TARGET2 – The enhanced contingency solution

AMI-Pay meeting
Frankfurt am Main, 14 May 2019
Overview

1. Background
2. Enhanced contingency solution
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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) ≤ 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

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**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?