



EUROPEAN CENTRAL BANK

EUROSYSTEM

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# **TARGET2 – The enhanced contingency solution**

AMI-Pay meeting

Frankfurt am Main, 14 May 2019

## Overview

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Background

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Enhanced contingency solution

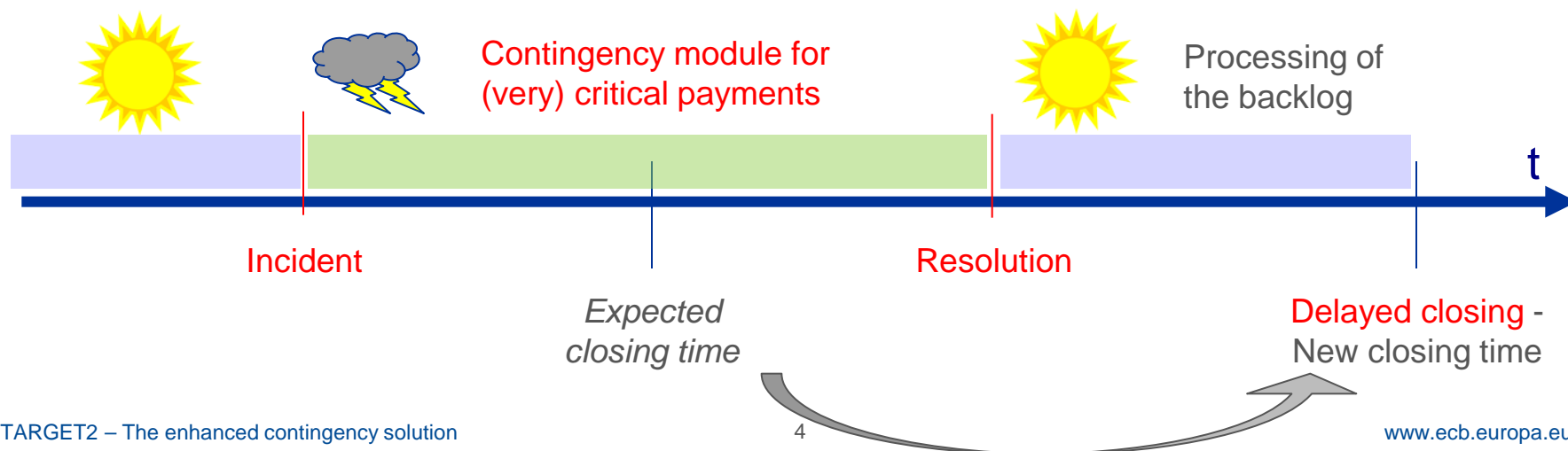
## Overview

### 1 Background

### 2 Enhanced contingency solution

## Current situation

- **Assumption:** possible to resume full TARGET2 single shared platform (SSP) processing capabilities on the day of the disruption
- Recovery Time Objective (RTO)  $\leq 2$  hours
- Recovery by 22:15 would still ensure a start of the day trade phase at 07:00 on the following business day
- Response to disruptive events severely affecting TARGET2 availability
  - consists of using the contingency module (for very critical and critical payments)
  - possibly combined with a delayed closing



### Limitation of current arrangements

- Contingency Module: ability to perform contingency payments only on the same business day
- A very late closing (technically feasible) may create severe disruptions to Central Banks, banks and markets, in particular if it goes beyond midnight
- No effective response to new challenging scenarios going along with the changed threat landscape (e.g. cyber attack resulting in the corruption of data)
- Not appropriate to meet new oversight requirements (e.g. CPMI-IOSCO guidance on cyber resilience for FMIs)

## Overview

1

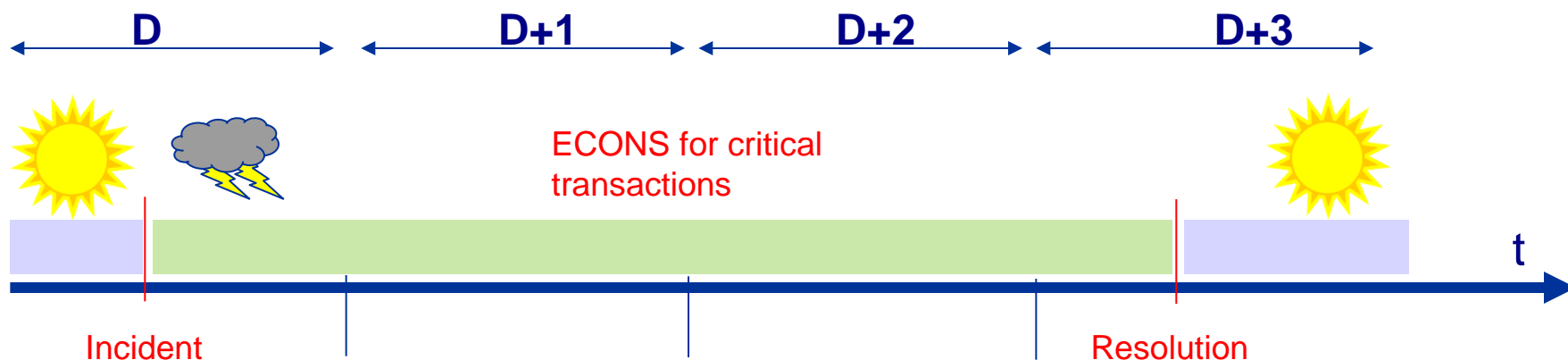
Background

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**Enhanced contingency solution**

## Concept and objective

- Solution to cope with a long lasting TARGET2 incident
  - not possible to safely resume critical operations within two hours of a disruption
  - facilitate the processing of critical transactions
- Cost effective solution considering that it is addressing a “tail event”



### Enhanced contingency solution

- ECONS concept presented in the 2017 September AMI-Pay meeting
- Communication on ECONS in the national stakeholder groups
- Concept/requirements translated into a change request
- Scheduled to be implemented with TARGET2 SSP release 13.0 in November 2019
- Testing will commence in September 2019



### Major difference compared to existing contingency module

- **Duration:** ECONS can be used for a number of consecutive days (no night time settlement)
- **Controls/prioritization:** mechanism to allow CBs to control/prioritise payments flow
- **AS settlement:** ASI procedure partially supported
- **Connectivity:** banks can access ECONS via a GUI (U2A mode) and can insert (critical) payment instructions

### Connectivity

- A connection to ECONS shall be compulsory from the outset for
  - TARGET2 participants classified as critical in accordance with the specified criteria
  - those TARGET2 participants involved in the settlement of very critical payments in TARGET2
  - Eurosystem TARGET2 central banks (acting also on behalf of Ass)
- Other TARGET2 participants and central banks outside the Eurozone may connect to ECONS on a voluntary basis
- Eurosystem will start assessing mid 2020 whether a connection to ECONS should become mandatory for all TARGET2 participants

### Future developments

- ECONS was developed following the principle not to be a “throw-away” solution
- ECONS (I) will be the basis for the contingency solution to be developed in the context of the T2-T2S consolidation project (ECONS II)
- No significant functional enhancements
- Enabling the usage of common components (e.g. ESMIG and CRDM)
- Supporting a link to a collateral management system

# Questions?