

Minutes of the joint meeting of the TWG and WGT2

6 February 2013

*Held on Wednesday, 6 February 2013 – 10:00 to 13:00 at the Premises of the ECB
(meeting room CP11, Eurotheum)*

0 Chairpersons' opening remarks, approval of the agenda

Mr Debeaumont (ECB) welcomed all meeting participants and the joint group agreed on the agenda for the meeting.

1 Reporting

1.1 TWG meeting

Mr Jones (the TWG Chairperson) summarised to the joint group the issues raised and discussed by the TWG since the last joint meeting in September 2012. He focused on:

- On-going activities related the preparations for the ISO 20022, expressing a desire to organise the next Joint Task Force meeting in April 2013 after the SWIFT HVP Working Group meeting on 11/12 March and time to consider its findings.;
- Discussions on preparations for T2S, including still open legal issues (for example finality rules in DCAs), organisation of testing activities, and T2S/T2 Info Session on cash issues;
- Planned reply to the COGESI Survey on infrastructure requirements supporting liquidity management at the end of the day;
- Concerns related to the TARGET2 Guideline [to be covered below under the point 5.2 of the Agenda];
- Central reporting by the Eurosystem [to be covered under the point 4 of the Agenda].

(Rapporteur's Note – A copy of the TWG's reply dated 15 February to the COGESI Survey is attached to these minutes: [TARGET Working Group response to the COGESI survey on infrastructural requirements supporting liquidity management at end of day](#)).

1.2 WGT2 meeting

The WGT2 Chairperson summarised the issues relevant for the TWG and discussed recently by the working group:

- Initiation of the work on SSP release 8.0 and collection of related change requests. It was underlined that this release, due to the importance of the activities related to T2S and ISO20022, will be limited to urgent and critical changes. The changes can be submitted through the NCBs by 18th March, and they will then follow the standard round of consultations with the involvement of NUGs;
- Current status of the phasing out of PHAs by the Deutsche Bundesbank. The members were informed by Mr Werchan (Deutsche Bundesbank) that the finalisation of the PHA transition period is expected for June 2013. The “big bang” migration will include the decommissioning of the currently used liquidity bridge between PHA and TARGET2. It is expected that the phasing out of the German PHAs will result in significant increase of TARGET2 participants (either PM or HAM type); however the settled value will most likely remain unchanged;

1.3 Joint Task Force

The group took note of the minutes of the last meeting of the Joint Task Force held on 6 December 2012.

2 SSP release management

2.1 Interdependencies between T2 and T2S

The joint group was updated on the latest developments related to the interdependencies between TARGET2 and T2S. Mr Debeaumont indicated the following issues:

- On the operational side, a group has been set up to draft the operational procedures related to T2S. This group will only cover the securities part while the cash aspects will be covered under the TARGET2 Manual of Procedures. Discussions are more at the level of the structure of documents, roles and responsibilities or principles. Detailed contingency procedures have not been tackled yet. The idea is however to come to a stable Manual of Procedures in the coming months (as foreseen in the T2S Framework Agreement). It is expected that the banks will be also involved in

the related activities, in particular on the contingency procedures for the TARGET2/cash side, when the topic is sufficiently advanced;

- Testing discussions are progressing, mainly with CSDs for the time being (acceptance of T2S, acceptance of TARGET2, test requirements for certification of NCBs and CSDs). The ad-hoc workshop in February is expected to help clarifying a number of issues with cash banks, in particular the operating times of the T2S and TARGET2 testing environments. It will also allow better associating cash experts in the forthcoming discussions on discussions on DCAs, certification of relevant actors and end-to-end tests;
- As regards T2S related legal preparations within the T2 legal perimeter, the group in charge of the work has not met since November. The next meeting is planned for March. It will address the finality rules and the regime applicable to non Eurosystem countries;
- The T2S Programme Office at the ECB is organising an information session in Ljubljana, Slovenia on 10 April 2013 and have contacted the WGT2, seeking its active participation in presenting cash-related issues. This information session is an opportunity to make presentations on the interrelations between TARGET2 and T2S to market participants. Presentations will be articulated around 3 topics:
 1. Functional aspects (features in TARGET2 and T2S to manage liquidity, shifting of liquidity back and forth, monitoring tools)
 2. Operational aspects (customer relationship, registration process for the opening, usage of the features throughout the operational day, which account can pay which account, preliminary input on operational procedures and contingency, testing activities, billing)
 3. Legal aspects (legal perimeter, eligibility, auto-collateralisation, rights and obligations, case of non-Eurosystem NCBs).

The WGT2 expects a large attendance by cash experts. In view of spreading out the information to a maximum number of banks, the proceedings will be then posted on the ECB website and may be reused by individual NUGs (with the support of the NCBs).

2.2 The strategy for ISO 20022 in TARGET2

The group was updated by Mr Debeaumont on the current activities related to the implementation of ISO 20022 in TARGET2. He noted that the implementation of the ISO20022 strategy for TARGET2 was discussed in many meetings with NCBs and/or with participants (i.e. JTF) and a number of clarifications were already brought, in particular:

- SWIFT standards and the registration to ISO are not envisaged before they are used in a production environment. Timely delivery by SWIFT is crucial in this context;

- The migration should not only encompass the payment messages MT103, MT 202 and MT 202 COV but also MT204, 900 and 910 messages. A meeting will take place at SWIFT on 11/12 March to review and work out the missing standards. As regards MT940/950, these reporting messages are out of scope;
- SWIFT still has to clarify the transportation of MX messages. In that context it is expected that BIC remains the main party identifier used for addressing purposes. This is seen as a necessity for both banks and central banks;
- Business changes to TARGET2 should be kept as limited as possible (e.g. same design, same business model, same message flow, same ICM screens). The migration should be mainly a technical one;
- The migration should not only affect the Payment Module of TARGET2 (i.e. RTGS PM part) but also the other modules (RM, SF, HAM). Some NCBs may also take that opportunity to migrate their local systems to ISO20022, whenever they deal with reserve management, standing facilities or intraday credit;
- ASI payment messages, which are currently using proprietary XML standards, will not be affected by the migration, as it would not add much in terms of interoperability.

A tentative timetable foresees:

- A first consultation with the users is scheduled for May/June 2013 in the form of Q&A on key aspects of the migration without any technical documentation;
- A second consultation is planned for November/December 2013. It should include the draft General Functional Specifications (GFS) and draft change requests for that release in order to allow users to get clarity on the envisaged changes and to review their plans and budgets. However, the GFS and CRs planned for late 2013 are only intended to assist users with their own planning and should not be considered as being final);
- February/June 2014 – cost and feasibility assessment;
- June 2014 – PSSC approval of change requests required for technical implementation;
- In Q4 2014 – Q1 2015 further technical documentation should be available followed by publication of the UDFS.

3 Operational issues

3.1 Request of Eurex for a change in settlement time

Due to similarities of this case with the content of the next agenda point, the both items were discussed under 3.2.

3.2 Settlement of AS transactions close to the end of day

Following the outcome of the Joint Task Force meeting on 6th December 2012, the joint group was provided with the statistics about the timely distribution of the critical ancillary systems' settlement activities in TARGET2 close to the end of day.

More specifically Mr Debeaumont noted that:

- The share of AS transactions that remains unsettled after 17:00 is very marginal;
- There is a specific case of Iberclear, which has been explained by the BdE, which is still having a critical business towards the end of the day. This specificity is linked to legal requirements in Spain. The BdE confirmed this legal aspect is being addressed (in the context of the preparation for T2S) and in the meantime adequate procedures to accelerate decision making for a delayed closing have been put in place by the Eurosystem. The WGT2 would not see the need to put in place extra measures;
- The risk of an AS incident leading to a delayed closing is mainly related to CSDs. It is acknowledged that the situation will evolve (in a positive sense) when T2S goes live as the settlement capability will mainly rely on the T2S platform and not on the individual CSD's technical infrastructure;
- The obligation already exists for participants to inform their central banks whenever they are facing an incident. This obligation is even stronger for critical participants, in particular when they are market infrastructures. Whenever needed, critical AS will be reminded about their obligations in that respect.

Mr Jones noted that in any case of problems, which could result in a delayed closing, related information should be disseminated to the participants as quickly as possible. In this context, Mr Debeaumont recalled that the Eurosystem ensures the timely and simultaneous dissemination of the information to all participants via the ICM, via Reuters pages or via the ECB website. When these channels are used, the fact that some users are informed earlier or later than others, can only come from internal communication within the banks. However when these channels are not available for technical reasons (in particular the ICM), contingency means are used and rely on national communication methods, which are different from country to country. This can of course lead in some cases to the information being provided at slightly different times to participants. Still in these cases the Eurosystem ensures that the same message is provided to the whole users' community.

It was agreed that the discussion is continued in the context of the Joint Task Force.

4 Intraday liquidity indicators

Mr Jones recalled that, as indicated in the TWG proposal, the banks would appreciate development of specific reporting tools in TARGET2, which could help them to comply with regulatory liquidity requirements on intraday liquidity currently being formulated by the BCBS. In its response to the BCBS consultation on monitoring indicators for intraday liquidity management, the TWG had emphasised the desirability of RTGS payment systems using a similar reporting methodology. This could possibly be achieved within the euro area by use of a central reporting platform. However, legal issues, the governance of such a platform and data protection issues need to be addressed first.

In that context Mr Debeaumont clarified that:

- Central Banks have a centralised data warehouse in TARGET2 that potentially could generate standard reports on e.g. payments, liquidity and intraday credit indicators;
- Reports could also be made at the level of group of accounts when the liquidity pooling feature is used. While in principle, these reporting features are only available to address Central Banks's reporting needs, they can also be used to produce reports for banks but on an ad-hoc and best efforts basis;
- The WGT2 would have to further investigate the costs and workload required to produce these reports on a regular basis for their participants. Nevertheless, the harmonisation of reporting formats across RTGS worldwide is not realistic and does not fall within the mandate of the group;
- In order to initiate any analysis it is crucial for the WGT2 to receive from TWG detailed requirements about the indicators, the business rules and the frequency of these reports once the BCBS requirements are known

It was agreed that in view of the expected regulatory changes, which could determine the reporting needs, the discussion will be continued during the next joint meeting.

5 Any Other Business

5.1 TARGET2 volumes and values

The joint group was briefed by Mr Debeaumont on the latest business developments in TARGET2, as shown in a presentation prepared by the Eurosystem. Mr Debeaumont noted in particular that in 2012:

- Total number of processed payments reached 90.671,378 (increase by 1.23%) and average daily number of payments settled via TARGET2 increased by 1.63%, reaching 345,185;

- In terms of value, TARGET2 settled 634,132 EUR billion (increased by 3.46%) with a daily average of 2,477 billion euro (increased by 3.86%).
- More information about TARGET2 activities in 2012 will be provided in the context of the TARGET Annual Report, the publication of which is scheduled for May 2013.
- From January 2013 onwards, the statistics used by the Eurosystem will apply a new methodology, which will mainly affect the value-based indicators.

5.2 Changes to TARGET2 Guideline of 5 December 2012 (recast) (ECB/2012/27)

Mr Jones indicated that after the original 2007 version, there was no consolidated version of the Guideline until the December 2012 recast version and such a publication, even “unofficial”, would be very useful for the user community. He remarked that the addition of an executive summary to such a publication in the future would be very helpful for the industry. Mr Jones also noted that the current publication while including some new content is not completely new for the users; however it would be desirable to attach to it a comprehensive glossary of used terms, in order to avoid their conflicting interpretation. As an example, Mr Jones referred to the Art 24 relating to guarantees under the ASI 6 interfaced model.

Responding to these concerns Mr Debeaumont and Mr Heys (ECB) explained that the current guideline consists of the compilation of the previously public and a non-public Eurosystem internal guideline and thus reflects also legacies of both documents. Moreover, as the publication of the non-public version of the guideline has been discontinued, the recast version contains also the rules related to some internal ESCB processes and procedures.

Mr Debeaumont agreed that any new issue of the guideline could be accompanied by an overview of the introduced changes, posted among others on TARGET2 website. However, a specific executive summary added to the body of the guideline cannot be supported among others due to legal concerns. As regards interpretation issues related to the terms used in the guideline, Mr Debeaumont invited the members of TWG to address any identified problems in writing, in order to analyse, also from legal point of view, any potential gaps and address them in the new editions of the guideline.

(Rapporteur’s Note – Subsequently, on 18th February the TWG wrote formally to the ECB seeking clarification of Article 24 of the recast Guideline. A copy of the TWG’s letter is attached to these minutes: [TWG letter on the Guideline of the European Central Bank of 5 December 2012 on TARGET 2 \(recast\) \(ECB/2012/27\)](#))

5.3 CPSS-IOSCO Principles for Financial Market Infrastructures

Mr Jones enquired about TARGET2 plans for compliance with the above Principles. In response Mr. Debeaumont said that self-assessment for this had only recently been submitted to the overseer, hence he was not in a position to comment at the present time. It was agreed to roll this item over to the September Joint Meeting when hopefully the position will be clearer.

5.4 Date and place of next joint meeting

The next joint meeting is scheduled for 5th September 2013.