



EUROPEAN CENTRAL BANK

TARGET2 & TARGET2-Securities

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TARGET2 & TARGET2-securities

TARGET2

1. Concept for the next generation of RTGS
2. Main achievements on users' side
3. A catalyst for change in the European landscape

TARGET2-Securities

1. Why T2S and why the Eurosystem?
2. Governance of UR phase
3. T2S Timeframe

TARGET2

1. Concept for the next generation of RTGS

Back to TARGET1...

- Decentralised system built under tight time constraints for being ready on 2 January 1999.
- Became one of the biggest systems in the world, very high market share in euro large value payments.
- More than 300,000 transactions settled each day on average for a value of more than 2,000 billion €
- Connecting more than 1,000 direct participants and 50,000 bank addresses .

TARGET2

1. Concept for the next generation of RTGS

Rationale to move towards TARGET2...

- Enhanced and harmonised level of service, offered at a single price structure.
- Adaptability to more demanding user requirements and future developments.
- Cost effectiveness.
- Readiness for future enlargement of the euro area.

TARGET2

1. Concept for the next generation of RTGS

Decision to move to TARGET2...

- Decision of the Governing Council to set the foundation for the next generation of TARGET (*Oct. 2002*)
- Public consultation of European banks (*Dec. 2002-Apr.2003*)
- Offer by 3 Eurosystem Central Banks (DE, FR, IT) to build a shared platform (*Oct. 2003*)
- Decision by all Euro Area Central Banks to join the shared platform (*Dec. 2004*)

TARGET2

1. Concept for the next generation of RTGS

Project organisation

- TARGET2 is a project of the Eurosystem where the technical platform is provided and operated by the 3CB.
- Operational, legal and technical frameworks are prepared at Eurosystem level to ensure the maximum harmonisation.
- Credit institutions and ancillary systems are involved in the project developments.
- National Central Banks remain responsible for the relationship with their national banking communities.

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TARGET2

2. Main achievements on users' side

Overview of TARGET2's achievements...

- Same core services provided to all participants at a single price structure.
- Full technical consolidation allowing users to rationalise their payment activities in €
- Advanced liquidity saving features.
- Enhanced robustness and resilience based on 2 regions / 4 sites concept.

TARGET2

2. Main achievements on users' side

TARGET2 single price for core services

Option A:

Monthly fee: 100 €

Transaction fee (flat): 0.80 €

Option B:

Monthly fee: 1250 €

Transaction fee (digressive):

from 1 to 10,000 0.60 €

from 10,001 to 25,000 0.50 €

from 25,001 to 50,000 0.40 €

from 50,001 to 100,000 0.20 €

above 100,000 0.125€

TARGET2

2. Main achievements on users' side

Rationalisation of users' payment activities in €

- Settlement of all participants' positions from a single RTGS account, including ancillary system settlements.
- Single pricing scheme with no difference between domestic and cross-border.
- Harmonisation of technical interfaces and operational procedures.

TARGET2

2. Main achievements on users' side

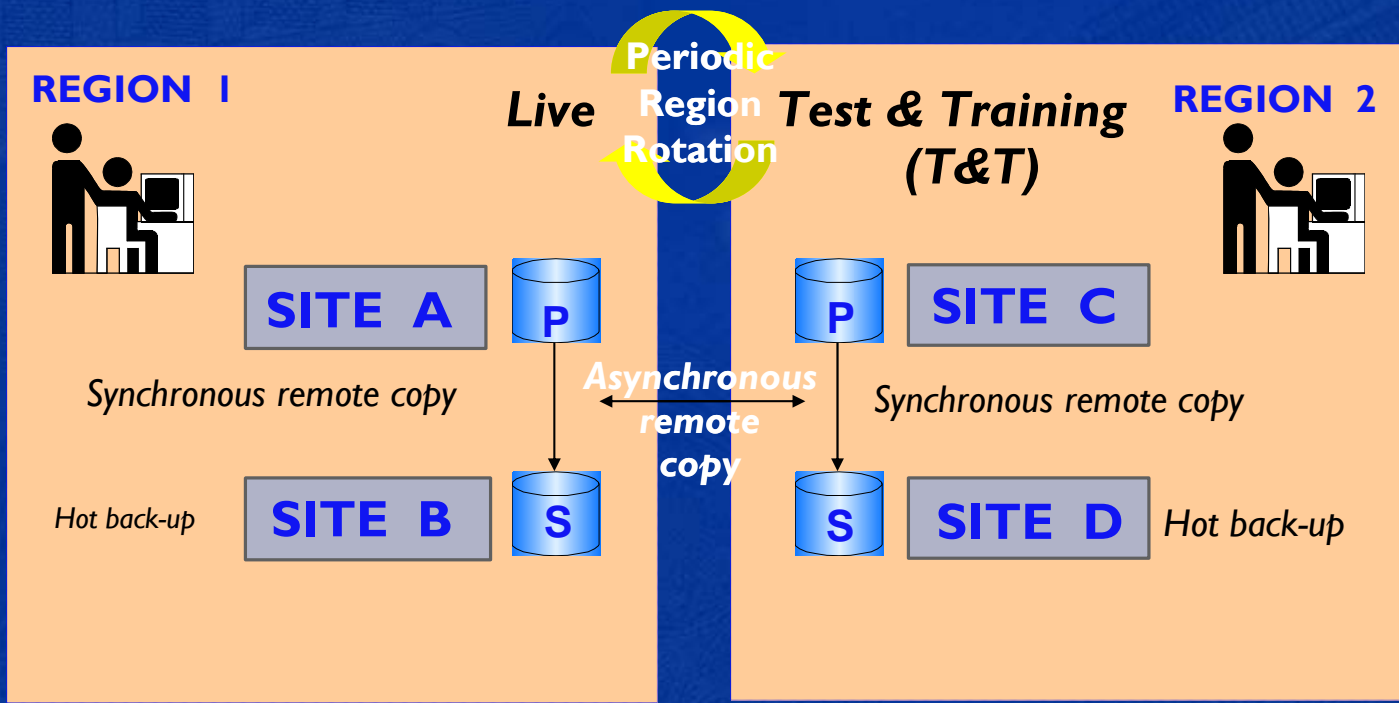
Advanced liquidity saving features

- Intraday pooling of liquidity
- Consolidated account information
- Priorisation of payments
- Timed payments
- Liquidity reservation facilities
- Sender limits (bi/multilateral)
- Gridlock mechanisms

TARGET2

2. Main achievements on users' side

Enhanced resilience



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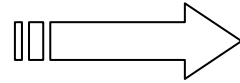
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TARGET2

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TARGET2 benefits



Expected changes

- Single price structure
- Same core services



COMPETITION

- Lower prices
- Advanced features
- Better integration of liquidity mng^t



EFFICIENCY

- Reduces national specificities
- Favours cross-border activities
- Harmonisation of business practices



CONSOLIDATION

Make sure you are ready on time for TARGET2 !!!

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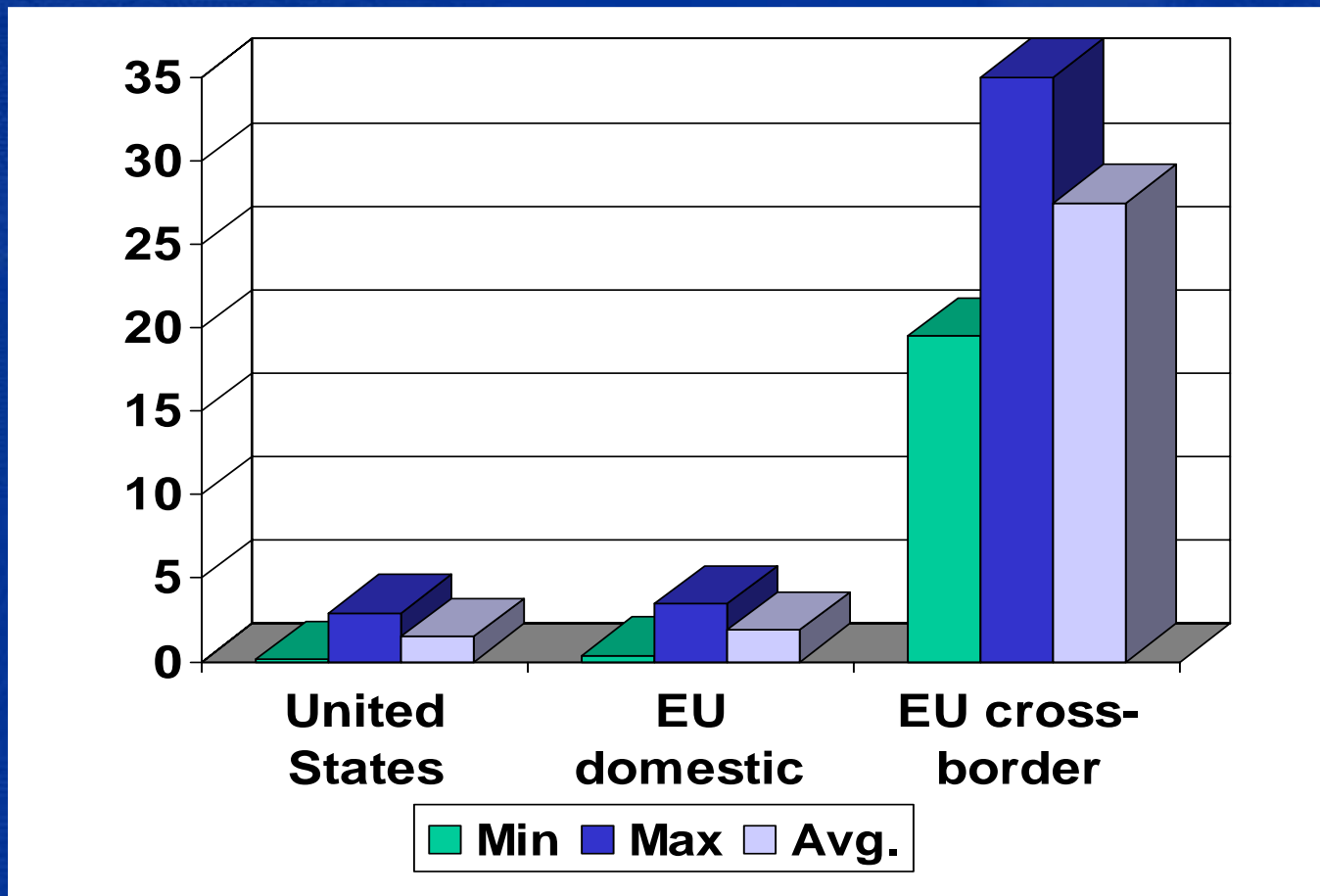
TARGET2-Securities

1. Why T2S and why the Eurosystem?
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TARGET2-Securities

I. Why T2S and why the Eurosystem?

Domestic and cross-border settlement costs in EU and US



Source: Oxera, LSE, CEPS

TARGET2-Securities

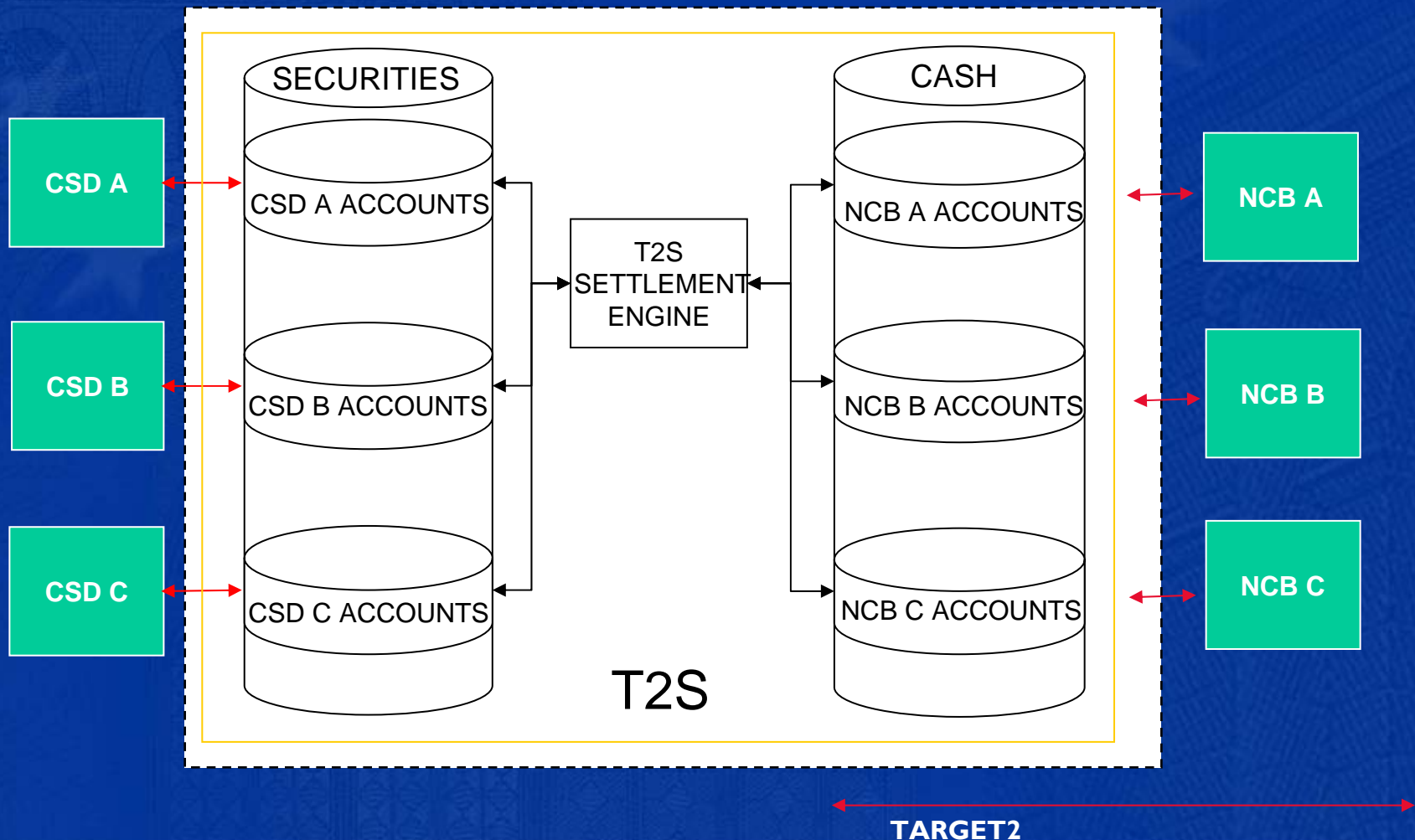
I. Why T2S and why the Eurosystem?

- Eight years after the introduction of the euro, the market has delivered little
- The ECB/Eurosystem is committed to efficient and integrated financial markets in the EU (Lisbon agenda)
- Neutrality of the ECB/Eurosystem:
 - between market participants
 - between financial centres
 - cost recovery principle
- TARGET and TARGET2 experience in successfully creating and implementing Europe-wide infrastructures

TARGET2-Securities

I. Why T2S and why the Eurosystem?

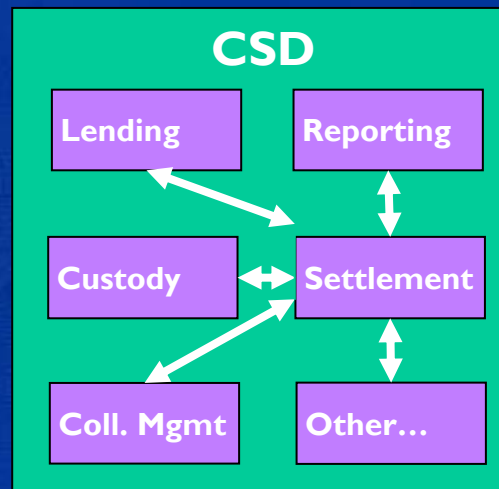
The concept: securities and cash accounts in one platform



TARGET2-Securities

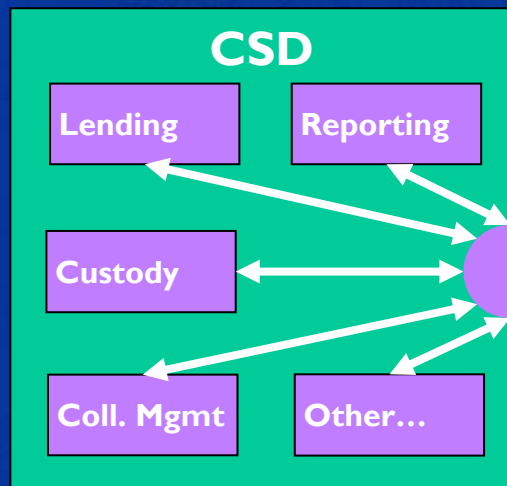
I. Why T2S and why the Eurosystem?

T2S does not segregate custody and settlement...

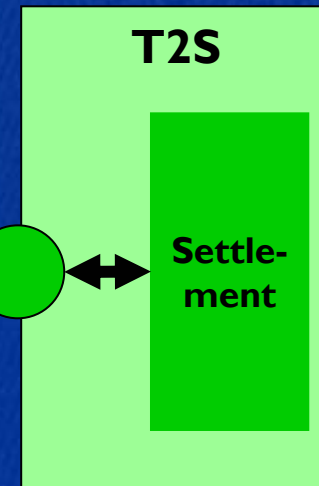


CSD
operations
Today

T2S world



.....It provides an outsourcing facility



TARGET2-Securities

I. Why T2S and why the Eurosystem?

Comparison between US and euro area

Fedwire Securities

Service



Settlement
function

Custody
function

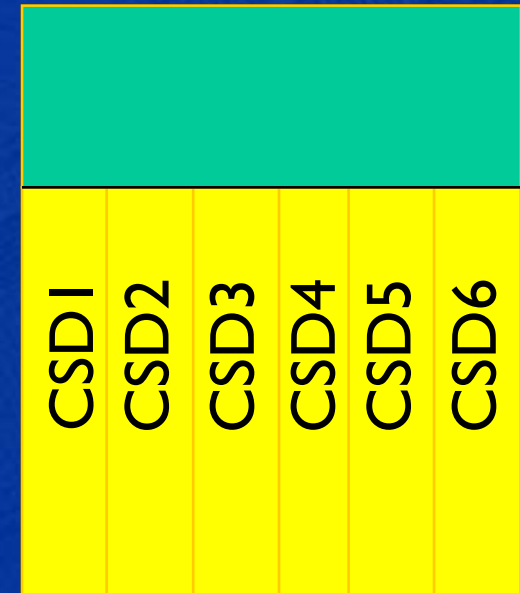
Notary
function

Government
Securities
(incl. agencies)

Equities,
corporate
bonds, ...



TARGET2-Securities



All types of securities

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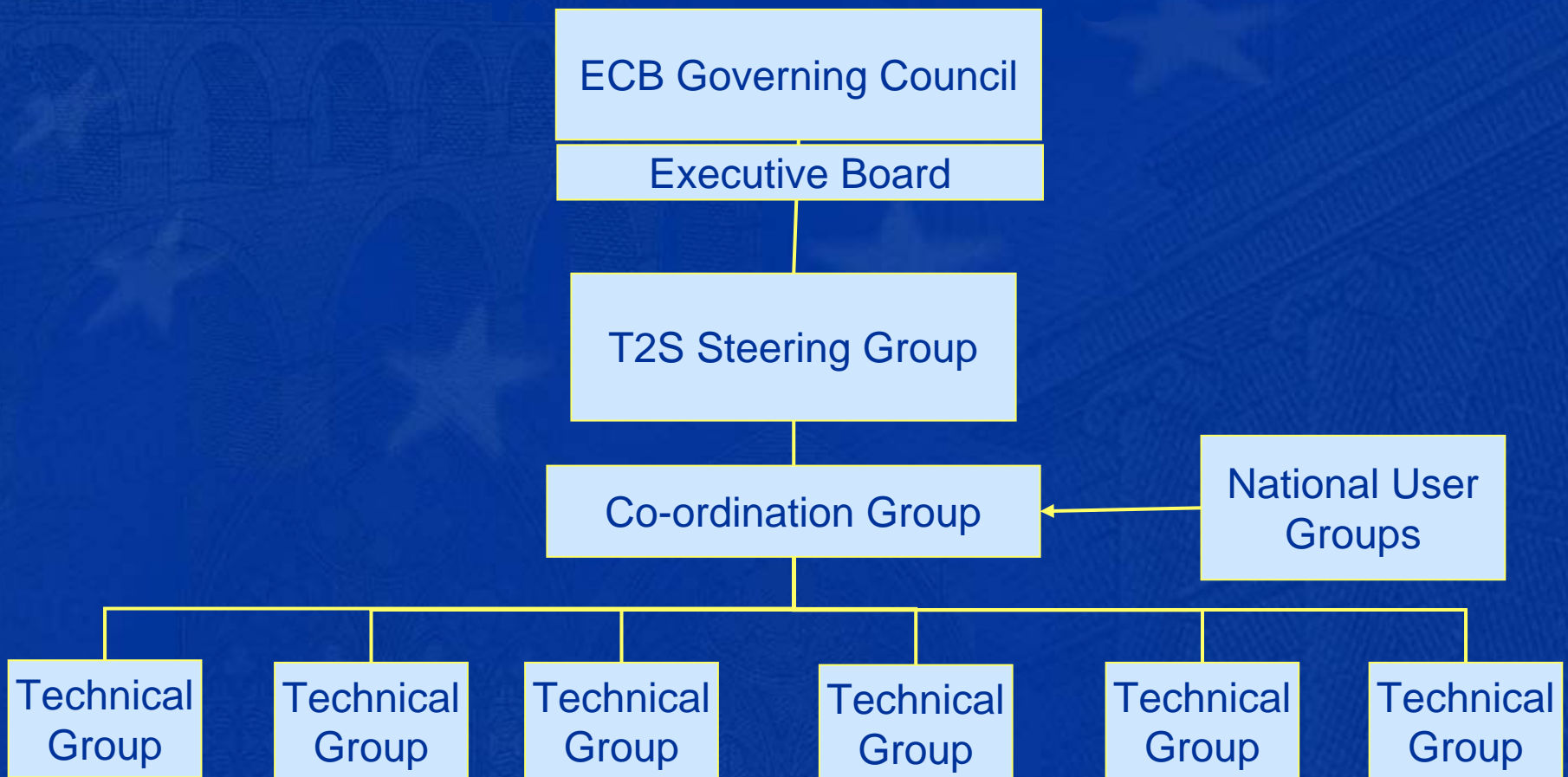
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The Principles

1. Balance between wide representation and efficiency
2. Maintain high level of openness and transparency
3. Reflect financing and risk-taking in decision-making

TARGET2-Securities

2. Governance of UR Phase



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TARGET2

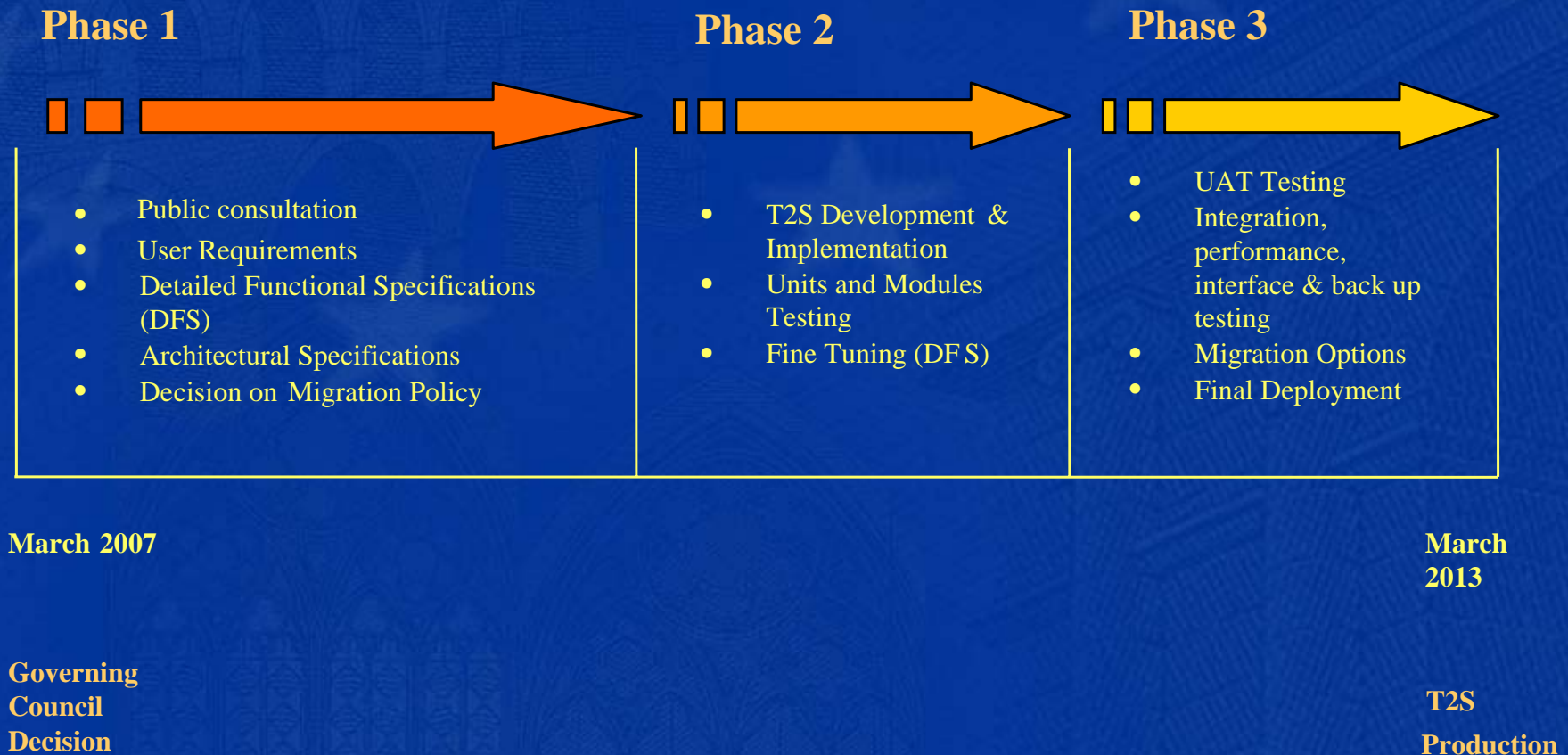
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TARGET2-Securities

3. T2S Timeframe



Conclusions

Complementarity between the initiatives of the Commission and those of the ECB/Eurosystem

Complementarity between T2, T2-S and CCBM2

At the ECB, we take the Lisbon Agenda seriously