



Money Market & Liquidity
Working Group

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TARGET 2: Principles and Structure

The Euribor ACI Money Market and Liquidity Group (MMLWG¹) welcomes the open approach the ECB has had in asking market participants to contribute in a consultation process regarding "Target 2: Principles and Structure". The members of the MMLWG attach a great importance to the decision of the ECB on the long-term strategy for TARGET (TARGET 2) and appreciate the opportunity to comment on the proposals.

Banks are looking for a more homogeneous and efficient TARGET system in terms of operation, cost effectiveness and liquidity management. In the view of the MMLWG maintaining a decentralized system concept is no longer justified. A single TARGET technical interface and uniform platform -"one system" instead of possible 16 systems (in the future even up to possible 26 system)- should be developed and implemented. The ESCB should be open to define new models to integrate the current systems in a uniform platform (technical and operational) and a robust backup infrastructure -which is not based on a variety of stand alone systems but on a unique backup concept- shall be part of the new model.

Cost effectiveness and the principles of economies of scale should be driving guidelines for the development of TARGET 2, to finally bring the optimal efficiency to the end users of the financial system, the consumers in Euroland. Banks are operating in a European wide environment and they should have to adapt to a new system only once and not once per country.

A decentralized structure of TARGET 2 as currently proposed is not in accord with the existing centralized structure of the liquidity management of the European banking system. A new model based on a centralized structure should be developed as soon as possible to point into the right direction for EU extension.

¹ The Euribor ACI Money Market and Liquidity Working Group, established under the aegis of the Euribor ACI, is composed by senior money market and treasury specialists of financial institutions from all Euro area countries as well as UK and Switzerland.