account Group into a group of contingency accounts eligible for an AS procedure (See 3.10 Link for ECONS II accounts).

3.5 Link for RTGS sub-account

- **Mandatory link**
Each RTGS sub-account must be linked to one RTGS DCA .
- **Set-up:**
 - Several sub-accounts can be linked to the same RTGS DCA.
 - Created in CRDM by the NCB using the “Linked Account Reference” attribute of the RTGS sub-account.
- **Cross-participant not allowed**
- **Cross-border not allowed**
- **Used** in the context of AS Settlement Procedure C: when the procedure closes, liquidity is swept from the sub-account to the linked RTGS DCA.

3.6 Link for Direct debit of fees (sent by BILL)

- **Mandatory link if the responsible central bank opts for invoicing through BILL.**
Each participant’s invoice configuration in CRDM (at party and service level) must define an “account to be debited” which must be an MCA.
- **Set-up:**
 - Technical validation checks only on whether the linked MCA exists.
 - In case of linking two different participants → Rules will be described in the TARGET Guideline and “Registration Guide” to ensure that the relevant central bank has received the necessary authorisations by the owner of the account to be debited.
 - Configured by the NCB in the CRDM invoice configuration screen.
- **Cross-participant allowed**

(the account generating the charges might belong to a different participant than the linked MCA that will be debited for the payment of invoices)

- **Cross-border allowed**
- **Used for:**
 - Identifying the linked MCA that will be automatically debited (via direct debit) as a result of the BILL invoice.

3.7 Floor/Ceiling Rule-based liquidity transfer orders

- **Optional link**

This link is required in case Floor/Ceiling rules are defined on an account⁵.
- **Set-up:**
 - A participant may define floor and/or ceiling amounts (threshold amounts and target amounts) on its MCAs and/or RTGS DCAs.
 - Floor/ceiling on RTGS DCA: can link to the same or two different MCAs_(i.e. one for floor one for ceiling) for floor/ceiling breach.
 - Floor/ceiling on MCA: can link to the same or two different MCAs*/RTGS DCAs (i.e. one for floor one for ceiling) for floor/ceiling breach.
*Note: If an MCA is to be linked for floor/ceiling on MCA, the two MCAs need to be part of the same MCA liquidity transfer group.
 - These links are not necessarily bi-directional: if an account A is linked to an account B, B may or may not be linked to A.
 - **Set-up done by the payment banks in two steps:**
 - a. Owner of the account with Floor/ceiling rules: Defines threshold and target levels.
 - b. Owner of account to be debited: Configures Liquidity providing/drainning account in a Rule-Based Liquidity Transfer Order (as described in 2.3.2.10 of the CRDM UHB).
- **Cross-participant allowed**
- **Cross-border allowed**
- **Used for:**
 - Floor/ceiling Rule-based liquidity transfer orders. This link indicates:
 - the account (B) from which liquidity will be pulled in case of a breach of a floor amount on account (A).

⁵ Per each account only one account can be configured as account to be credited (ceiling) and only one account (the same or another) as account to be debited (floor). In case of a floor rule on several accounts, however, the same account can be configured to be debited; and in case of a ceiling rule, the same account can be configured to be credited.

- the account (B) to which liquidity will be transferred in case of a breach of a ceiling amount on account (A).

3.8 Links between T2S DCA and T2 accounts

a. Link for liquidity transfers

➤ **Mandatory link.**

Each T2S DCA must be linked to an account in an RTGS system. For the EUR currency, this is a CLM MCA.

➤ **Set-up:**

- Several T2S DCAs may be linked to one MCA.
- Configured by the NCB in CRDM via the Linked Account Reference attribute of a T2S DCA.

➤ **Cross-participant allowed**

➤ **Cross-border allowed**

➤ **Used for:**

- Allowing T2S DCA to T2S DCA liquidity transfers between two T2S DCAs linked to the same MCA.

➤ **NOT Used for:**

- Allowing inter-service liquidity transfers: this does not require the set-up of any link.

b. Link for reimbursement of auto-collateralised intraday credit

➤ **Mandatory link for participants using auto-collateralisation for EUR currency**

Each T2S DCA needs to be linked to a default MCA having a credit line.

➤ **Set-up:**

- Link is not stored in CRDM but internally by Central Banks.
- The linked MCA must have access to intraday credit, must be opened within the books of the same Central Bank as the T2S DCA and must be owned by the same legal entity as the T2S DCA.

➤ **Cross-participant not allowed**

➤ **Cross-border not allowed**

➤ **Used for:**

- Identification of the MCA to be used by the central bank in case of automatic auto-collateralisation reimbursement for which the T2S DCAs balance is insufficient after T2S rebalancing.

3.9 Link between T2S DCA and T2S CB accounts

- **Optional link**

T2S DCA may be linked to T2S CB Accounts and related Securities Accounts by using a T2S Credit Memorandum Balance structure.
- **Set-up:**
 - Operator configures a CB defining its auto-collateralisation procedure (Repo or Pledge).
 - CB configures a CMB defining the Securities Accounts that can be used as Regular and Receiving accounts.
 - CB configures auto-collateralisation CMBs for its own Payment Banks linking its CB Cash Account to their T2S DCA, and authorizing CSD Participants to link their own Securities Accounts.
 - CSDs / CSD Participants link Securities Accounts to the CMB through CMB Securities Account Links– thus defining the collateral providing account(s).
 - The CB defines an auto-collateralisation limit on the CMB.
- **Cross-participant not allowed**
- **Cross-border not allowed**
- **Used for:**
 - Setting up T2S auto-collateralisation procedures.

3.10 Link for ECONS II accounts

- **Mandatory link**

All MCA/CLM CB accounts are mirrored in ECONS II through this link (i.e. a dedicated ECONS II contingency account should be created and linked to each MCA).
- **Set-up:**
 - The ECONS II account inherits the BIC of the MCA (defined by means of a “Direct” Authorised Account User on the MCA).
 - Configured by the NCB in CRDM via the Linked Account Reference attribute of the ECONSII Contingency Account.
- **Used for:**
 - Indicating the MCA/CLM CB account on which the contingency account balance will be transferred to at the end of the contingency session.

An RTGS DCA may be linked to an MCA through the optional link described in 3.4. The combination of the link defined in 3.4 and the link defined in 3.9 provides an indirect way to link a contingency account to an RTGS DCA for the purpose of AS settlement. Before running an AS Procedure, ECONS II will check (as a prerequisite to the procedure run) that

the contingency accounts involved in the procedure are thus indirectly linked to RTGS DCAs being part of a settlement bank account group for the relevant AS.

3.11 Leading CLM Account Holder

- **Mandatory link for participants subject to minimum reserve requirements or having a remunerated account.**
- **Set-up:**
 - Link at the level of participant⁶.
 - Configured by the NCB in the CRDM Party-Service Link screen.
- **Cross-participant allowed**
- **Cross-border not allowed**
- **Used for:**
 - **Calculation of Minimum Reserve fulfilment & related interest.**
Note: In the context of indirect or pool management of minimum reserves_it indicates the participant managing or pooling the reserve (interest payments will settle on the leading CLM account holder's default MCA). In the context of direct management of minimum reserves, the link still needs to be set-up and indicates the participant itself.
 - **Remuneration of accounts not subject to minimum reserve requirements.** The link identifies the participant⁷ and its default MCA on which interest payments will settle.

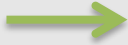



3.12 TIPS Credit Memorandum Balance (CMB) link

- **Mandatory link in case a CMB is set-up on the TIPS DCA.**
- **Set-up:**
 - Can be done by the TIPS DCA holder.
 - A TIPS CMB must be linked to one TIPS DCA.
 - Several CMBs can be linked to the same TIPS DCA.
- **Used for** defining a payment capacity limit on the linked TIPS DCA for a Reachable Party.

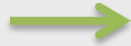
⁶ The technical setup in the system is done at Party Service Link level. In case a participant registers more than one party, the parties can be pooled by the "pooling" functionality in order to ensure that there is only one link to a leading CLM account holder for one participant, even in case of multiple parties of the same participant.

⁷ Technically, the party.

4. Comparing links in TARGET2 with links in T2/TIPS/T2S/ECONS II

Today	Future
<p>Between TARGET2 PM account & T2S DCAs for liquidity, billing and cash sweep</p> 	<p>The T2S DCA link in the future only allows LTs between two T2S DCAs linked to the same MCA.</p> <p><u>Note:</u> No links needed anymore for the purpose of:</p> <ul style="list-style-type: none"> ▪ Pulling of liquidity from T2S DCAs to CLM accounts. ▪ Monitoring ▪ Invoicing <p>→ These functions are allowed for the T2S DCA account owner, set-up at the level of the participant.</p> <ul style="list-style-type: none"> ▪ Optional cash sweep <p>→ This works through a standing/predefined LT order set-up in CRDM which can use any MCA as target account.</p>
<p>Between TARGET2 PM account & T2S DCAs for autocollateralisation reimbursement</p> 	<p>Between CLM MCA (with credit line) & T2S DCAs for autocollateralisation reimbursement.</p>
<p>Between T2S DCA and T2S CB account for set-up of CMB for autocollateralisation</p> 	<p>No change</p>
<p>LM link: TARGET2 PM accounts & TIPS DCA</p> 	<p>Does not exist</p> <p><u>Note:</u> No links needed anymore for the purpose of:</p> <ul style="list-style-type: none"> ▪ Pulling of liquidity from TIPS DCA to MCAs. ▪ Monitoring ▪ Invoicing <p>→ These functions are allowed for the TIPS DCA owner, set-up at the level of the participant.</p>

RM/SF link
between TARGET2
accounts and TIPS
DCAs



Does not exist

Note: For the purpose of:

- a. **Reserve Management:** A CB will need to define for each account opened in the CRDM whether it is counted towards fulfilment of the minimum reserves of the participant or not.
- b. **Recourse to Automatic Marginal Lending:** All balances on MCAs and RTGS/T2S/TIPS DCAs of the party are taken into consideration.

TIPS CMBs



TIPS CMBs

-

New!

Overnight Deposit.

-

New!

Marginal Lending (until ECMS Go-Live).

-

New!

- i) Automated Liquidity Transfers; and
- ii) Rule-based liquidity transfers for high/urgent payments or AS transfers.

-

New!

DCA to MCA for ECONSII Purposes.

-

New!

RTGS sub-account.

-

New!

Direct debit of fees (sent by BILL).

-

New!

Floor/Ceiling Rule-based liquidity transfer orders.

-

New!

T2S DCA

-

New!

ECONS II contingency accounts.

-

New!

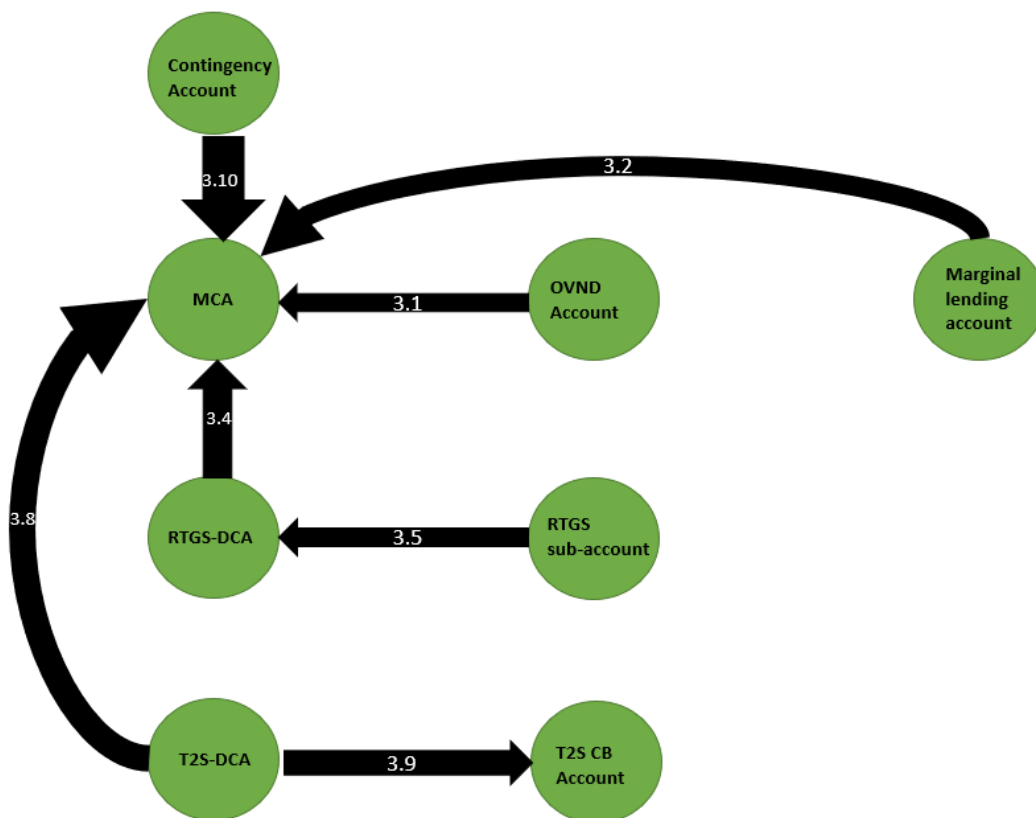
Leading CLM Account Holder.

5. Annex: Graphical Representation of Links

The links discussed in section 3 above are technically implemented by two fields at account level in CRDM: the Associated LT Account and the Linked Account Reference.

The diagrams below show graphically which of those fields implement the links described above.

5.1 Links implemented through Linked Account Reference:



5.2 Links Implemented through Associated LT Account

