Managing long-lasting TARGET2 incidents

AMI-Pay, 29 September 2017
## Overview

1. **Background**
2. **General considerations, definitions and assumptions**
3. **Requirements for an enhanced contingency solution**
## Overview

<table>
<thead>
<tr>
<th></th>
<th>Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>General considerations, definitions and assumptions</td>
</tr>
<tr>
<td>3</td>
<td>Requirements for an enhanced contingency solution</td>
</tr>
</tbody>
</table>
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)
Managing long-lasting incidents in TARGET2

Overview

1. Background
2. General considerations, definitions and assumptions
3. Requirements for an enhanced contingency solution
General considerations, definitions and assumptions

• **Scope**
  – Work based on the existing technical and operational set-up
  – Development of a “throw-away” solution should be avoided

• **Long-lasting incident**
  – No scenario-based approach
  – Definition: “an event preventing the timely start of the day trade phase of the following business day”

• **Impact**
  – TARGET2 SSP is considered unusable by the TARGET2 Crisis Managers
  – It can be reasonably assumed that normal operations cannot be resumed and the day trade phase of the following business day cannot start in a timely manner
  – Maximum duration: five business days
  – Network service provider is not impacted/is available
General considerations, definitions and assumptions

• Oversight requirements
  – resumption requirement specified in the Principles for Financial Market Infrastructure (Key consideration 17.6)
  – Guidance on cyber resilience (section 6.2.3) specifies an additional requirement. Accordingly, an FMI
    • “…should also plan for scenarios in which the [two-hour recovery time] objective is not achieved.”
    • “…should analyse critical functions, transactions and interdependencies to prioritise resumption and recovery actions, which may, …, facilitate the processing of critical transactions.” This includes planning for situations where “…systems may be unavailable for significant periods”.
General considerations, definitions and assumptions

• Critical transactions
  – Definition:
    • Clean payments
      – Concept of very critical and critical payments remains unchanged
      – Challenging to set-up objective criteria for categorising interbank and customer payments
      – Banks are best positioned to assess criticality of payments
    • Ancillary systems:
      – importance/criticality increases the longer the system is unusable
      – generally to be supported
# Overview

<table>
<thead>
<tr>
<th></th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Background</td>
</tr>
<tr>
<td>2</td>
<td>General considerations, definitions and assumptions</td>
</tr>
<tr>
<td>3</td>
<td>Requirements for an enhanced contingency solution</td>
</tr>
</tbody>
</table>
Objective

- Define requirements to increase the preparedness of TARGET2 to cope with a long-lasting incident
Managing long-lasting incidents in TARGET2

Requirements

• Degraded service

• Capacity
  – Clean payments
  – Ancillary systems
    • ASI procedure 4 should be supported
    • No night time settlement

• Functional
  – Starting balance zero
  – Connectivity: banks access to the GUI (U2A mode)
  – Mechanism to allow CBs to control/prioritise payments flow
Requirements

• Non-Functional
  – Segregated from the one hosting the TARGET2 SSP
  – TARGET2 operating day with the exception of night time settlement
  – Number of concurrent users: the same as supported for U2A access today
  – TARGET2 accounts main accounts mirrored
  – Reconciliation after recovery

• Information security
  – in principle be compliant with TARGET2 security requirements and controls
Next steps

- Eurosysteem internal consultations
- Preparing change request for cost and feasibility assessment
Questions?