

Explainer on co-management

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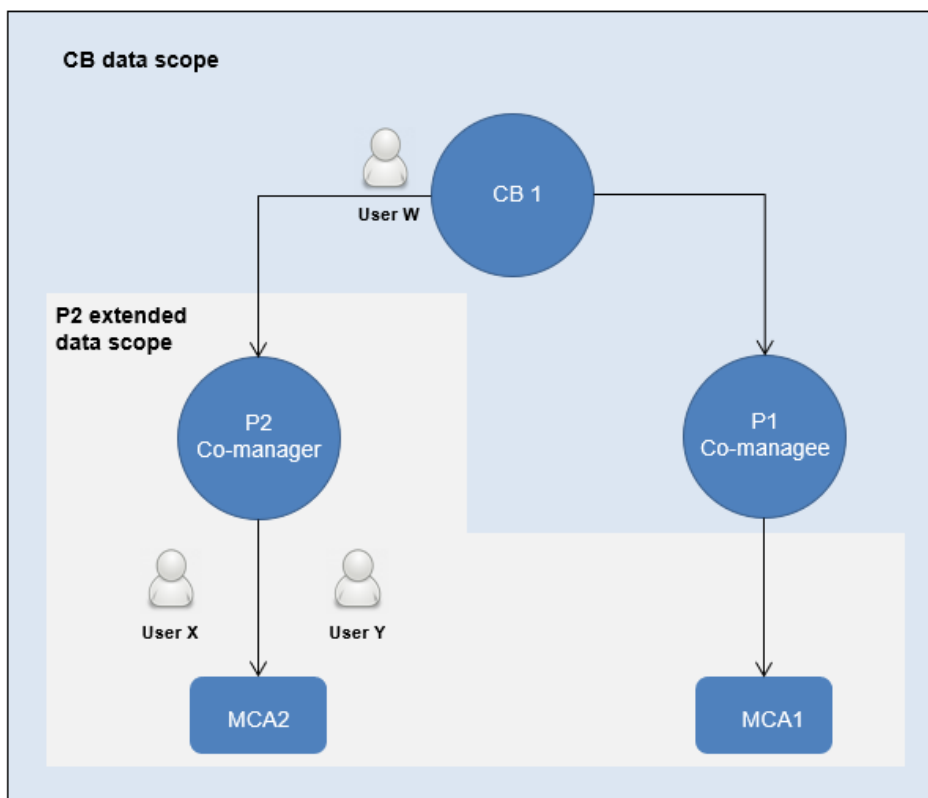
1 Introduction

This document explains the co-management functionality and how it relates to other functionalities across TARGET services. This explainer compiles in a single document pieces of information which are described in different books and chapters of the T2-T2S Consolidation UDFS or UHBs.

The co-management is a CLM functionality. It allows a participant to delegate the liquidity management of its MCA to another actor.

In a co-management scenario, a party P1, called *co-managee* for the purpose of this explainer, appoints another party P2 as co-manager of its MCA (MCA1). P2 will use its own ESMIG connection to manage MCA1. P1 does not necessarily need to appoint an NSP..

The usage of the co-management will result in the extension of the data scope of P2 to include MCA1 for certain functionalities.



All CLM roles and privileges assigned to users of P2 will be extended to MCA1. E.g. if user X of P2 has a role including the privileges to view account balances, instruct liquidity transfers, manage reservations, etc. in CLM, they will be able to do so both on MCA2 and MCA1, in both U2A and A2A.

The data scope extension will also apply to certain CRDM privileges, allowing the co-manager to set up certain configurations on the co-managed MCA. For details, see section 3.

2 Required Configuration

a. Set up of the parties – only for Central Banks

Central Bank(s) will set up both the co-managee and the co-manager parties in CRDM. This is a prerequisite as co-management can be established only once the co-manager and the co-managee are set up.

The co-manager must be a payment bank with service party type CLM Account Holder or a Central Bank with service party type CLM CB Account Holder (which implies the co-manager must own an MCA or CLM CB account).

Co-management is offered on a cross-border basis i.e. the co-manager and co-managee can be under different system entities(i.e. under the responsibility of different Central Banks).

b. Set up on the account(s) to be co-managed – only for Central Banks

The Central Bank of the co-managee P1 must define the following two additional attributes at the level of the co-managed MCA (MCA1):

- whether the MCA1 is co-managed (true/false)
- If true: identification of the co-manager P2 via its Party BIC (and its parent BIC)

c. Routing, message subscriptions, report configuration – for Central Bank and Participants

If the co-manager wishes to receive camt.053 statement of account reports or camt.054 credit/debit notifications related to the co-managed MCA1, the following additional CRDM setups are needed:

- Definition of a Party Technical Address (PTA) at the level of the co-manager P2. This is done by the Central Bank of the co-manager P2.
- If notifications for MCA1 are required: definition of a Party Technical Address (PTA) at the level the co-managee P1. This done by the Central Bank of the co-managee. The co-manager P2 will receive the notifications only if the technical address set up as one of the PTA(s) of P1 actually belongs to the co-manager.
- Definition of a Report Configuration. The report configuration can be set up by the co-managee or the co-manager.
- Definition of message subscription for notifications. The message subscription can be set up by the co-managee.
- If notifications for MCA1 are required: default routing at co-managee level. This can be set-up by the co-managee. The notifications will be technically generated and routed according to the setup of the co-managee P1, and then sent to the resulting technical address. The co-

manager P2 cannot create or update the default/conditional routing for the co-managed MCA1.

- If notifications for MCA1 are required, P1 must not be defined as “U2A-only” in its Party Service Link to CLM.

Note

Change request CSLD-0113-UDFS is planned for July 2022 and will remove the need to configure a routing and subscription at co-managee level in some cases.

For further details, please refer to the [FAQ on co-management](#).

3 Scope of delegation

The co-manager can perform the following reference data maintenance and CLM user functions:

3.1 In CRDM

In CRDM, the co-manager P2 can define the following configuration for the co-managed MCA1:

- Report Configuration: camt.053 (account statement),
- Standing Order Liquidity Transfer Order debiting the co-managed MCA1,
- Floor/ceiling Rule-Based Liquidity Transfer Orders debiting the co-managed MCA1,
- Standing Orders for Reservation on the co-managed MCA1,
- Linking the co-managed MCA1 to account monitoring groups,
- Modifying the co-managed MCA1 data according to their access rights (CBs can modify all attributes; Payment Banks can modify floor/ceiling data).

For further details, please refer to the [FAQ on co-management](#).

3.2 In CLM

Subject to privileges/roles, users of the co-manager P2 will be able to trigger the following user functions on the co-managed MCA1 via A2A/U2A:

- Initiation of liquidity transfer orders debiting MCA1,
- Set-up of overnight deposits debiting MCA1 and crediting the linked overnight deposit account,
- Initiation of overnight deposit reverse orders debiting the linked overnight deposit account and crediting the MCA1,
- Task management,

- Submit query requests to CLM to request information about the co-managed account(s): e.g. Account statement query, Audit trail for CLM query, Available liquidity CLM query, Available liquidity overall query, Broadcast query, Cash transfer query, Current reservations query, Event query, File query, Message query, Minimum reserve fulfilment query, Task queue query.

4 Messages and reports

Depending on their respective agreements and setups, both the co-managee P1 and the co-manager P2 can receive messages and reports pertaining to the co-managed MCAs. For the co-managee, this will only be possible if it has its own ESMIG connection. Otherwise, only the co-manager can receive messages and reports, then forward them to the co-managee depending on potential bilateral arrangements (outside the TARGET Services framework through any means deemed appropriate by the parties e.g. messages, fax, secure email, FTP transmission modes).

4.1 CLM Bank to customer statement (camt.053)

Both the co-managee P1 and the co-manager P2 can receive account statements for the MCA1.

P1 and P2 can set up their own report configurations. In a “domestic” scenario where both co-manager and co-managee are in the same country, they can both be defined as opting parties in the same report configuration of the camt.053 for MCA1.

In this case, the camt.053 can be routed to the PTA1 of P1 and PTA2 of P2 using their respective default or conditional routing.

A combination whereby the co-managee P1 downloads a U2A statement of account and the co-manager P2 receives an A2A statement for the MCA1 is possible depending on the type of the report configuration (i.e. pull or push) of P1 and P2. In the scenario whereby the co-managee P1 is set up as U2A only, it cannot set up the report configuration in push mode. However, the co-manager P2 can receive the camt.053 via A2A or download it via U2A. The fact that P1 is U2A-only does not prevent P2 to set up a configuration in pull mode.

4.2 CLM Credit/Debit Notifications (camt.054)

Either the co-managee P1 or the co-manager P2 can receive CLM credit/debit notifications for MCA1.

In both cases, the CLM credit/debit notifications (subject to subscription) will follow the message subscription and default routing configured in CRDM for P1.

If this default routing points to PTA1 belonging only to P1 (i.e. defined as party technical address in CRDM for P1 but not for P2), the notifications will be sent to this PTA1 of P1.

If this default routing points to PTA2 belonging to P2 (defined as party technical address in CRDM for both P2 and P1), the notifications will be sent to this PTA2 of P2.

If there are no message subscription and default routing configured in CRDM for P1, CLM will be enabled, under certain conditions, to copy the message subscription and default routing of the co-manager to the co-managee. This will be implemented through change request CSLD-0113-UDFS.

For further details, please refer to the [FAQ on co-management](#).

If the co-managee P1 is set up as a U2A-only party, no credit/debit notifications will be generated for MCA1, and therefore no such messages can be received by the co-manager P2.

4.3 Minimum Reserves

The co-manager P2 can query minimum reserves requirement and fulfilment of the co-managed MCA1 through camt.003/camt.004 messages.

4.4 Data warehouse (DWH) reports

“STA02 – Statement of account (co-managed accounts)” is the only DWH predefined report which can fetch data on the co-managed MCA(s). It can retrieve and display grouped by accounts, statement information on a single or all the co-managed MCAs of a party. (See DWH UHB v2.0: section 5.11.2 STA02 – Statement of account (co-managed accounts)). No other predefined reports will return data on co-managed accounts.

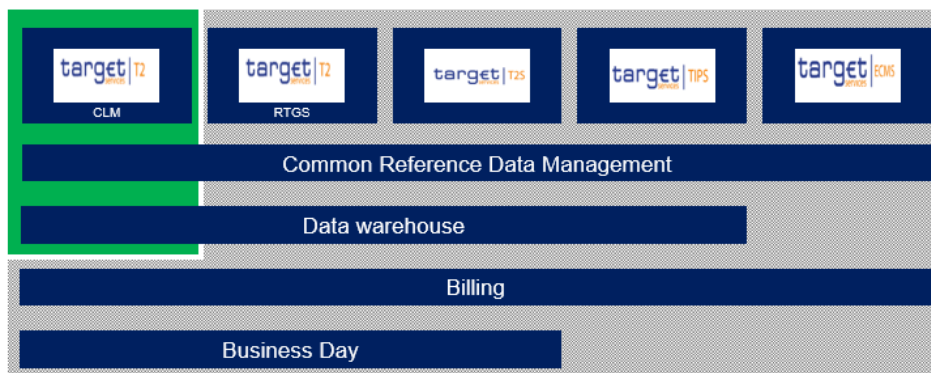
Central banks can use adaptable and user-defined reports returning data on co-managed accounts.

5 Co-management vs other TARGET Services and components

There is no co-management in RTGS, TIPS or T2S. However, CBs can always act on behalf of any party belonging to their community on the third level of the hierarchical party model, in case of need.

There is an equivalent “proxy” functionality in ECMS whereby a third party can receive access to the data scope of another institution. In this case, the counterparty will have an agreement with a third party that will be reflected in the ECMS reference data via the proxy functionality. The staff of the third party will manage/monitor the activity of the counterparty. In this case the “co-managed” counterparty does not need an U2A connection. Proxy functionality only works at domestic level (the third party must belong to the same NCB as the counterparty).

In a co-management scenario, the co-manager will have access, in relation to the co-managed MCA1 to CLM, to certain CRDM functions, and partially to the DWH (within the data scope of the co-managed MCA) as illustrated in the below diagram and described in chapter 4.4.



5.1 Case of Billing messages (camt.077)

The co-manager doesn't have any specific access to the billing data of the co-managee. However, a co-manager's PTA can be set up in a co-managee's routing configuration in order to receive the billing messages of the co-managee (and actually any party's PTA could be set up there, this is not specific to the co-manager). In this case, all the camt.077 invoices, invoice cancellations and consumption messages of the co-managee party will be sent to the co-manager PTA configured in the routing configuration of the co-managee. This is because the concept of invoicing does not apply to the account

but to the party level i.e. it is not possible to subscribe to billing messages and configure the routing configuration for a single account.

As a result, either the co-managee P1 or the co-manager P2 can receive the billing report camt.077 of the co-managee.

6 Responsibilities of the co-managee

If a party has all its MCAs co-managed (and has no accounts in other services), it does not need to connect to ESMIG. However, the co-managee *is* the account holder and:

- ensures the proper management of its liquidity (e.g. in terms of participation in Central Bank operations);
- remains responsible and liable for any activity taking place on its accounts (even if access to its account is only possible for e.g. the co-manager); and
- performs transaction level monitoring (e.g. intraday/end-of-day reconciliation).

7 Examples

The attached table includes a non-exhaustive list of co-management setup examples outlined in four scenarios, diverging from each other in terms of changes in technical parameters. As scenarios 1 and 4 may be more commonly used, they include some business illustrations.

For all the scenarios described, the CB(s) of the co-managee P1 and of the co-manager P2 has (have) to set up the following configurations in CRDM:

Set-up of parties

P1: owner of the MCA1 (co-managee). P1 has one Party Technical Address (PTA), PTA1.

P2: co-manager of the MCA1. P2 has three PTAs: PTA2, PTA3, PTA4. PTA3 and PTA4 are additional PTAs of the co-manager P2 which are used to receive reports and messages based on the setup of P2 (see annex co-management example scenarios).

Set-up on the account(s) to be co-managed

CB of P1 must define the following two additional attributes at the level of the co-managed MCA1

- The flag that the account is co-managed to be set to true, and
- P2 is to be identified via its Party BIC (and its parent BIC)

The camt.053 message referred to in these examples is the account statement i.e. not the general ledger.

Scenario 1 – Full co-management (Co-managee has no ESMIG connection)

In the scenario 1, P2 performs a full management of the MCA1 i.e. it takes all the actions on the MCA1 on behalf of P1 e.g. initiate liquidity transfers and receive notifications. P1 does not have any access to ESMIG (see section 6).

The setup of co-managee P1 is made in such a way that the co-manager P2 receives all the reports and messages on behalf of P1 through the PTA2.

Additionally, the co-manager has a separate setup to receive the camt.053 not through its default routing but through a conditional routing pointing to the PTA4.

Illustration of scenario 1

A branch can be co-managed by its head office (locally or in a cross-border context) and fully rely on its head office for connectivity aspects and MCA management, which will result in a reduction of the project efforts and costs for the branch. Similarly, a bank A can agree with another bank B (outside its group) to become its co-manager, provided that bank B is a CLM Account Holder and has a connection to ESMIG.

This business case is relevant for co-managees that:

(i) mainly or only use their MCA(s) for the purpose of maintaining reserves (a co-managed MCA is not incompatible with the usage of monetary policy operations, but for those, ad hoc procedures shall be agreed between the co-managee and its co-manager);

(ii) do not use other settlement services i.e. TIPS, T2S, RTGS as co-management is only applicable to CLM.

Scenario 2 – Full co-management (Co-managee has an A2A ESMIG connection)

In this scenario, P2 performs a full management of the MCA1. Contrary to scenario 1, P1 has access to ESMIG and is set up as A2A party to ensure P2 can set up message subscriptions e.g. camt.054.

In this scenario, P1 only checks balances in U2A and therefore does not need to use its own PTA1. Its default routing is pointing to the PTA2.

Additionally, the co-manager P2 has a separate setup to receive the camt.053 not through its default routing but through a conditional routing pointing to the PTA4.

Scenario 3 – Full co-management (Co-managee has a U2A ESMIG connection)

In the scenario 3, P2 performs a full management of the MCA1. The co-managee P1 is set up as U2A-only party and cannot set up push report configurations and message subscriptions. P1 only downloads account statements in U2A.

In principle, there is no need to insert a PTA in the setup of the co-managee P1. As a U2A-only party, P1 cannot set up push report configurations and messages. However, the PTA2 is inserted as at least one PTA is mandatory per party. That PTA can be any string that may not be used for A2A traffic.

Additionally, depending on the type of its report configuration (i.e. push or pull), the co-manager P2 can receive the camt.053 via A2A or download it via U2A. The fact that P1 is U2A-only does not prevent P2 to set up a configuration to receive camt.053 via A2A.

Scenario 4 – Monitoring and back-up co-management (Co-managee has a A2A connection to ESMIG)

In the scenario 4, P2 performs a co-management of the MCA1 for monitoring (i.e. ex-post monitoring of transactions on the MCA1 through the A2A account statements) and for back-up purposes (e.g. in case of the inability of the co-managee, the co-manager P2 can perform any urgent transfer of liquidity from the co-managed MCA1).

P1 is A2A party and can set up push report configurations and message subscriptions. P1 partially manages the MCA1 and receives the camt.054 and the camt.053.

P2 receives the camt.053 for monitoring purposes.

In this scenario, no additional report configuration is needed for P2, as it can receive the camt.053 through the setup of P1. But P2 can opt to receive camt.053 through a different PTA e.g. PTA3 if needed as in the scenarios 1 to 3.

Illustration of scenario 4

This scenario could apply in case of a banking group sharing its IT infrastructure. It could sign one A2A ESMIG contract for the whole group and use the head office PTA2 to receive the camt.053 for all branches in order to consolidate all account statements in the banking group centralised system. The head office, being a co-manager, can also perform directly (as a back-up) liquidity transfers from an MCA belonging to one of its branches.

Finally, it should be noted that the co-management is a full delegation of rights to the co-manager without limitations. Thus, there is an operational risk of double / contradictory instructions in case both co-managers and co-managee manage the co-managed MCA. This risk should be mitigated by bank's internal operational procedures.