Big Bang Strategy: Identified root causes

ECB
DG-MIP
T2-T2S Consolidation

TARGET Consolidation Contact Group

3rd meeting on 24 April 2018
Introduction

- The aim of this presentation is to introduce a first part of the **Big Bang Strategy** of the T2-T2S Consolidation project counteracting one superordinate risk: Participants are not ready at the migration weekend
- Therefore, the possibilities for being not ready will be identified by discussing different **cases describing these incidents**
- The focus of this presentation is completely on the root causes for being not ready on the **participants side**, which jeopardise the migration weekend
- In the last part, you are invited to identify **further root causes**
Envisaged structure of the document

Executive summary: Introduction, scope, purpose and faith of the document

Risk factor I
- Mitigation measure I
- Mitigation measure II
- ...

Risk factor III
- Mitigation measure I
- Mitigation measure II
- ...

Risk factor V
- Mitigation measure I
- Mitigation measure II
- ...

Risk factor II
- Mitigation measure I
- Mitigation measure II
- ...

Risk factor IV
- Mitigation measure I
- Mitigation measure II
- ...

Conclusions on the different risk factors and corresponding mitigation measures
## Agenda of the different cases

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1) Connectivity problems

Case description

- Participants may face connectivity problems with their NSP and are affected in terms of their technical readiness.
- The following problems may occur:
  1. Selection process of the NSP is delayed (procurement negotiations).
  2. The initial setup does not work.
  3. Day-to-day issues with the NSP occur.

Problem on banks’ side
Problem on NSPs’ side
2) Communication problems

Case description

- Participants are **not ready** to use the new messaging standard at the migration weekend
- Messages are either **not compliant** with the new ISO standard and will be rejected by ESMIG immediately or **incorrect** and not processed in the business validation
- Payment systems heavily rely on a **network principle**: Problems of only one participant might have an immense impact on the whole community
- **The following problems may occur:**
  1. Problems on the **sending/receiving side**: Inability to send/receive messages
  2. **Complete/partial** limitations: Participants are completely or with regard to certain message types unable to use the new messaging standard
3) Liquidity management problems

Case description

- The T2-T2S Consolidation project triggers substantial changes in liquidity management.
- It needs to be clear ex ante what the impact of the centralisation of Central Banks’ operations on the CLM is for the participants: Interoperability and a sophisticated internal liquidity management have to be guaranteed.
- The following problems may occur:
  1. Participants and their treasurers may face difficulties in the consolidation of positions and the centralisation of liquidity management as they have more to monitor than before.
  2. Treasurers have more tools to coordinate the liquidity management, but may not know how to use the toolbox in an optimal way.
4) Participants’ internal readiness problems

Case description (1/2)

- Even if the technical requirements are fulfilled, participants may face internal issues constraining their business readiness for the migration weekend.
- Problems are often descendent from the need to cope with many structural and procedural changes simultaneously, which center on new connectivity including messages, settlement functionalities and the Big Bang approach.
4) Participants’ internal readiness problems

Case description (2/2)

- The following problems may occur:
  1. Internal problems with regard to organisational, resource, staff, training and internal project setup issues
  2. Processing an all-at-once-approach: The simultaneous implementation of a new connectivity scheme, functionality and the Big Bang approach is intense
  3. The organisational transformation as a result of the consolidation including the impact on business models, e.g. centralisation and outsourcing of payments units (economies of scale)
5) Other problems on the participants’ side

Hereafter, you are invited to **identify** and share additional problems that do not fall into one of the previous categories.

The following problems may occur:

1. ???
2. ???
Thank you for the attention!

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