



EUROPEAN CENTRAL BANK

EUROSYSTEM

Consultation on the future of RTGS services – summary of feedback received

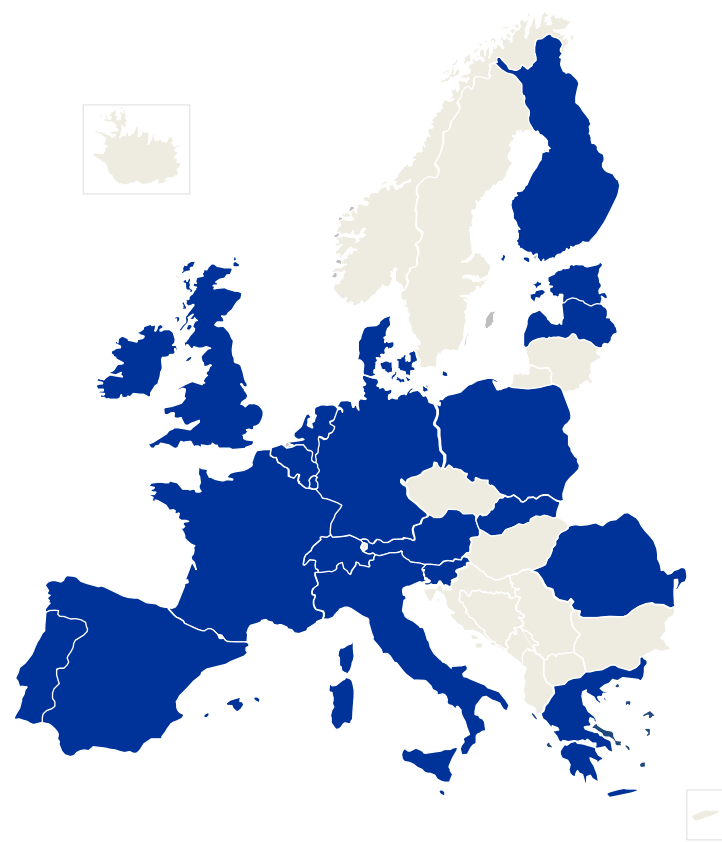
July 2016

- This document aims at summarising in a factual and synthetic way the feedback received on the report entitled “*Eurosystem’s vision for the future of Europe’s financial market infrastructure – RTGS services*“ released on 15th February 2016.
- The replies only reflect the views of the respondents, not necessarily those of the Eurosystem. The feedback of the industry will be given all due consideration by the Eurosystem in the following steps of its strategic review.
- All the responses received were treated in the same way, irrespective of the category or location of the respondents. The responses were neither filtered nor weighted. For some national banking communities, the Eurosystem only received one set of replies, which are deemed to reflect the views of a group of respondents. In the following summary, such “common” replies were nevertheless counted as a single one.

Collected replies...

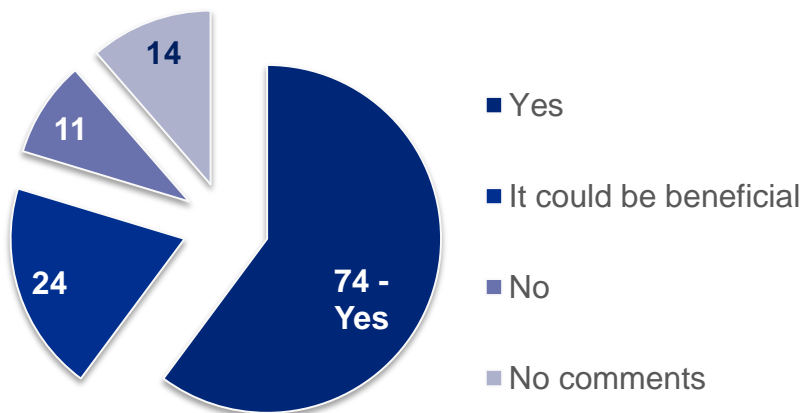
123 institutions/organisations
from **22** European countries

- 94 commercial banks
- 13 associations
- 4 CSDs
- 2 clearing houses
- 2 financial consultancies
- 2 network providers
- 2 stock exchanges
- 2 treasuries
- 1 payment service providers
- 1 central bank



Q1 - Should the Eurosystem **harmonise the user interface** for Eurosystem services? If so, what would you identify as the specific benefits to your institution? If not, what would be your reason for not harmonising the user interface?

Possible short answers	Number	Percentage
Yes	74	60%
It could be beneficial	24	20%
No	11	9%
No comments	14	11%
	123	

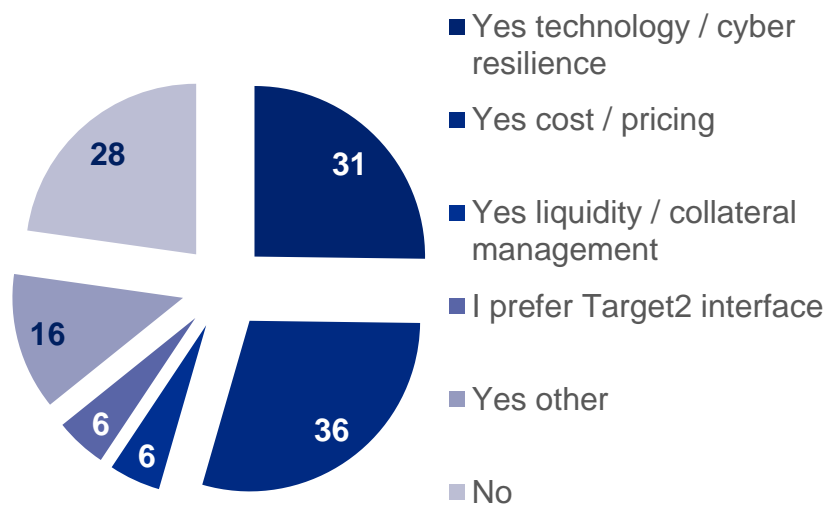


Comments:

- A majority of respondents think the Eurosystem should harmonise the user interface for Eurosystem services.
- A significant proportion of participants who responded yes, pointed out that the advantages would be lower cost and simplification for the end users.
- High level of support, irrespective of the category or size of the respondents.
- Negative replies are mainly coming from banks, which are not presently connected to T2S and which, for that reason, would not see any advantage in harmonising the interfaces.

Q2 - Are there **further considerations** that the Eurosystem should take into account in deciding whether or not to harmonise the user interface?

Possible short answers	Number	Percentage
Yes technology / cyber resilience	31	25%
Yes cost / pricing	36	29%
Yes liquidity / collateral management	6	5%
I prefer Target2 interface	6	5%
Yes other	16	13%
No	28	23%
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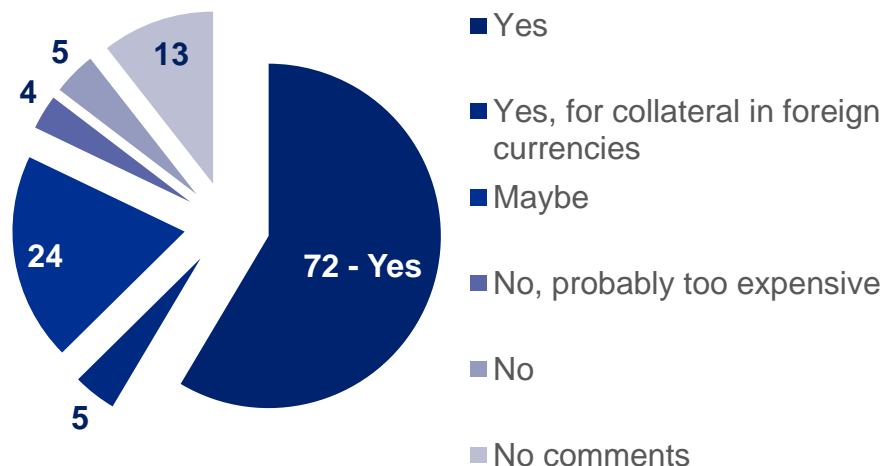


Comments:

- Even if they agree with the interface harmonisation, 29% of respondents would like the Eurosystem to perform a “cost benefit analysis” before starting this work stream.
- Some respondents noted that a higher cyber resilience might be achieved by using more modern technologies.

Q3 - Do you agree with the listed findings on the provision of **multi-currency** RTGS services? If not, please explain

Possible short answers	Number	Percentage
Yes	72	59%
Yes, for collateral in foreign currencies	5	4%
Maybe	24	19%
No, probably too expensive	4	3%
No	5	4%
No comments	13	11%
	123	

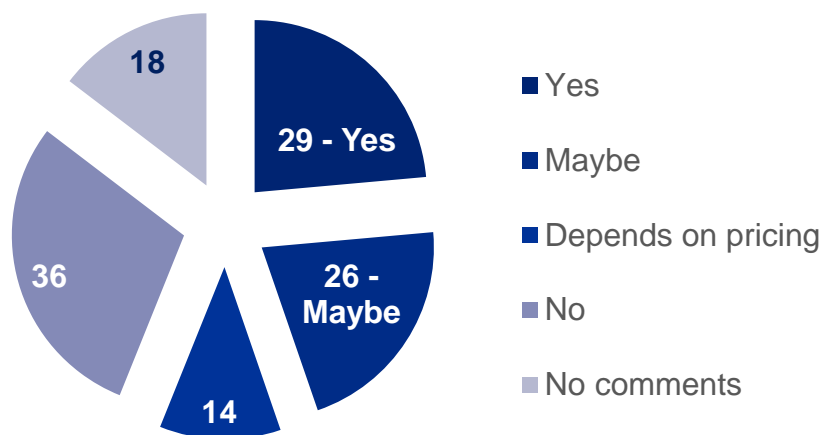


Comments:

- Almost two thirds of the respondents support further investigating the provision of multi-currency RTGS services including potential policy and oversight implications.
- Some respondents confused the multi-currency services with the concept of global collateral pool.
- 18% of respondents did not agree with the proposal or answer the question.
- Around 15 respondents would like to consider a cost-benefit analysis before deciding.

Q4 - Would you expect your institution to use multi-currency RTGS services?

Possible short answers	Number	Percentage
Yes	29	24%
Maybe	26	21%
Depends on pricing	14	11%
No	36	29%
No comments	18	15%
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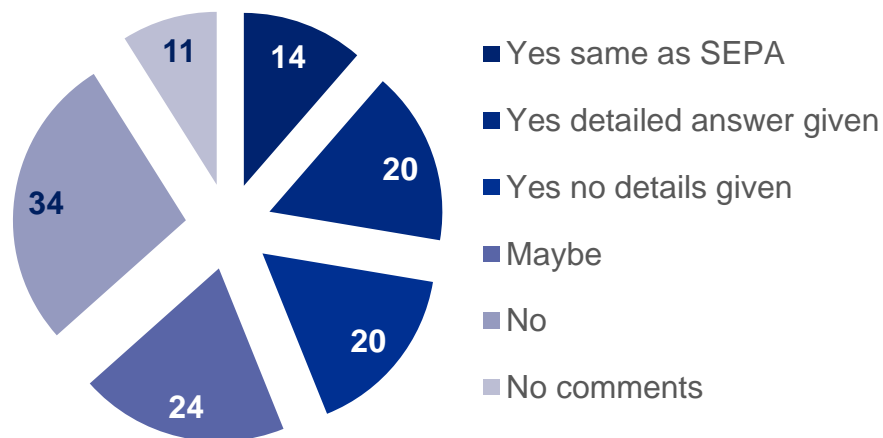


Comments:

- Even if a majority of respondents think that the Eurosystem should provide multi-currency RTGS services, only 24 % of them are ready to use these services.
- Some respondents in the “no” category actually meant “not for the time being” but may reconsider the use of multi-currency services in the future.
- 11% of respondents think multi-currency services only make sense if its pricing is competitive compared to the alternatives offered by the market.

Q5 - Would you expect your institution to use the **additional fields** that **ISO 20022** payment messages support? If so, please describe the types of additional payment fields, and the purpose for which they would be used

Possible short answers	Number	Percentage
Yes same as SEPA	14	11%
Yes detailed answer given	20	16%
Yes no details given	20	16%
Maybe	24	20%
No	34	28%
No comments	11	9%
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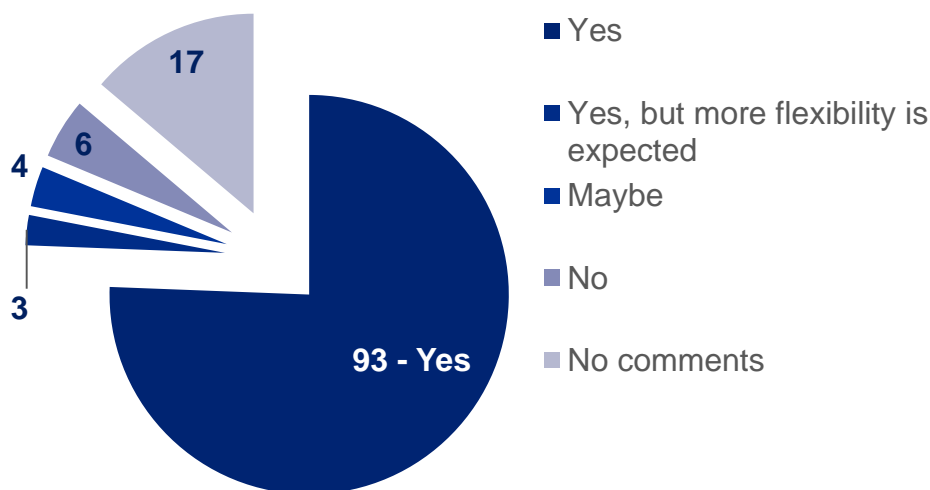


Comments:

- 43% of respondents think that they will use additional fields available in ISO 20022.
- Among the reasons behind the “no” replies is sometimes the expectation that TARGET will not be used for retail payments any longer.
- Some respondents in the “no” category actually meant “not for the time being” but may reconsider using additional fields in the future.

Q6 - Do you agree with the Eurosystem's expectations in terms of participants' accounts management?

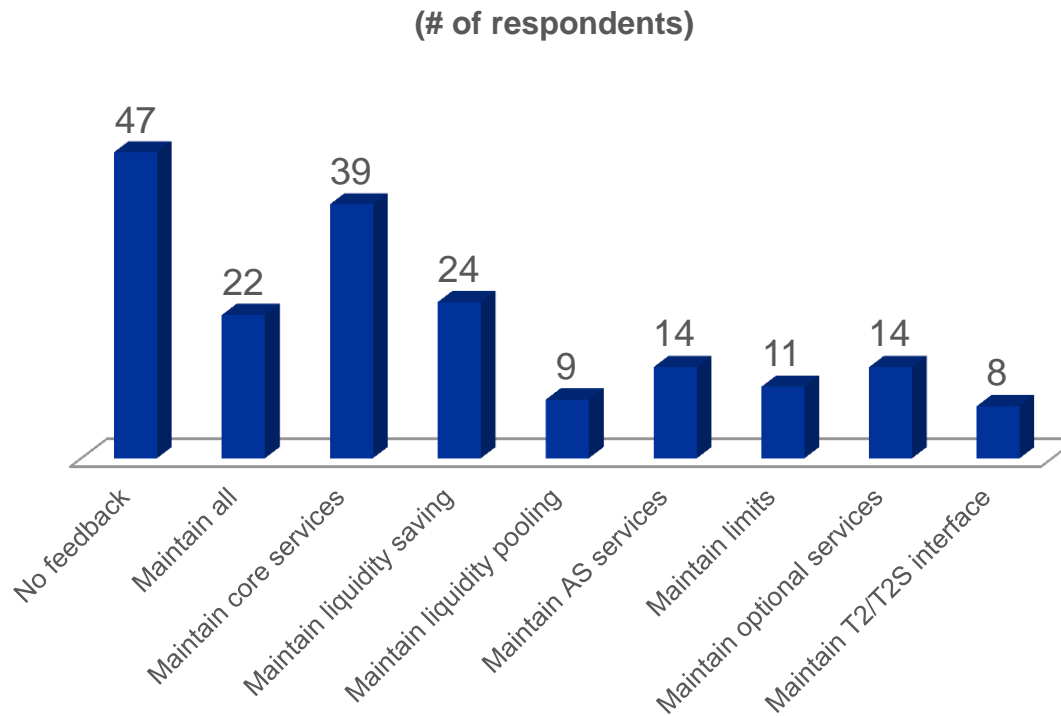
Possible short answers	Number	Percentage
Yes	93	76%
Yes, but more flexibility is expected	3	2%
Maybe	4	3%
No	6	5%
No comments	17	14%
	123	



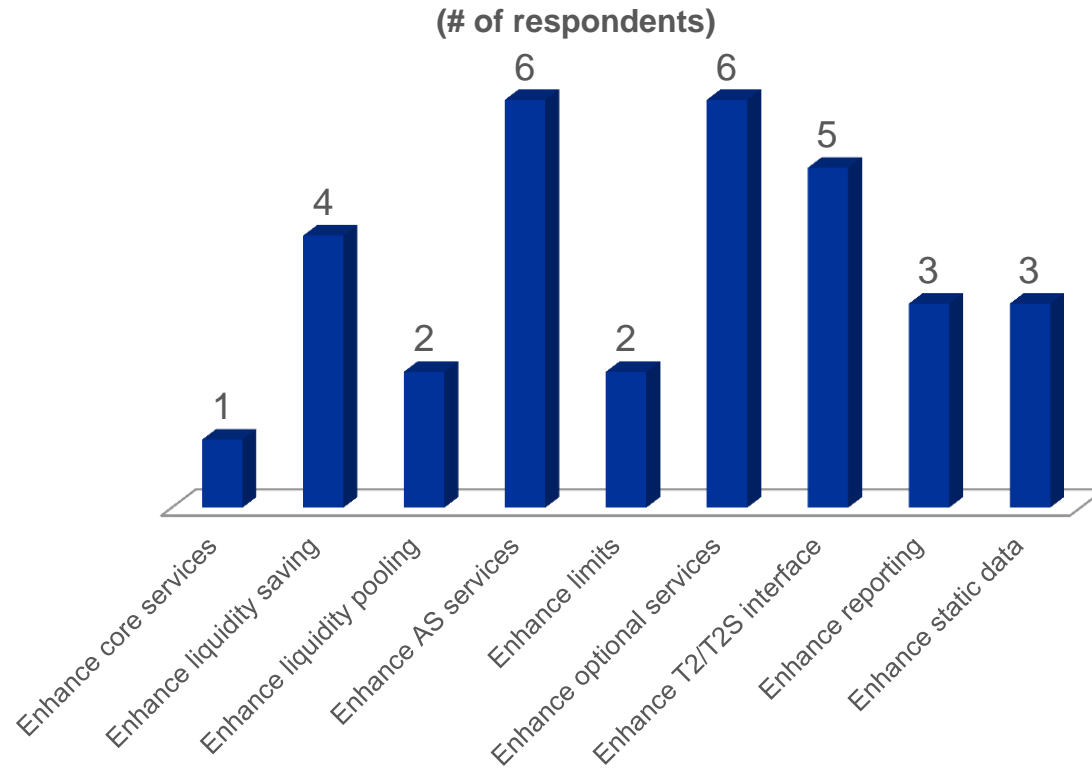
Comments:

- The vast majority of respondents agree with the Eurosystem's expectations in terms of participants' accounts management i.e. the pivotal role of the RTGS account in the banks' liquidity management.
- Several respondents who answered "Yes" even detailed how they would like to manage their accounts in central bank money.

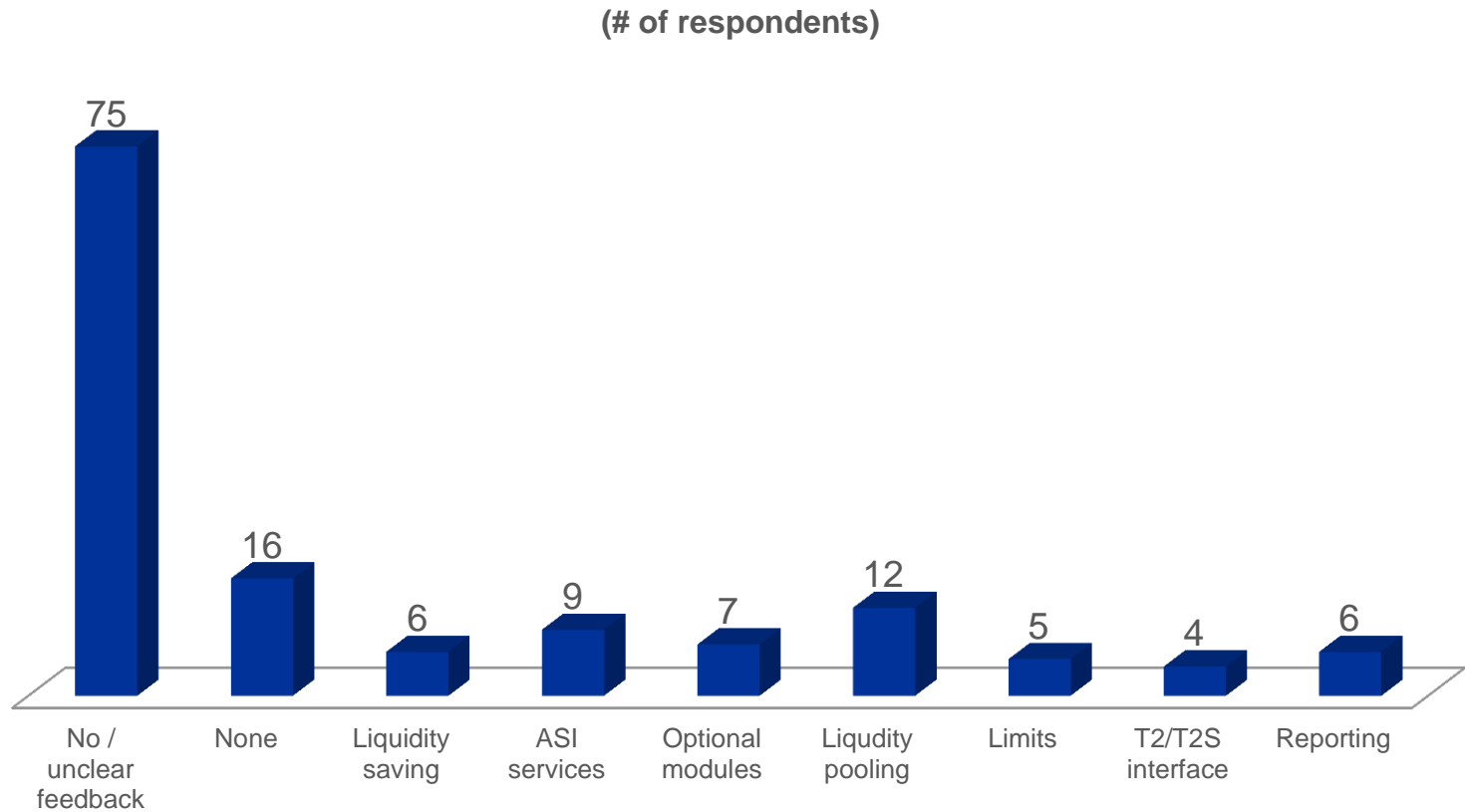
Q7a - Could you indicate which **services** TARGET2 must **retain** regardless of their usage?



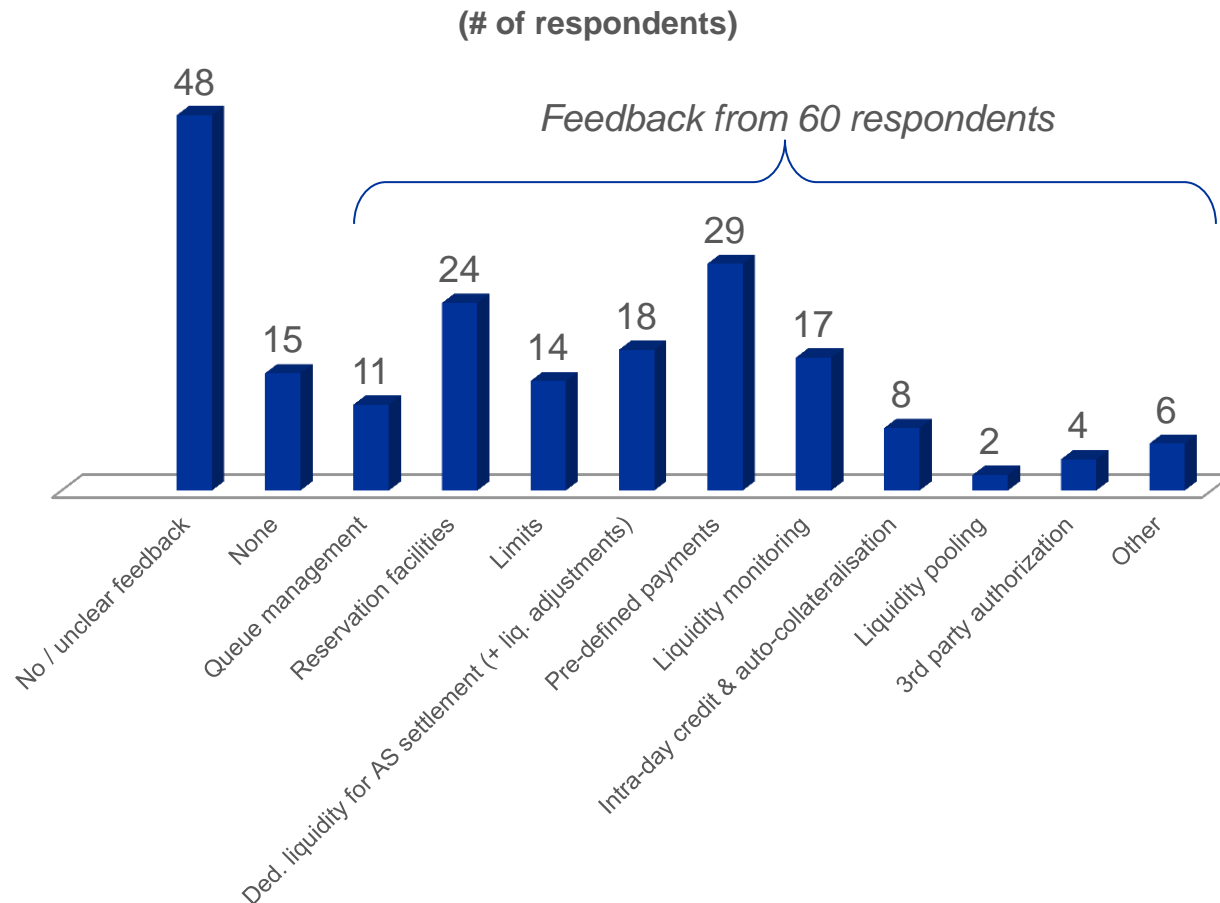
Q7b - Could you indicate which **services** TARGET2 must **enhance**?



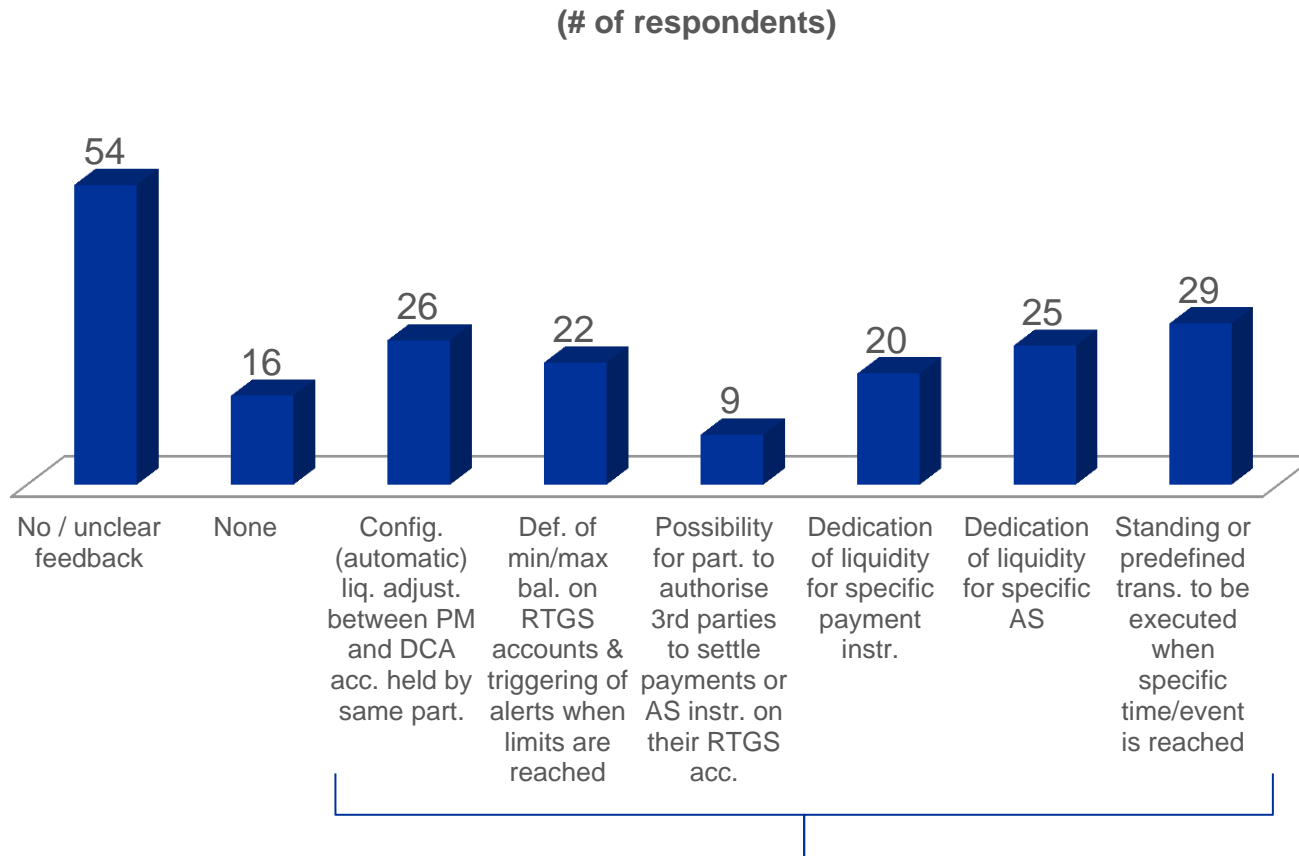
Q8 - Could you indicate which **services** should be **reassessed** or not be considered in the context of the Eurosystem's vision?



Q9 - Which of the **current liquidity management** tools does your institution currently use?



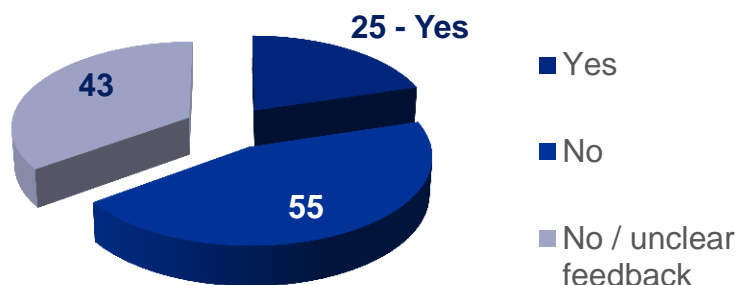
Q10 - Which of the current liquidity management tools does your institution intend to use in the future?



Feedback from 53 respondents

Q11 - Would your institution require RTGS services that are not listed as potential enhancements?

	Number	Percentage
No / unclear feedback	43	35%
No	55	45%
Yes	25	20%
Sum	123	

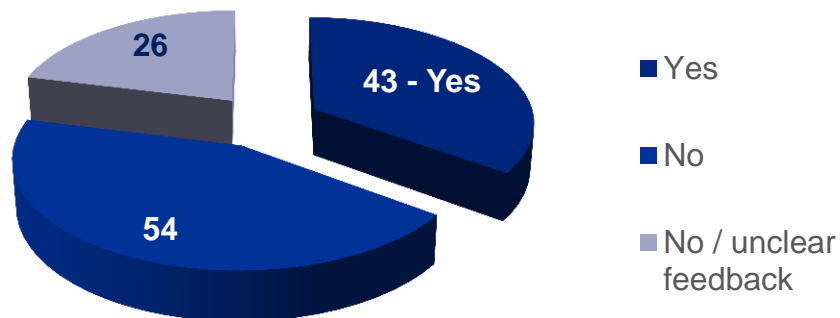


If yes, which ones?

- GUI upgrade (automatic refresh, user configurable dashboard, access to historical data, single view on cash and collateral, export functionality...).
- Enhanced contingency procedures.
- Improve static data updates.
- Allow standing orders from HAM to PM based on available liquidity and not on fixed amount.
- Activate marginal lending facility upon request.
- Automated overnight credit functionality to ensure minimum reserve requirements.

Q12a - Does your institution have a requirement of **extended opening hours** for RTGS services?

	Number	Percentage
Yes	43	35%
No	54	44%
No / unclear feedback	26	21%
Sum	123	



Q12b - If yes, for what purpose would the extended opening hours be required?

	Number	Percentage
Instant payments	14	33%
Other (alignment with other payment systems, multi-currency, T2/T2S alignment...)	13	30%
Both	16	37%
Sum	43	

Q12c – If yes, what would be the required extended opening hours?

(N.b.: more than one answer is possible)

	Number	Percentage
Opening hours extension (i.e. towards 24)	28	53%
Settlement during weekends (i.e. towards 7)	15	28%
Settlement on TARGET holidays (i.e. towards 365)	10	19%
Sum	53	

Q13a - Does your institution have **analytical requirements** that could be provided as services?

	Number	Percentage
Yes	37	30%
Nice to have	4	3%
No	44	36%
No / unclear feedback	38	31%
Sum	123	

Q13b - If so, please provide a brief description. (N.b.: more than one answer is possible)

	Number	Percentage
Assess use of RTGS functionalities	3	7%
Support banks in comprehensive management of (intraday) liquidity	32	73%
Ex-post analysis and computation of statistics	7	16%
Run stress simulations & analyse (in)direct implications of various scenarios on participants	2	5%
Sum	44	

Q14a - Are there services that the Eurosystem should provide as part of its RTGS services to support the **compliance** of your institution with **regulatory requirements**?

	Number	Percentage
Yes	45	37%
Nice to have	14	11%
No	29	24%
No / unclear feedback	35	28%
Sum	123	

Q14b - If so, please list them. (N.b.: more than one answer is possible)

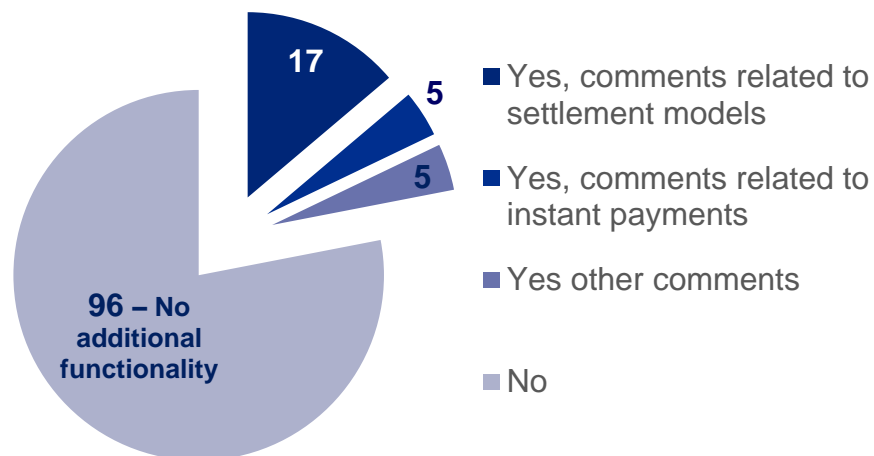
	Number	Percentage
Screening of transactions	13	27%
Identification of suspicious payments and patterns	11	22%
Support of transactions carrying structured information	7	14%
Set-up participant's profile to understand country or counterparty exposures/connections	8	16%
Support on intraday liquidity management	6	12%
Other	4	8%
Sum	49	

Q14c - If not, are there specific reasons that such services could not be provided?

- Internal solutions already in place.
- Will not change participant's obligations to comply.
- Rules and interpretations differ from country to country.

Q15 - Have you identified an additional functionality that the settlement procedures for **ancillary systems** should cater for? If so, please describe.

Possible short answers	Number	Percentage
Yes, comments related to settlement models	17	14%
Yes, comments related to instant payments	5	4%
Yes other comments	5	4%
No	96	78%
	123	

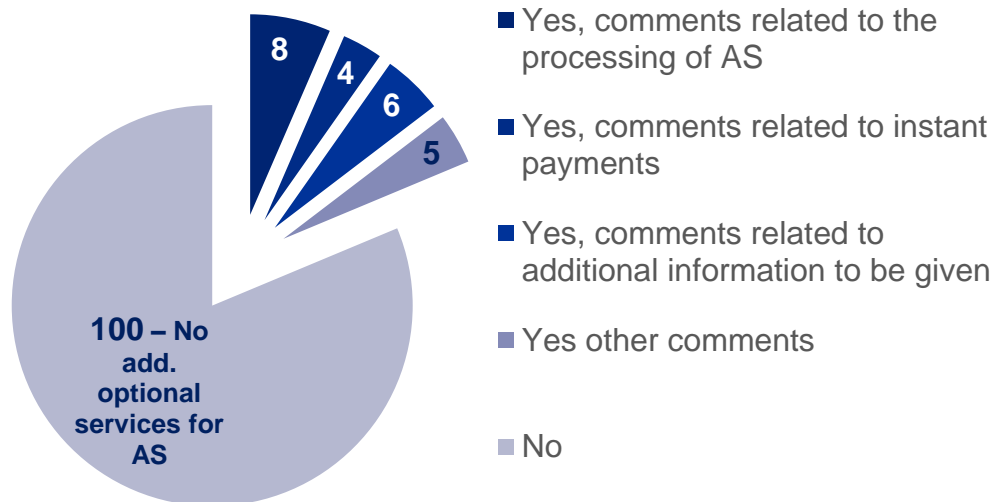


Comments:

- The vast majority of respondents did not identify any new functionality regarding settlement procedures for ancillary systems.
- 18% of respondents proposed enhancements to the existing models (incl. for instant payments).

Q16 - Are there **additional optional services** that the Eurosystem should provide for **ancillary systems**?

Possible short answers	Number	Percentage
Yes, comments related to the processing of AS	8	7%
Yes, comments related to instant payments	4	3%
Yes, comments related to additional information to be given	6	5%
Yes other comments	5	4%
No	100	81%
	123	



Comments:

- The vast majority of respondents did not identify any new optional services for ancillary systems.
- 19% of respondents have proposed improvements for services linked to ancillary systems.

Feedback not linked to specific questions

- High level of satisfaction with the current services, the new ones shall bring value to participants in terms of higher security, higher resilience and lower costs.
- Need to maintain the two products distinct (i.e. RTGS and securities settlement).
- Need to clarify the governance of the new platform and the relation between the two users' communities.
- Need to clarify the financing rules of the new platform to avoid cross-subsidisation.
- Increasing complexity of contingency procedures on such a consolidated platform.

The ECB would like to thank all the respondents for their contribution.

Market participants will continue to be closely associated to the forthcoming steps of the strategic review.

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