

ECB  
DG-MIP  
T2-T2S Consolidation

# Follow-up on the “optional” changes to TIPS and T2S due to T2- T2S Consolidation

TARGET Consolidation Contact Group

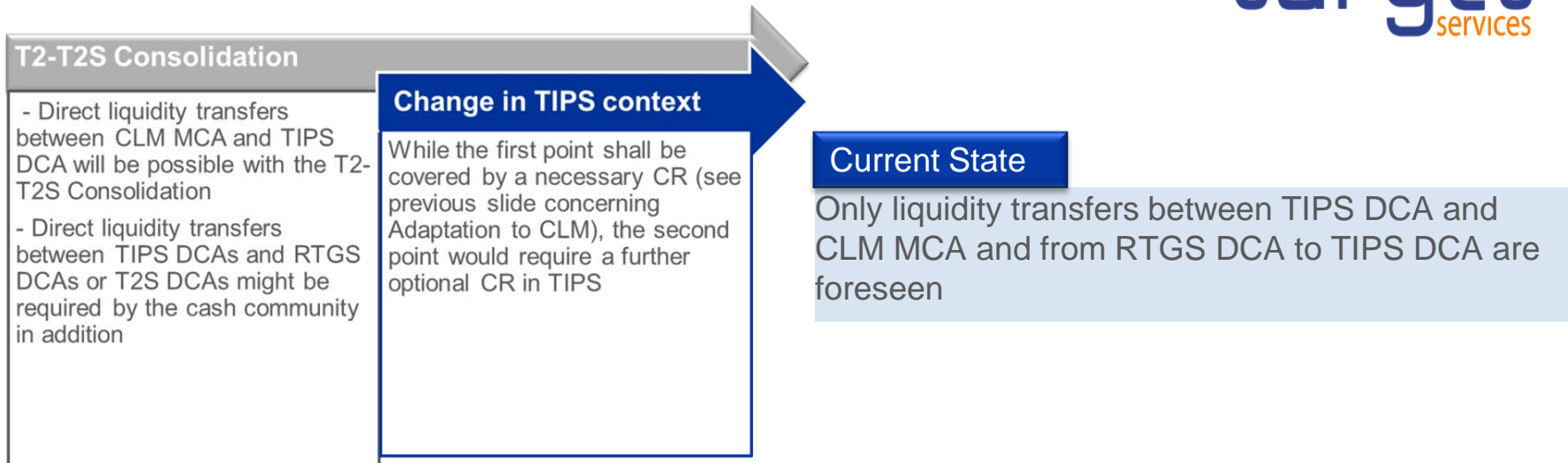
8<sup>th</sup> meeting, 04 December 2018

# Introduction



- In the 7th TCCG meeting in October 2018, 6 “optional” changes to TIPS and T2S were presented in detail (one for TIPS and five for T2S) and the participants were invited to express their initial views
- The participants were also invited to discuss these potential changes with their communities and provide feedback on their importance and business justification
- **TCCG members are now invited to confirm the business justification for each of the “optional” changes**
- For changes strongly supported by the TCCG, the 4CB/ECB project team will draft the related CRs for each project (TIPS and T2S)
  - These CRs will follow the respective **TIPS and T2S governance arrangements**

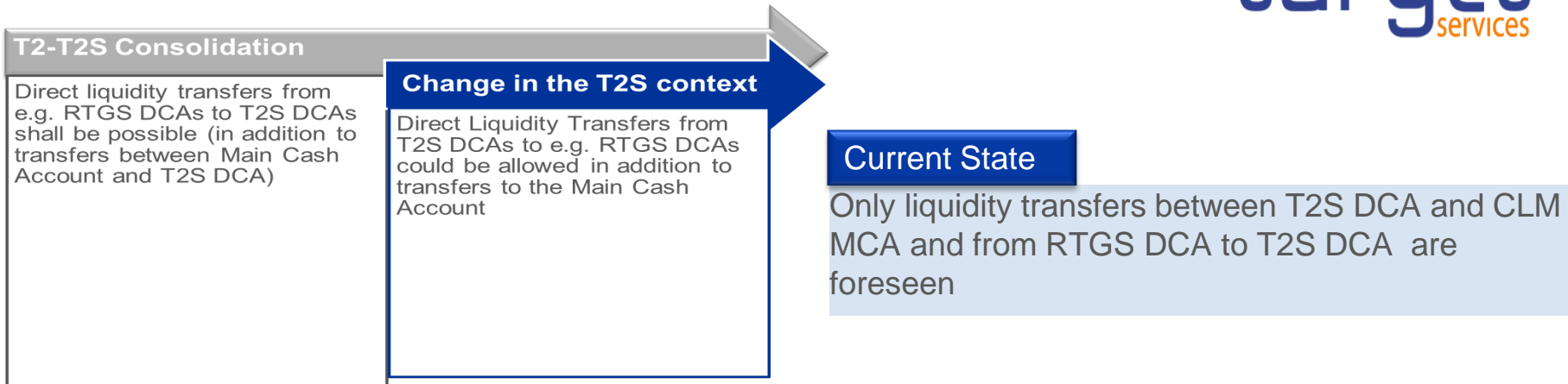
# Liquidity Transfer across services (TIPS)



- The scope of this change is to allow liquidity transfers in the following directions:
  - From TIPS DCA to RTGS DCA
  - From TIPS DCA to T2S DCA
- TCCG has indicated that if liquidity transfers are possible from one service to another, they should also be supported in the opposite direction
  - Since liquidity can be transferred from RTGS to TIPS, it should therefore also be transferrable from TIPS to RTGS
- TCCG has indicated its support for allowing transferring liquidity in both above mentioned directions, as this will facilitate the work of their liquidity managers

**TCCG is invited to provide further business arguments for the change**

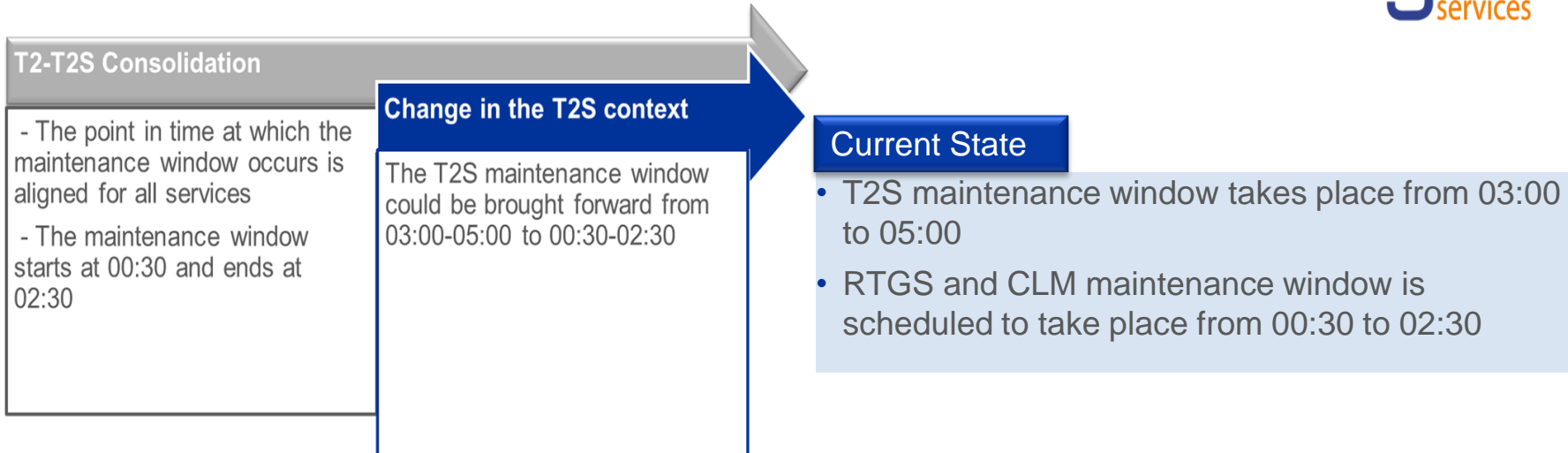
# Liquidity Transfer across services (T2S)



- The scope of this change is to allow liquidity transfers in the following directions:
  - From T2S DCA to RTGS DCA
  - From T2S DCA to TIPS DCA
- TCCG has indicated that if liquidity transfers are possible from one service to another, they should also be supported in the opposite direction
  - Since liquidity can be transferred from RTGS to T2S, it should therefore also be transferrable from T2S to RTGS
- TCCG has indicated its support for allowing transferring liquidity in both above mentioned directions, as this will facilitate the work of their liquidity managers

**TCCG is invited to provide further business arguments for the change**

# Maintenance window shift (T2S)



- A synchronised maintenance window across TARGET Services is a prerequisite for the T2-T2S Consolidation project to achieve its goals
  - It will reduce complexity for participants and the operator
- TCCG (cash market) has previously indicated a business need to start settling in Euro as early as possible during the night in order to increase the time window when Euro settlement is possible and Asian markets are open
- However, changing the T2S maintenance window (securities market) would result in process changes for CSDs and potentially for T2S participants

**TCCG is invited to provide further business arguments for the change**

# Automated End of Day cash sweep (T2S)

target  
services

## T2-T2S Consolidation

- The minimum reserve calculation process takes a snapshot of the relevant RTGS and T2S DCA balances
- EOD cash sweep is no longer necessary and cash may remain on T2S DCA at EOD
- Participants can still configure a transfer of the remaining liquidity at the EOD

## Change in the T2S context

- The automated cash sweep from T2S DCA at 17:45 could become an optional cash sweep allowing the EOD balance of a T2S DCA be different from zero
- In such a case T2S should produce a general ledger file for each active DCA during the EOD phase

## Current State

It is mandatory to empty all T2S DCAs at the end of any settlement day. For that purpose, T2S launches an “automated cash sweep” during EoD

- The new agreed approach for calculating minimum reserves gives the option to keep balances in T2S DCA at EoD and, therefore, the “automated cash sweep” is no longer mandatory
- TCCG has indicated its support on making the “automated cash sweep” (at 17:45) optional, but keeping the existing “optional cash sweep” (at 16:30) unchanged
  - Relaxing the constraint of mandatory cash sweep will decrease the operational risk

**TCCG is invited to provide further business arguments for the change**

# Rule-based Liquidity Transfers from/to T2S DCA (T2S)



## T2-T2S Consolidation

- The Central Liquidity Management of T2 optimises the efficient usage of liquidity for the different services and the transfers between them

- The participant can re-locate liquidity either manually (based on immediate liquidity transfer orders) or automatically (based on standing orders or rule-based orders)

## Change in the T2S context

- Automatically triggered liquidity transfer orders based on pre-defined events (e.g. floor/ceiling) could be introduced for T2S DCAs

- Additional triggers (e.g. lack of cash) could be considered

## Current State

In T2S only notifications are triggered when a predefined Floor/Ceiling is breached

- The T2S Account Holder would have the option to choose what shall T2S do once the balance is below the defined floor or above the defined ceiling amount:
  - generate a notification, as it is currently performed
  - automatically generate an inter-service liquidity transfer to/from the linked MCA
- TCCG has indicated its support on triggering inter-service LTO based on “floor/ceiling” events but not on any other event (e.g. lack of cash)

**TCCG is invited to provide further business arguments for the change and confirm its scope**

# Liquidity Transfer Group (T2S)



## T2-T2S Consolidation

- Liquidity Transfer Group is a group of Cash Accounts within one service/component between which intra-service liquidity transfer orders (LT) are allowed

- Cash Accounts within a Liquidity Transfer Group may be owned by different Parties (banks), and these banks may be associated with more than one Central Bank

## Change in the T2S context

- The concept of Liquidity Transfer Group could be introduced in T2S in the context of T2S DCAs

- The existing rules that only allowed LTs between accounts of the same Party and between the accounts linked to the same RTGS might need to be amended

## Current State

The existing T2S rules for internal liquidity transfers

1. Between accounts of the same Party
2. Between accounts linked to the same RTGS
3. When at least one account involved is a CB Account

would be enhanced introducing the concept of the Liquidity Transfer Group (LTG).

- A LTG can include cash accounts owned by different Parties, which may be associated with more than one CB (cross-border LTG)
- Nevertheless, the TCCG has indicated there are no reasons for changing the existing rules in T2S

**Would TCCG confirm this initial view on this point?**





**Thank you for the attention!**

 **T2-T2S.Consolidation@ecb.int**

[www.ecb.europa.eu/paym](http://www.ecb.europa.eu/paym)

 **ECB: market infrastructure and payments**