Vision for Liquidity Transfers Across Services

TARGET Consolidation Contact Group

8th Meeting on 4 December 2018
## Agenda

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The future structure of TARGET Services requires a clear allocation of liquidity for different settlement purposes. This requires that the treasurers have means and tools to monitor and manage the liquidity manually as well as to automate the liquidity management to the required extent (e.g. without the need to initiate manual liquidity transfers).
A Harmonised Liquidity Transfer Vision

- MCA Default
- T2S DCA
- RTGS SUB
- RTGS DCA
- TIPS DCA
- MCA

Securities settlement
Instant Payments settlement
High Value Payments settlement
Ancillary systems settlement
A Harmonised Liquidity Transfer Vision

Vision:

- **No restrictions** in the directions of intra and inter services Liquidity Transfers
- A consistent way of managing the liquidity A2A and having a central point for managing it U2A.
- A **harmonised way of managing the liquidity** situation across services through the use of rule-based liquidity transfers.
Vision for Liquidity Transfers Across Services

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1. A Harmonised Liquidity Transfer Vision
2. Types of Liquidity Transfers
3. Liquidity Transfers across Services
4. Floor / Ceiling Thresholds
Types of Liquidity Transfers

4 types of Liquidity Transfers

• **Immediate liquidity transfer** (order*)
  - User initiated transfer of liquidity sent via A2A or entered via U2A.

• **Rule-based liquidity transfer** (order)
  - A transfer of liquidity automatically triggered by a breach of a pre-defined condition. E.g. breaching of a predefined floor or ceiling threshold.

• **Standing order liquidity transfer** (order)
  - Recurring pre-configured transfer of liquidity triggered by events in the Business Day Management Schedule.

• **Automated liquidity transfer** (order)
  - A liquidity transfer automatically triggered by CLM in case of insufficient liquidity on an MCA to execute a CBO.

* Order is an incoming request to perform what is described in the message payload (i.e. once the LT message is “converted” into a task in the system, it becomes an order.
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# Situation after the T2-T2S Consolidation with the implementation of the necessary CRs

## Vision for Liquidity Transfers Across Services

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Situation after the T2-T2S Consolidation with the implementation of the optional CRs

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Floor / Ceiling Thresholds

• The Account Holder can define a threshold amount for DCA and MCA accounts in CRDM.
• By defining a floor, the account holder defines the minimum amount of liquidity that should be present on the account.
• By defining a ceiling, the account holder defines the maximum amount of liquidity that should be present on the account.
• If the threshold is breached two options are available:
  • Send notification (ReturnAccount, camt.004)
  • Initiate Liquidity Transfer
• The check on floor/ceiling breach will only be triggered after the settlement of a payment order or an AS transfer. It is not triggered after the settlement of liquidity transfers.
Vision for Liquidity Transfers Across Services

**Floor/Ceiling Threshold - Notifications**

- Ceiling notification sent
- No ceiling notification sent
- Floor notification sent
- No floor notification sent

**Time**

- t1, t2, t3, t4, t5, t6, t7, t8, t9, t10, t11, t12, t13, t14, t15

**Amount**

- 0, 50, 100, 150, 200, 250

**Notes**

- **Ceiling**
- **Floor**

**Legend**

- RTGS DCA amount
Rule-based Liquidity Transfer - Floor / Ceiling Breaches

Vision for Liquidity Transfers Across Services

Floor amount breached
- Amount pulled from MCA

Ceiling amount breached
- Amount sent to MCA

Target ceiling amount

Target floor amount

RTGS DCA amount

Time

Amount
Ceiling Breach
Thank you for the attention!

T2-T2S.Consolidation@ecb.int

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