ECB
DG-MIP
T2-T2S Consolidation

Liquidity Management

TARGET Consolidation Contact Group

2nd meeting on 14 March 2018

Overview

Whitelist & Liquidity Transfer Group

- A Liquidity Transfer Group allows liquidity transfers between all accounts belonging to the same group within a service

Main features:

- Configured by the Central Banks based on related policy

- Apply for liquidity transfers within a single service only (e.g. from RTGS DCA to RTGS DCA)

- Makes no difference for liquidity transfers across services (e.g. from CLM MCA to RTGS DCA) as no restrictions apply anyway

Whitelist & Liquidity Transfer Group

- A Whitelist will provide additional control for cash accounts (DCA or MCA) by restricting from or to which other cash accounts liquidity transfers are allowed

Main features:

- Configured by participants (separate for in- and outbound)

- Usage optional (i.e. if not activated no restrictions apply)

- Apply for liquidity transfers
  - within a single service (e.g. from RTGS DCA to RTGS DCA) and
  - across services (e.g. from CLM MCA to RTGS DCA)

- Applies in addition to the feature of a Liquidity Transfer Group (where relevant)

Whitelist & Liquidity Transfer Group

Liquidity Transfers are

- NOT payments

- instructed using camt messages (i.e. not pacs messages), triggered via standing orders, automation or U2A

- executed immediately and not queued

Liquidity Transfers are allowed

- between any accounts of the same liquidity transfer group within a single service

- between accounts in different services (e.g. from CLM MCA to RTGS DCA)

- unless restricted by a whitelist

# Whitelist & Liquidity Transfer Group Example 1 – Within One Group

target services

Liquidity Transfer Group A (LTG A)			
DCA1 WL	**DCA2 WL**	**DCA3 WL**	**DCA4 WL**
DCA2	DCA1	DCA2	Not
DCA3	DCA4	DCA4	Defined

From\To	to DCA1	to DCA2	to DCA3	to DCA4
from DCA1	NA	✓	—	—
from DCA2	✓	NA	—	✓
from DCA3	—	—	NA	✓
from DCA4	—	✓	✓	NA

For simplification of the example the whitelists are the same for in- and outbound

Whitelist & Liquidity Transfer Group Example 2 – Across Multiple Groups

target services

LTG A	LTG B	LTG C	
DCA1 WL	**DCA2 WL**	**DCA3 WL**	**DCA4 WL**
DCA2	DCA1	DCA2	Not
DCA3	DCA4	DCA4	Defined
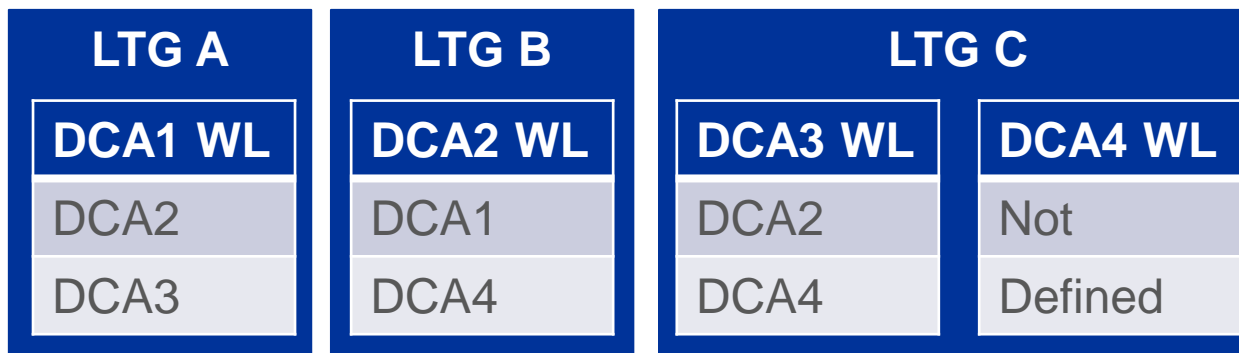
From\To	to DCA1	to DCA2	to DCA3	to DCA4
from DCA1	NA	✓ *	—	—
from DCA2	✓ *	NA	—	✓ *
from DCA3	—	—	NA	✓
from DCA4	—	✓ *	✓	NA

* LT is not allowed within a single service, but across different services
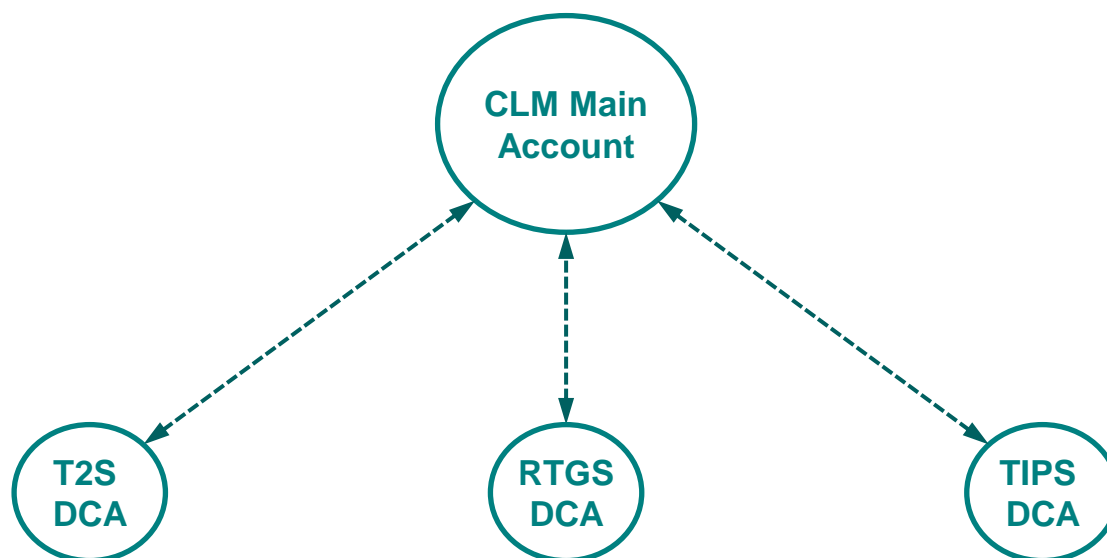For simplification of the example the whitelists are the same for in- and outbound

Overview

target services

1	Whitelist & Liquidity Transfer Group
2	**Liquidity Transfers between services**
3	Pending Liquidity Transfers
4	Reservations
5	Multiple Accounts

Liquidity Transfers between services

- Hierarchical account model

```
                    CLM Main
                    Account
         ↙              ↕              ↘
     T2S             RTGS            TIPS
     DCA             DCA             DCA
```
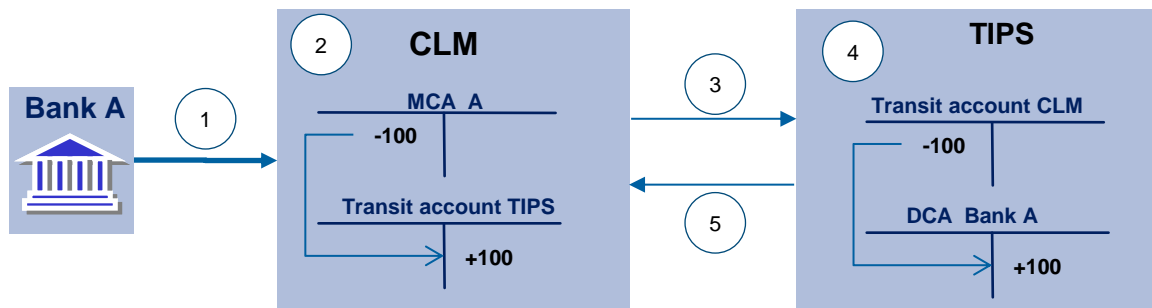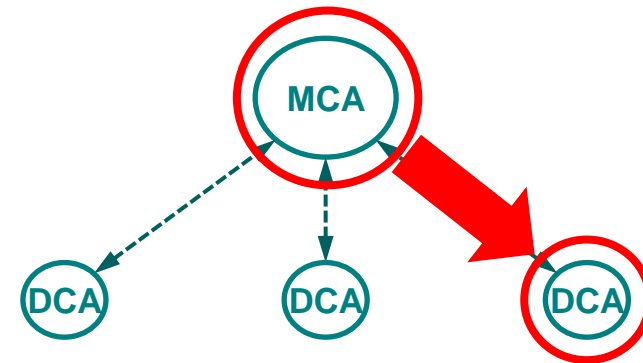
- How is liquidity moved between the different services?

- How can liquidity be transferred between e.g. RTGS and TIPS?

- Is the Main Account becoming mandatory?
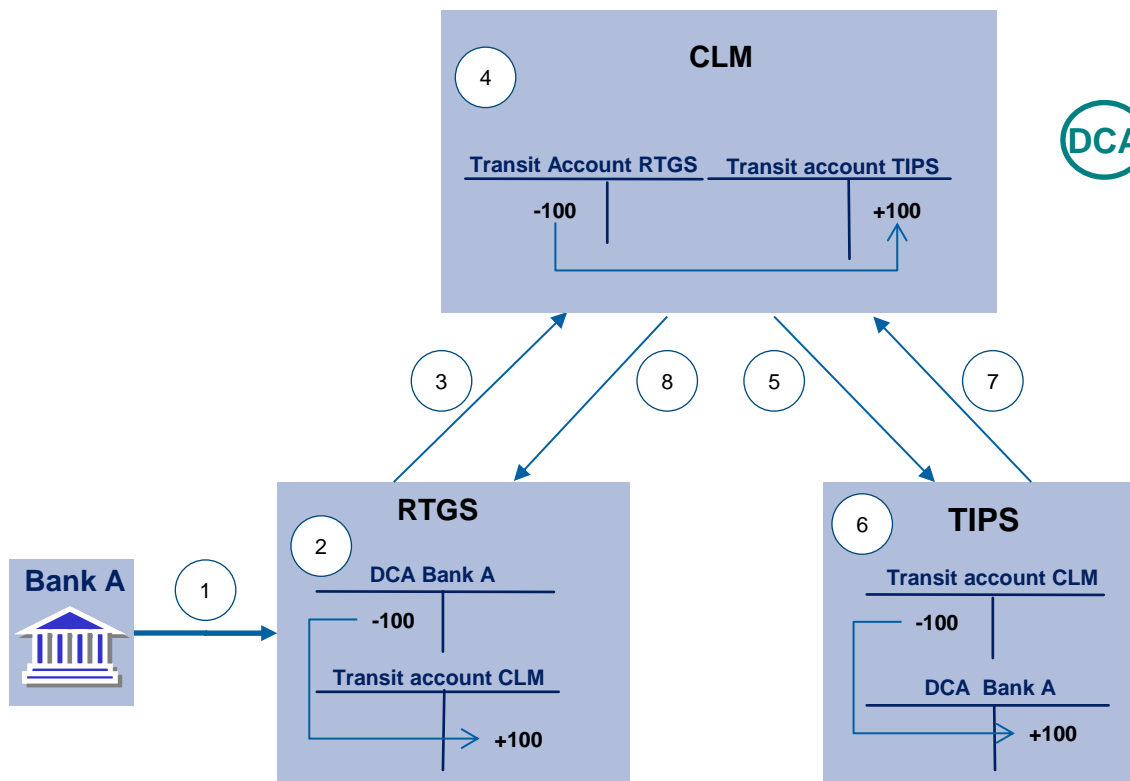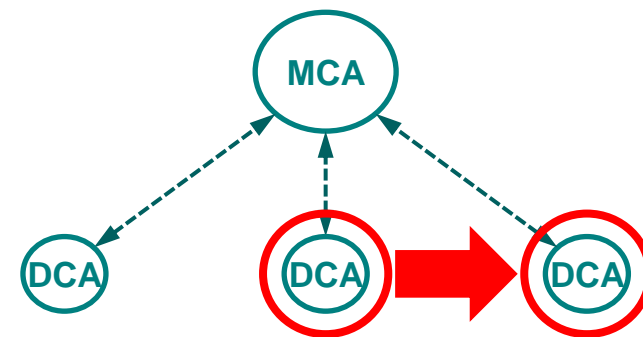
Liquidity Transfers between services

- Liquidity Transfer between CLM and a settlement service (e.g. TIPS)

Liquidity Transfers between services

target services

- Liquidity Transfer between two services (e.g. from RTGS to TIPS)

Overview

target services

1	Whitelist & Liquidity Transfer Group
2	Liquidity Transfers between services
3	**Pending Liquidity Transfers**
4	Reservations
5	Multiple Accounts

Pending Liquidity Transfers

- Liquidity transfers instructed are never queued they are either settled immediately (in full or partially) or are rejected

- Only under certain conditions an automatically generated Liquidity Transfers can become pending, for instance in the following scenario:
  – MCA has insufficient liquidity for a central bank operation AND
  – automatically triggered liquidity transfer from the RTGS DCA cannot transfer sufficient liquidity

- Available liquidity from the RTGS DCA is transferred

- Any incoming liquidity (up to the remaining amount) on the RTGS DCA will be transferred as well until the pending transaction can settle

Overview

target services

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5	Multiple Accounts

Reservations

- Liquidity can be reserved on an MCA/DCA by means of:
  - Having a standing order to be executed at "Start of Day" (SOD);
  - Sending a liquidity reservation order

- Amounts that cannot be covered immediately (pending reservations) will be added to the reserved amount whenever liquidity arrives on the account until the reserved amount is reached

- All reservations will be cancelled at EOD (after the last settlement attempt), i.e. all liquidity is available again for the standing order reservation at SOD

Overview

1	Whitelist & Liquidity Transfer Group
2	Liquidity Transfers between services
3	Pending Liquidity Transfers
4	Reservations
5	**Multiple Accounts**

Multiple Accounts

- Hierarchical account model

```
            ┌─────────────┐
            │  CLM Main   │
            │   Account   │
            └─────────────┘
          ↙        ↕        ↘
   ┌────────┐  ┌────────┐  ┌────────┐
   │  T2S   │  │  RTGS  │  │  TIPS  │
   │  DCA   │  │  DCA   │  │  DCA   │
   └────────┘  └────────┘  └────────┘
```
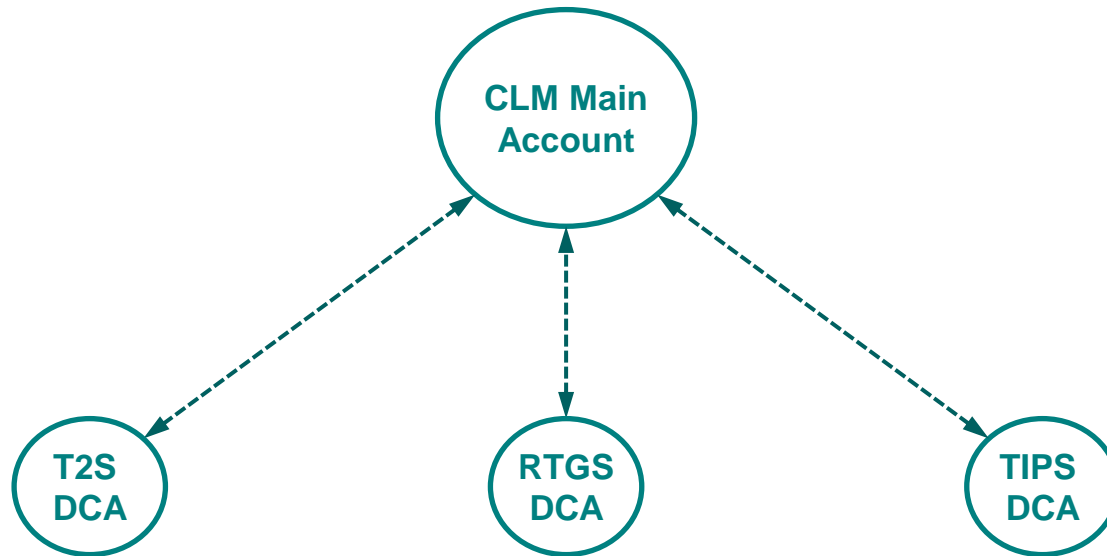
- Is it possible to have more than one account in any service?

- How will accounts be identified for settlement?

Multiple Accounts

- Participants can have multiple accounts in the different settlement services, i.e. several accounts can have the same party as account owner

- Each account is uniquely identified by an account number

- Purpose and usage of accounts depends on the individual settlement service including the related configuration and on the information contained in instructions/payments sent to the service

Multiple Accounts

T2S

- Settlement Instructions: DCAs are either included in the instruction or derived as default DCA of the securities account

- Liquidity Transfers: Involved accounts are always identifying by their respective account number

TIPS

- Instant Payment: DCAs are derived from the BIC11 of the PSPs identified in the instruction using the related mapping configuration or CMBs

- Liquidity Transfers: Involved accounts are always identifying by their respective account number

Multiple Accounts

RTGS

- Payments: DCAs are derived from the BIC11 and currency of the participants identified in the payment order

- AS Instructions: DCAs are derived from the BIC11 and currency of the participants identified in the AS instructions

- AS Instructions (procedure 6 interfaced): Subaccounts are provided in the AS instructions

- Liquidity Transfers: Involved accounts are always identifying by their respective account number

CLM

- Central Bank Operations: MCAs are derived from the account provided in the central bank operation itself

- Liquidity Transfers: Involved accounts are always identifying by their respective account number

Thank you for the attention!

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