What new functionalities could a consolidated platform offer?

Consultation on the future of RTGS services
Information session
22 March 2016, Frankfurt am Main
Consultation on the future of RTGS services

Overview

1. Remittance and payments data
2. Opening hours
3. Multi-currency services
4. Account management
5. Openness to new technologies
Future enhanced functionalities may arise from …

… reviewing today’s RTGS features;

“TARGET2: Principles and structure”, 14 July 2003
Go-live 1st wave: 19 Nov 2007

… bringing the two platforms together;

… understanding future needs of the market!
### Overview

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What new functionalities could a consolidated platform offer?
Remittance and payments data

Background

- New opportunities brought by the migration to ISO20022 standards
- Exploiting the richness of new standards
- Going beyond the like-for-like
- Standardisation exercise
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Remittance and payments data

**Options**

- Clearing channel
- Supplementary data
- Unique Transaction Identifier
- Remittance information
- Tax ID
- Ultimate creditor
- Instructing agent
- Structured postal address
- End-to-end identification
- Intermediary bank
- Extended reference field
- Creditor reference information
- Instruction for next agent
- Extended character set

What new functionalities could a consolidated platform offer?
Remittance and payments data

**Expected benefits**

- Better integration of participants’ internal (back-office) applications
- Optimisation of the end-to-end processing (e.g. corporate flows)
- Creating value

- Coexistence with correspondent banking flows
- Converging standards for high-value payment systems worldwide
- Dependence towards ISO standards
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What new functionalities could a consolidated platform offer?
What is most important in terms of remittance and payments data?

1. Enriching payments data: 34.3%
2. Aligning with other high-value systems worldwide: 58.2%
3. Maintaining backward compatibility with legacy standards: 7.5%

The results above present the vote of the participants at the information session.
## Consultation on the future of RTGS services

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What new functionalities could a consolidated platform offer?
Opening hours

Background

- Expand existing cut-offs
- Globalisation of the economy
- Support to new initiatives
- Technological choice
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Opening hours

Options

24 / 7 / 365

TARGET closing days

Weekends

End-of-day / start-of-day phase + technical maintenance

– Level of service / reactivity?
– Which services available during the night?
– Differentiation between RTS / NTS?
What new functionalities could a consolidated platform offer?

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Opening hours

Expected benefits

– Better support market needs
– Attract new business
– More evenly spread out volume / turnover

Cost implications
Organisational implications
Liquidity management implications
What should be the operating hours of regular payments?

1. The current ones 16.9%
2. The current ones, marginally expanded 49.2%
3. 24h/7 33.9%

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| 3 | **Multi-currency services** |
| 4 | Account management |
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What new functionalities could a consolidated platform offer?
Multi-currency services

Background

- T2S as multi-currency platform
- Initial requirement vs later enhancement
- Example of multi-currency platforms
- Primarily a policy decision by Central Banks to join
- Confirmed interest by some markets / Central Banks
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Multi-currency services

Options

What new functionalities could a consolidated platform offer?
Consultation on the future of RTGS services

Multi-currency services

Options

What new functionalities could a consolidated platform offer?

Tomorrow
Multi-currency services

Expected benefits

– Euro area banks active in joining countries
– Banks in joining countries active in the euro area
– Lower investments and running costs
– Eases joining EMU
– Possibility to settle individual PvP transactions?

– Increasing level of interdependencies
– Governance aspects
– Crisis management
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Would you be interested in making use of PvP services?

1. Yes 41.5%
2. Perhaps 34.0%
3. No 24.5%

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Account management

Background

- Consolidation of technical services vs consolidation of accounts
- Pooling of liquidity vs segregation of funds
- Role of the RTGS account in the management of liquidity
- Organisation of banking groups
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Account management

Options

What new functionalities could a consolidated platform offer?
Account management

Options

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Account management

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Account management

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Account management

Options

Eurosysterm platform

What new functionalities could a consolidated platform offer?
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Account management

Expected benefits

- Limit the number of accounts
- Managing concurrent usage of liquidity
- Simplify banks’ liquidity management

• Heterogeneity of requirements
• Specificity of banking groups
• Strong link with liquidity management features
What type of an account set up would you prefer?

1. **One account** for all my payments and settlement business ("universal account" model) - 55.4%

2. **Several dedicated accounts** combined with an RTGS account as a pivot ("dedicated pot" model) - 44.6%

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Openness to new technologies

Background

- Innovation opportunities brought by new technologies
- Centralised set-up of Financial Market Infrastructures
- Emerging demand from the market
- Growing interest from banks and central banks
Openness to new technologies

Options

- For the operation of the RTGS system itself?
- For supporting the other financial market infrastructures?
- For providing new services?
Openness to new technologies

Expected benefits

- Positive effect on resilience?
- Positive effect on cyber security?
- Positive effect on costs?
- Positive effect on revenues?

Moving target
Need to join the dots
What’s behind the hype?
Blockchain and DLT in the payments business are:

1. The future: 8.0%
2. An interesting opportunity to consider: 54.0%
3. Only relevant for specific niches: 26.0%
4. Just a hype: 12.0%

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Thank you for the attention!

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