

1. General Information

CR Raised by: T2S Project Team **Institute:** ECB **Date Raised:** 21/04/09

Change Request Title: Life Cycle of a Liquidity Transfer Order **CR Ref.:** T2S URD 152

Change Request Classification: Substance
(Typo, Consistency, Clarification, Substance) **Status:** Approved by the AG

Change Type: Modification, New Requirement
(New Requirement/Modification/Deletion) **Requestor Category:** T2S Project Team
(User, 4CB, ECB T2S Project Team)

Chapter Number/Annex Number: Chapter 6, Chapter 13, Chapter 16, Annex 2, Annex 18 **Req No:** T2S.06.430, T2S.06.720, T2S.06.440, T2S.06.730, T2S.06.450, T2S.06.740, T2S.06.460, T2S.06.750, T2S.06.195, T2S.06.196, T2S.06.200, T2S.06.205, T2S.06.206, T2S.06.210, T2S.06.220, T2S.06.230, T2S.06.231, T2S.06.232, T2S.06.233, T2S.06.234, T2S.06.240, T2S.06.241, T2S.06.242, T2S.06.270, T2S.06.271, T2S.06.280, T2S.06.290, T2S.06.330, T2S.06.331, T2S.06.332, T2S.06.340, T2S.06.350, T2S.06.390, T2S.06.410, T2S.06.510, T2S.06.520, T2S.06.521, T2S.06.530, T2S.06.540, T2S.06.550, T2S.06.560, T2S.06.570, T2S.06.580, T2S.06.590, T2S.06.600, T2S.06.610, T2S.06.620, T2S.06.630, T2S.06.640, T2S.06.650, T2S.06.660, T2S.06.670, T2S.06.680, T2S.06.690, T2S.06.700, T2S.06.710, T2S.13.087, T2S.13.088, T2S.16.660

Priority (S,H,M,L): M **Proposed Implementation Date/Release:** Version 4.2

Description of Requested Change:

Chapter 6 does not provide a description for the life cycle of liquidity transfers.

- The liquidity transfer life cycle and the interaction between RTGS systems and T2S for the processing and confirmation of liquidity transfers is detailed in Chapter 6
- The acknowledgement for any incoming/ outgoing message is included in Chapter 13.

Reason for Change / Expected Benefits / Business Case:

The reason for the CR is to close a gap in the user requirements concerning the missing requirements for the processing life cycle of a liquidity transfers as well as the flow of communication between the RTGS and T2S for the processing of liquidity transfers.

Submitted Annexes / Related Documents:

Proposed wording for the Change Request:

1. Due to the changes in section numbering for liquidity transfers in the URD Section 6, line 12 is to be modified as documented below:

"Section ~~6.2~~ 6.3 defines the user requirements resulting from the future Collateral Central Bank Management (CCBM2) system for the interoperability with central bank collateral management systems (e.g. CCBM2)."

2. Deletion of the last paragraph of Section 6 (Page 3, Chapter 6)

"Finally, Section 6.3 on NCBs' global cash monitoring describes the role of NCBs in the monitoring of liquidity, and the framework applicable to this monitoring in the context of T2S; it also provides the user requirements of NCBs with respect to liquidity monitoring."

3. Due to the changes to the section numbering for liquidity transfers, the existing section 6.2 "Collateral Management" is to be renumbered to section 6.3 with all the underlying sub-sections and requirements renumbered as follows:

- “6.2 Collateral Management (e.g. CCBM2)” should be renumbered as “6.3 Collateral Management (e.g. CCBM2)”
- “6.2.1 Specific requirements resulting from monetary policy operations and intraday credit (without auto-collateralisation)” should be renumbered as “6.3.1 Specific requirements resulting from monetary policy operations and intraday credit (without auto-collateralisation)”.
- “6.2.2 Specific requirements resulting from intraday credit out of auto-collateralisation” should be renumbered as “6.3.2 Specific requirements resulting from intraday credit out of auto-collateralisation”.
- “T2S.06.430 Information on eligible securities” should be renumbered as “T2S.06.720 Information on eligible securities”.
- “T2S.06.440 Sending settlement confirmation/blocking confirmation” should be renumbered as T2S.06.730 Sending settlement confirmation/blocking confirmation”.
- “T2S.06.450 Sending settlement confirmation/unblocking confirmation” should be renumbered as T2S.06.740 Sending settlement confirmation/unblocking confirmation”.
- “T2S.06.460 Release of free collateral” should be renumbered as “T2S.06.750 Release of free collaterals”.

4. Deletion of the Section 6.1.6 and its subsections and replaced by a new section 6.2 in Chapter 6 in the URD, as below:

6.2 Liquidity Transfers Order Life Cycle Management

This section describes the life cycle of the liquidity transfers orders in T2S with its business process flow and status management requirements.

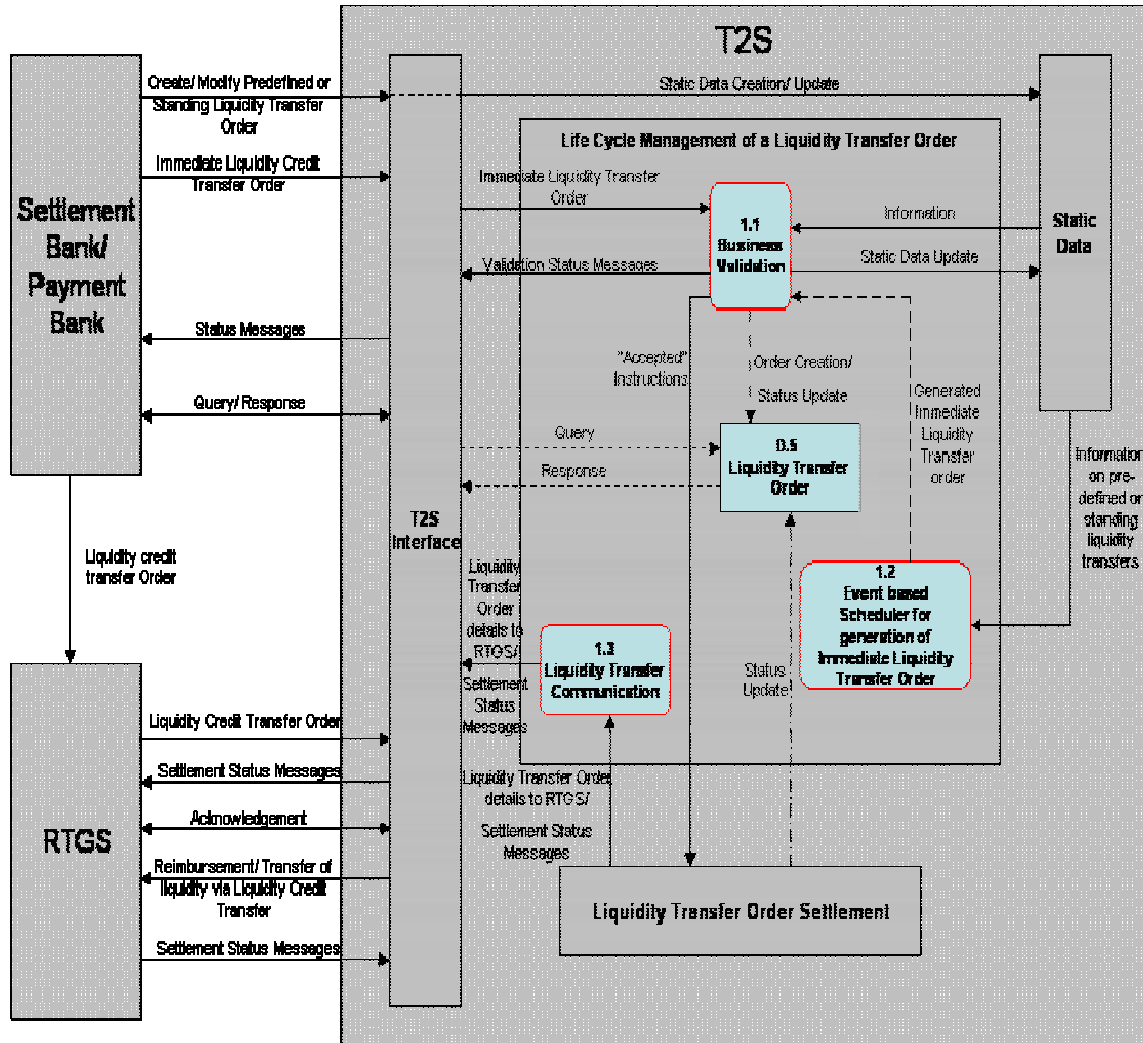
This section consists of 4 sub-sections:

- Sub-section 6.2.1 provides a high level overview of the different processes in life cycle management of liquidity transfers.
- Sub-section 6.2.2 describes the different types of liquidity transfers and their associated business processes.
- Sub-section 6.2.3 details the business validations for liquidity transfer orders, such as the consistency and authorisation checks that incoming orders (immediate liquidity transfer order) have to pass for T2S to accept them for further processing.
- Sub-Section 6.2.4 defines the settlement of liquidity transfer, such the communication between the RTGS and T2S when T2S settles a liquidity transfer.

6.2.1 High-level description of liquidity transfer orders life cycle management

This diagram depicts the different high-level processes of the liquidity transfer order life cycle management of T2S and its interactions with the various T2S Actors and other T2S components. It does not seek to pre-empt any future decision on the IT design and technical implementation of T2S. Liquidity transfer Orders life cycle management consists of three main processes: business validation, liquidity transfer settlement and a communication function.

Life Cycle Management of a Liquidity Transfer Order



6.2.1.1 Business validation

Business validation is the process of checking the correct content of an immediate liquidity transfer order or liquidity transfer, generated from a standing or predefined liquidity order, as well as validating the consistency of information between static data and immediate liquidity transfer order sent to T2S. Liquidity transfer order life cycle management immediately validates all incoming liquidity transfer orders, received from a T2S Actor or generated by T2S from pre-defined and standing liquidity transfer orders, based on a set of validation rules. After validation, T2S shall either accept or reject the liquidity transfer order.

Input	
Immediate Liquidity Transfer Order	From settlement banks or payment banks
Information	Information T2S from static data for validation

Output	
Information	Requesting information in static data which is required for validation
Validation status message	Responses to the settlement bank/payment bank regarding the validation status of the immediate liquidity transfer order
Immediate Liquidity Transfer Order	Forwarding of the accepted immediate liquidity transfer order to the liquidity transfer order settlement process
Status update	Status update (as defined in Table 6-1) of the immediate liquidity transfer in the data store

Table 6-1 List of business-validation-related statuses for an immediate liquidity transfer order

Status	Description
Accepted	Accepted Status of an immediate liquidity transfer order implies that the order that is generated or received from a T2S party, has passed through all the business validations and is ready for its settlement
Rejected	Rejected Status of an immediate liquidity transfer order implies that the order that is generated or received from a T2S party, has not passed through all the business validations

6.2.1.2 Event-Based Scheduler

An event-based scheduler in T2S shall trigger the creation of an immediate liquidity transfer from pre-defined and standing liquidity transfer orders, maintained in static data, based on a specified type of business event or specific time.

6.2.1.3 Communication of a liquidity transfer order

The communication function publishes to the interface component a request to forward the settlement status change of a liquidity transfer order and also the liquidity transfer order to the T2S interface for transmission to the payment bank/settlement bank as per the message subscription service (see Chapter 13).

Input	
Settlement status message	Received after every successful or unsuccessful attempt to settle of a liquidity transfer order
Liquidity Transfer Order	Received in case of transfer of liquidity from T2S to RTGS, after the transfer amount is successfully booked within T2S

Output	
Settlement status message	Immediately forwards settlement status (as defined in table 6-2) to the interface function after every receipt of a status message from Liquidity

	Transfer Order Settlement
Liquidity Transfer Order	Immediately forwards the liquidity transfer order to interface function which shall forward the order to the RTGS system

Table 6-2 List of settlement-related statuses for an immediate liquidity transfer order

Status Value	Significance
Settled	Settled Status of an immediate liquidity transfer order implies that an "Accepted" order has been successfully executed by the "Liquidity Transfer Settlement" process
Unsettled	Unsettled Status of an immediate liquidity transfer order implies that an "Accepted" order has not been executed by the "Liquidity Transfer Settlement" due to a reason

T2S communicates the status of a liquidity transfer order & its rejection or failure (in case not successful) together with the reason to the settlement bank / payment bank. T2S shall also communicate the changes in statuses of a liquidity transfer order

Chapter 13 describes the messages that T2S provides for management of immediate liquidity transfer orders. The T2S message subscription service shall allow settlement banks and payment banks to customise their information needs in relation to content, frequency, automation, etc. Similarly, chapter 14 describes the queries that T2S provides for NCB, settlement banks and payment banks concerning liquidity management.

6.2.1.4 Life cycle process requirements

The liquidity transfers need to be processed (validated, accepted) and booked immediately within the liquidity transfer settlement. T2S shall communicate the status of a liquidity transfer order for any change in the balance to the owner of a T2S dedicated cash account. T2S shall communicate immediately the status of the liquidity transfer to the corresponding RTGS system through a settlement status message, when the liquidity transfer involves a RTGS account.

6.2.2 Liquidity transfer order business process

A liquidity transfer order shall be a tool to transfer liquidity to the T2S dedicated cash account of a payment bank (or a settlement bank) in order to facilitate provide liquidity to facilitate securities settlement, for the current business day in T2S.

A liquidity transfer can occur between

- a T2S Dedicated cash account and another T2S Dedicated cash account (or)
- a RTGS account and a T2S dedicated cash account

T2S shall handle a liquidity transfer as a credit transfer, i.e. the service running the account to be debited shall trigger the execution of the liquidity transfer.

Therefore, a liquidity transfer from an RTGS system (e.g. TARGET2) to T2S shall be initiated in the RTGS system, while a liquidity transfer from T2S to an RTGS system shall be initiated by T2S.

Every payment bank is responsible for providing sufficient liquidity for settlement in T2S, irrespective of whether it holds an account in TARGET2 or in any other RTGS system that provides liquidity.

When a payment banks holds an RTGS account, the payment bank shall control the management of the liquidity transfers in favour of the T2S dedicated cash accounts.

If a payment bank does not hold an RTGS account, it must instruct (outside T2S) the holder of the RTGS account, linked to its T2S dedicated cash account, to transfer liquidity.

Therefore, the holder of the T2S dedicated cash account has to monitor the account balance on its T2S dedicated cash account. The holder of the account to be debited by a liquidity transfer shall be able to issue orders for the transfer of liquidity (the immediate liquidity transfer order, the predefined liquidity transfer order or the standing liquidity transfer order).

Important from a treasurer's perspective is the fact that the debit account holder keeps full control of "outgoing" liquidity.

6.2.2.1 General Requirements

Use of messages provided for in the cash management standard

Reference Id	T2S.06.195
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~~For liquidity management purposes, messages provided for in the cash management standard (e.g. LiquidityCreditTransfer (camt.05.001.01), ModifyStandingOrder (camt.024.001.02), Receipt (camt.025.001.01)) shall be used. T2S shall use the ISO 20022 for ensuring interoperability with RTGS and central bank collateral management systems (e.g. liquidity credit transfer, standing order modifications). In addition, pPayments messages can be used to transfer liquidity from the RTGS account to T2S dedicated cash accounts shall use the liquidity credit transfer messages, using functionality already available in the RTGS system (e.g. TARGET2).~~

Use of messages as status advice for a liquidity transfer order

Reference Id	T2S.06.196
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T2S shall inform NCBs, settlement banks and payment banks of the result of all changes to the status of a liquidity transfer as a result of processing, according to their message subscription configuration in T2S.

Provision of liquidity in T2S

Reference Id	T2S.06.200
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~~Settlement banks and payment banks shall be able to adjust the liquidity available for settling instructions in T2S. This function shall provide for transfers of liquidity with immediate effect (i.e. using immediate liquidity transfer orders, orders), as well as for pre-defined liquidity transfers (i.e. "predefined liquidity transfer orders" and "standing liquidity transfer orders"), predefined liquidity transfer orders and standing liquidity transfer orders.~~

Initiator of immediate liquidity transfers

Reference Id	T2S.06.205
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~~Immediate liquidity transfer orders shall always be initiated whereas the holder of the account to be debited (or) a party that has been authorised to do so by the account holder (e.g. a CSD or another party), shall always define predefined and standing liquidity transfer orders.~~

~~The holder of the cash account to be debited or a T2S Actor (e.g. CSDs) it has authorised to do so always shall initiate immediate liquidity transfer orders.~~

Immediate liquidity transfers from pre-defined and standing liquidity transfer orders

Reference Id	T2S.06.206
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T2S shall generate an immediate liquidity transfer order from standing and pre-defined liquidity transfer orders. The holder of the cash account to be debited or a T2S Actor (e.g. CSDs) it has authorised to do so always shall maintain pre-defined and standing liquidity transfer orders in static data.

CSD (or another party) acting on behalf of a payment bank

Reference Id	T2S.06.210
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~~It shall be possible for CSDs (acting on behalf of payment banks) to initiate liquidity adjustments. T2S shall check whether the payment bank has authorised the CSD to do so. The CSDs shall be able to act on behalf of any settlement banks that are their customers, under contractual agreements to do so with the respective payment banks. The existence of this contractual arrangement shall be setup in T2S by a flag in T2S static data.~~

~~It shall be possible for CSDs, acting on behalf of payment and settlement banks under a power-of-attorney or other contractual agreement to do so, to initiate liquidity transfers. T2S shall check whether the payment or settlement bank has authorised the CSD to do so. T2S static data shall store the existence of this contractual.~~

T2S shall thus be able to perform some validation on if the flag for contractual agreement for liquidity transfers from T2S to an RTGS system (e.g. TARGET2). ~~The existence of the contractual arrangement shall also be validated in the RTGS system (e.g. TARGET2) for liquidity transfers from the RTGS system to T2S. Therefore the information on the contract must also be stored in the RTGS system.~~ The same rule shall also be valid for other parties authorised by the account holder of the account to be debited.

Automatic liquidity transfers at the end of the settlement day and in the case of additional events

Reference Id	T2S.06.220
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Liquidity used in T2S for T2S business settlement shall be taken into account when calculating the fulfilment of minimum reserve requirements, i.e. T2S shall transfer liquidity shall be automatically transferred to the relevant

RTGS account in ~~an~~ the RTGS system (e.g. TARGET2) at the end of the settlement day. On an optional basis, a T2S Actor can use ~~it shall be possible to make use of~~ additional automated predefined and standing liquidity transfer orders from T2S to an RTGS system (e.g. TARGET2), e.g. immediately after the start of daytime settlement (at 05:00hrs); and/or at the end of DVP settlement (at 16:00hrs)⁵. ~~This can be achieved with the help of a standing liquidity transfer order.~~

Priority of liquidity transfers

Reference Id	T2S.06.230
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T2S shall settle liquidity transfers ~~shall be settled~~ in real-time in T2S except during night-time settlement ~~when during a running settlement cycle is running~~. Therefore, T2S needs to be in a position to automatically identify liquidity transfers as such. In TARGET2, liquidity transfers shall be settled according to the rules that are already in place for this system.

Attribute Requirements

Reference Id	T2S.06.231
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A liquidity transfer orders shall have the attributes as defined in Static data Section 16.8.5

Status Requirements

Reference Id	T2S.06.232
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T2S shall uniquely set a status when a liquidity transfer order passes through its life cycle as defined in tables 6-1 & 6-2

Definition of a “floor” for a T2S dedicated cash account

Reference Id	T2S.06.233
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The ~~account holder of the T2S dedicated cash account payment banks~~ shall have the possibility to define a minimum amount of liquidity (i.e. a liquidity floor) that ~~should~~ be available on the T2S dedicated cash account. ~~T2S shall check~~ ~~the minimum amount, defined by account holder of the T2S dedicated cash account, defined by the payment bank shall be checked~~ after each ~~booking~~ posting on the T2S dedicated cash account. When the liquidity available falls below the defined minimum amount, ~~T2S shall alert~~ the treasurers at the ~~account holder of the T2S dedicated cash account through a message~~. ~~Payment bank shall be alerted accordingly. The way the alert shall be communicated shall have to be defined at a later stage.~~

Definition of a “ceiling” for a T2S dedicated cash account

Reference Id	T2S.06.234
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The account holder of the T2S dedicated cash account shall have the possibility to define a maximum amount of liquidity (i.e. a liquidity ceiling) that ~~should~~ ~~all~~ be available on T2S dedicated cash account. ~~T2S shall check~~ ~~the maximum amount, defined by the account holder of the T2S dedicated cash account, shall be checked~~ after each ~~booking~~ posting on the T2S dedicated cash account. When liquidity available exceeds the defined maximum amount, ~~T2S shall alert~~ the treasurers at the account holder of the T2S dedicated cash account ~~shall be alerted accordingly. The way the alert shall be communicated shall have to be defined at a later stage, through a message.~~

6.2.2.2 Types of Liquidity Transfer Order

T2S supports three types of liquidity transfers from T2S dedicated cash accounts to RTGS cash accounts and between T2S dedicated cash accounts of the same party

- Immediate Liquidity Transfer Order
- Pre-defined Liquidity Transfer Order
- Standing Liquidity Transfer Order

6.2.2.2.1 Immediate Liquidity Transfer Order

An immediate liquidity transfer order is an order to transfer a specified amount of money between two cash accounts in real-time on the receipt and acceptance of the order.

6.2.2.2.2 Pre-defined Liquidity Transfer

A Pre-defined Liquidity transfer order is an order to transfer a specified amount of money from one cash account to another cash account to be executed only once at a defined time or event.

6.2.2.2.3 Standing Liquidity Transfers Order

A Standing Liquidity transfer order is an order to transfer a specified amount of money from one cash account to another. The order shall be executed repetitively at a defined time or event.

The following table depicts the different types of Liquidity transfer orders with its acceptance and execution

No	Type of Incoming Orders	Acceptance in T2S	Execution in T2S
1.	Immediate Liquidity Transfer Order	Liquidity credit transfer instruction	Immediate on acceptance of the order
2.	Pre-defined Liquidity Transfer Order	Generates a liquidity transfer order instruction, based on parameters defined in T2S static data for predefined liquidity transfer orders	Immediate on acceptance of the generated immediate liquidity transfer order
3.	Standing Liquidity Transfer Order	Generates a liquidity transfer order instruction, based on parameters defined in T2S static data for standing liquidity transfer orders	Immediate on acceptance of the generated immediate liquidity transfer order

6.2.2.3 Immediate liquidity transfer order

Processing of immediate liquidity transfer orders between RTGS account and T2S dedicated cash account

Reference Id	T2S.06.240
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Immediate liquidity transfer orders shall be initiated by the account holder of the account that shall be debited or by a related CSD acting on behalf of the account holder.

~~T2S shall process~~ immediate liquidity transfer orders ~~shall be processed~~ between an RTGS account and predefined T2S dedicated cash accounts of the same payment bank or settlement bank or another T2S party for whom the payment bank acts as liquidity provider.

Processing of immediate liquidity transfer orders between T2S dedicated cash accounts of the same account holder

Reference Id	<u>T2S.06.241</u>
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T2S shall allow the transfer ~~It shall also be possible to transfer~~ of liquidity ~~(by way of using~~ an immediate liquidity transfer order between two T2S dedicated cash accounts of the same payment or settlement bank or of another T2S party for whom the payment bank acts as liquidity provider.

Processing of immediate liquidity transfer orders between T2S dedicated cash accounts of different account holders

Reference Id	<u>T2S.06.242</u>
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~~T2S shall allow the transfer of liquidity using an immediate liquidity transfer order between~~ A liquidity transfer between two T2S dedicated cash accounts not belonging to the same payment bank or settlement bank or to another T2S party for which the payment bank acts as liquidity provider only through a transfer through ~~shall require the involvement of~~ the RTGS accounts of the two payment banks concerned. Liquidity has to be transferred from one RTGS account to the other using a payment message sent to the RTGS system that runs the accounts (e.g. TARGET2). This is outside of T2S.

6.2.2.4 Pre-defined liquidity transfer orders

Processing Input of predefined liquidity transfer orders

Reference Id	T2S.06.270
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~~T2S shall allow the input of~~ Pre-defined liquidity transfer orders ~~shall be defined~~ by the account holder of the account ~~to that shall be debited, or by another T2S Actor (e.g. CSD) operating on its behalf under a contractual agreement. Related CSD acting on behalf of the account holder.~~

Processing of predefined liquidity transfer orders for the settlement or payment bank

Reference Id	<u>T2S.06.271</u>
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~~T2S shall allow the specification and processing of a~~ Pre-defined liquidity transfer orders ~~only for transfers shall be processed~~ between RTGS accounts and ~~predefined~~ T2S dedicated cash accounts of the same payment or settlement banks, or of another T2S party for which the payment or settlement bank acts as liquidity provider.

For the sake of transparency, a payment bank shall be able to define predefined orders only for liquidity transfers between the RTGS account and the related T2S dedicated cash accounts.

It shall not be possible to put in place predefined orders to transfer liquidity between different T2S dedicated cash accounts of the same payment bank.

Definition of the time of execution for predefined liquidity transfer orders

Reference Id	T2S.06.280
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~~T2S shall allow the specification of a date in combination with a time or event on which T2S shall generate and execute the liquidity transfer from a~~ ~~It shall be permissible to specify a date in combination with a time or an event (in T2S) on which the pre-defined liquidity transfer order shall be executed.~~

Predefined liquidity transfer orders to increase or decrease liquidity in T2S

Reference Id	T2S.06.290
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~~T2S shall allow the~~ ~~It shall be permissible to make~~ use of predefined liquidity transfer orders to increase or decrease liquidity on a T2S dedicated cash account.

6.2.2.5 Standing Liquidity Transfer Order

Processing of standing liquidity transfer orders

Reference Id	T2S.06.330
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~~Standing liquidity transfer orders shall be defined by the account holder of the account that shall be debited, or by a related CSD acting on behalf of the account holder.~~

~~T2S only shall allow the input of standing liquidity transfer orders by the account holder of the account shall to be debited, or by another T2S Actor (e.g. CSD) operating on its behalf under a contractual agreement. A payment or settlement bank shall be able to define standing orders only for liquidity transfers between its RTGS account and the related T2S dedicated cash accounts.~~

Processing of standing liquidity transfer orders for the settlement or payment bank

Reference Id	T2S.06.331
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~~T2S shall allow the specification and processing of~~ ~~Standing liquidity transfer orders shall be processed only for transfers between the RTGS accounts and the predefined T2S dedicated cash accounts of the same payment or settlement bank only or of another T2S party for whom the payment or settlement bank acts for as liquidity provider.~~

Deletion of standing liquidity transfer orders for the settlement or payment bank

Reference Id	T2S.06.332
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~~A payment bank or settlement bank or authorised party, acting on its behalf, can delete a~~ ~~An existing standing liquidity order shall be removed by sending a deletion.~~

~~For the sake of transparency, a payment bank shall be able to define standing orders only for liquidity transfers between its RTGS account and the related T2S dedicated cash accounts.~~

~~It shall not be possible to put in place standing orders to transfer liquidity between different T2S dedicated cash accounts.~~

Definition of the time of execution for standing liquidity transfer orders

Reference Id	T2S.06.340
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~~A payment bank or settlement bank, or authorised party acting on its behalf, Payment banks shall have the opportunity~~ ~~possibility to define different~~ ~~standing liquidity transfer orders to be executed at different points in time and /events during the T2S settlement day.~~

Changing the amount of the standing liquidity transfer order

Reference Id	T2S.06.350
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~~When a payment bank or settlement bank, or authorised party acting on its behalf, changes a~~ ~~Where a~~ ~~standing liquidity transfer order has been changed, the change shall be take effect n into account by in T2S as from the next execution of the standing order (e.g. as from the next point in time of its execution, or as from the next occurrence of the event). When a payment bank or settlement bank, or authorised party acting on its behalf, changes~~ ~~the amount of the standing liquidity transfer order is changed to zero, it~~ ~~T2S shall neither of be executed at the next point in time or event but it shall not be nor deleted it. T2S shall be retained it in the system as standing liquidity transfer order with an amount of zero.~~

Definition of several standing liquidity transfer orders

Reference Id	T2S.06.360
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~~T2S shall allow a payment bank or settlement bank, or authorised party acting on its behalf, it shall be possible to define several standing liquidity transfer orders for execution at the same point in time on the same /event (e.g. maximum and minimum amount of liquidity available on T2S dedicated cash account).~~

6.2.2.6 Generic requirements for pre-defined and sStanding liquidity transfer orders

Increasing the liquidity on T2S dedicated cash accounts by a specified amount

Reference Id	T2S.06.390
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T2S shall allow a payment bank or settlement bank, or authorised party acting on its behalf, ~~The payment bank shall be permitted to increase the liquidity on its T2S dedicated cash account by a define a specified amount for transfer from the RTGS account to the T2S dedicated cash account at a certain point in time and/or event.~~

Decreasing of the liquidity on T2S dedicated cash accounts by a specified amount

Reference Id	T2S.06.410
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~~T2S shall allow a payment bank or settlement bank, or authorised party acting on its behalf, The account holder of the T2S dedicated cash account shall be permitted to define a specified amount for transfer from the T2S dedicated cash account to the RTGS account of the related payment bank/ or settlement bank at a certain point in time and for a given/ or event.~~

6.2.2.7 Generating an immediate liquidity transfer from static data

T2S shall treat the pre-defined and standing liquidity transfer orders as immediate liquidity transfers. T2S shall generate immediate liquidity transfer orders from pre-defined or standing liquidity transfer orders, which are defined via static data (with a unique liquidity transfer order identifier), through the event-based scheduler on the occurrence of the defined event or time.

In the event of generation the attributes of a liquidity transfer order shall be set as below

- Currency, Transfer cash amount, RTGS system, RTGS account, Target Dedicated Cash Account of the instructing party shall be set as defined in the Static data
- Sending party shall be set as T2S
- Instructing party shall be set as the Payment bank/ Settlement bank/ NCB
- the order reference must be set as the Liquidity transfer order reference (i.e. the unique reference defined by the instructing party for the liquidity transfer order) as defined in the static data (See T2S.16.660)

6.2.3 Business validation of an immediate liquidity transfer order

Business validation is the process of checking the correct content of an immediate liquidity transfer order as well as the consistency of information between static data and immediate liquidity transfer orders sent to T2S.

6.2.3.1 Validation of incoming (or) generated liquidity transfer order

Business Validation Rules

Reference Id	T2S.06.510
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T2S shall validate all incoming or generated liquidity transfer orders. This section includes a list of detailed validation requirements. After encountering the first negative validation result, T2S shall continue to validate as far as possible (taking into account potential independencies between the validated data) and report all negative results together in a single message. Only after performing all logically possible validations shall T2S reject the order.

Mandatory fields

Reference Id	T2S.06.520
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T2S shall check the existence of the following fields for a liquidity transfer order instruction from an RTGS account to T2S dedicated cash account

- currency
- transfer cash amount
- RTGS system
- RTGS account
- Target Dedicated Cash Account of the instructing party (i.e. T2S dedicated cash account to be credited)

When a liquidity transfer order is generated from static data (for a pre-defined and a standing liquidity transfer order), it shall be generated with the instruction type as an RTGS to T2S Dedicated cash account only

Reference Id	T2S.06.521
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T2S shall check the existence of the following fields for a liquidity transfer order instruction from a T2S dedicated cash account to another T2S dedicated cash account

- currency
- transfer cash amount
- source dedicated cash account of the instructing party (i.e. T2S dedicated cash account to be debited)
- target T2S dedicated cash account of the instructing party (i.e. T2S dedicated cash account to be credited)

When a liquidity transfer order is generated from static data (for a pre-defined and a standing liquidity transfer order), it shall be generated with the instruction type as an RTGS to T2S Dedicated cash account only

Currency Check

Reference Id	T2S.06.530
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T2S shall check that the currency is a valid currency as part of the technical message validation. T2S shall check that the currency of the liquidity transfer order is a valid T2S settlement currency, as defined for the cash account in the static data, as a business validation.

Instructing party Authorisation check

Reference Id	T2S.06.540
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T2S shall identify the instructing party as an “active” settlement bank/ payment bank/ NCB known in T2S static data

Sending party check

Reference Id	T2S.06.550
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T2S shall accept the immediate liquidity transfer order only if the sender of the order has authorisation to submit the transfer order from the instructing party. T2S shall perform this check only if the sender of the liquidity transfer order is different from the instructing party in the order.

Account validity check

Reference Id	T2S.06.560
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T2S shall allow a liquidity transfer order only if the order has T2S dedicated cash account(s) are neither blocked nor logically deleted.

Duplicate Check

Reference Id	T2S.06.570
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T2S shall check for and reject a duplicate submission of an incoming order (i.e. immediate liquidity transfers, which are received from a settlement or payment bank or an RTGS system) on the basis of a combination of the T2S actor identifier and the order reference assigned by the instructing party. The duplicate check shall compare the reference of each incoming order with the reference of liquidity transfer orders that are not settled yet and those orders settled in the past.

T2S shall not perform this duplicate check for immediate liquidity transfers orders that T2S generated from pre-defined and standing liquidity transfer orders.

Information provided after validation

Reference Id	T2S.06.580
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After successful business validation process, T2S shall generate the liquidity transfer order in T2S. T2S shall inform T2S actors (according to the subscription), regarding the outcome of the validation process and shall indicate the reason for the rejection of any order.

Amount check

Reference Id	T2S.06.590
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T2S shall check for the existence of the transfer amount. T2S shall allow an amount of zero only for the maintenance of an existing standing liquidity transfer.

Full audit trail

Reference Id	T2S.06.600
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T2S shall keep an audit trail documenting events and status changes during the entire life cycle of a liquidity transfer order, which includes

1. Date and timestamp of change
2. User ID of process or user making the change
3. Type of status change
4. Attribute value of status change.

6.2.4 Settlement of a Liquidity Transfer Order

6.2.4.1 Settlement process of a immediate liquidity transfer order**Immediate execution of immediate liquidity transfer orders**

Reference Id	T2S.06.610
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Immediate liquidity transfer orders shall be executed ~~immediately after they arrive~~ in real time and its validation status is and are "Accepted" in T2S.

Forwarding the Immediate Liquidity Transfer to Settlement

Reference Id	T2S.06.620
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The immediate liquidity transfers shall be queued on a first-in-first-out basis for settlement. This shall include the orders received from a T2S party and the orders, which T2S generated on the basis of a pre-defined or standing liquidity transfer orders

Insufficient liquidity to execute immediate liquidity transfer orders not generated by T2S

Reference Id	T2S.06.630
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In cases where the immediate liquidity transfer order is initiated by the account holder of the account to be debited and the liquidity available on the account to be debited (RTGS account or T2S dedicated cash account) is not sufficient, no liquidity shall be transferred (i.e. there shall not be any partial execution of immediate liquidity transfer orders).

In cases where the immediate liquidity transfer order is initiated by a CSD (or another party) authorised by the account holder of the account to be debited and the liquidity available on the account to be debited (RTGS account or T2S dedicated cash account) is not sufficient, the amount of liquidity available on the account shall be transferred.

In the case of non-execution (or partial execution), the payment bank (or the CSD acting on behalf of the payment bank) shall be alerted. How the alert shall be communicated shall have to be defined at a later stage.

(Note: It has to be taken into account that this user requirement is related to the transfer of liquidity to or from the T2S dedicated cash account. Auto-collateralisation is not relevant for the user requirements related to interactions with an RTGS system (e.g. TARGET2) due to the fact that

1. auto-collateralisation shall take place during T2S settlement and
2. the liquidity resulting from auto-collateralisation shall be made available on the T2S dedicated cash account of the account holder (i.e. the payment bank) and shall immediately be used to settle a transaction.

Just to provide the full picture, it shall be mentioned that liquidity resulting from intraday-repos with NCBs, as well as liquidity stemming from monetary policy operations (in repo countries), shall be settled on the T2S dedicated cash account, but an automatic transfer to the RTGS account in an RTGS system (e.g. TARGET2) shall be triggered by T2S immediately thereafter. The cash leg of repos between market users shall be settled on T2S dedicated cash accounts.)

6.2.4.2 Settlement process of a predefined liquidity transfer order**Execution of predefined liquidity transfer orders**

Reference Id	T2S.06.640
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A predefined liquidity transfer order shall be automatically executed at a given point in time/event during the settlement day. For the same time/event only one predefined liquidity transfer order can be defined per T2S dedicated cash account. A payment bank can put in place (at maximum) one predefined liquidity transfer order per T2S dedicated cash account to be executed at the same time/event. But it shall be possible to define different predefined liquidity transfer orders to increase/decrease the liquidity available on the T2S dedicated cash account at different points in time/events during the T2S settlement day.

Partial execution of predefined liquidity transfer orders

Reference Id	T2S.06.650
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In cases where the liquidity available on the account to be debited (RTGS account or T2S dedicated cash account) is not sufficient to cover the predefined liquidity transfer order, as much liquidity as possible shall be transferred (partial execution). The payment bank shall be alerted accordingly. How the alert shall be communicated shall have to be defined at a later stage.

(Note: It has to be taken into account that this requirement is related to the transfer of liquidity to or from the T2S dedicated cash account. Auto-collateralisation is not relevant for this user requirement due to the fact that

- 1. auto-collateralisation shall take place during T2S settlement and
- 2. the liquidity resulting from auto collateralisation shall be made available on the T2S dedicated cash account of the account holder (i.e. the payment bank) and shall immediately be used to settle a transaction.)

The amount of liquidity not transferred shall not be stored in a memory, i.e. it shall not be transferred after additional liquidity arrived at the account that was debited.

6.2.4.3 Settlement process of a standing liquidity transfer order

Execution of standing liquidity transfer orders

Reference Id	T2S.06.660
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A standing liquidity transfer order shall be automatically executed at a given point in time/event during the settlement day. For the same time/event multiple standing liquidity transfer orders can be defined per T2S dedicated cash account. It shall also be possible to define different standing liquidity transfer orders to increase/decrease the liquidity available on the T2S dedicated cash account at different points in time/events during a T2S settlement day.

All the standing liquidity transfer orders shall be executed at the specified time/ event.

Partial execution of standing liquidity transfer orders

Reference Id	T2S.06.670
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In cases where the liquidity available on the account to be debited (the RTGS account or the T2S dedicated cash account) is insufficient, as much liquidity as possible shall be transferred (i.e. partial execution of standing liquidity transfer orders). The payment bank shall be alerted accordingly. The way the alert shall be communicated shall have to be defined at a later stage.

(Note: It has to be taken into account that this user requirement is related to the transfer of liquidity to or from the T2S dedicated cash account. Auto-collateralisation is not relevant for this user requirement due to the fact that

- 1. auto-collateralisation shall take place during T2S settlement and
- 2. the liquidity resulting from auto-collateralisation shall be made available on the T2S dedicated cash account of the account holder (i.e. the payment bank) and shall immediately be used to settle a transaction.)

The amount of liquidity not transferred shall not be stored in a memory, i.e. it shall not be transferred after additional liquidity arrived at the account that was debited.

6.2.4.4 Communication between RTGS and T2S during a transfer of Liquidity from RTGS to T2S

This section details the communication requirements for settlement process of a liquidity transfer from a RTGS account to a T2S Dedicated Cash account via

- An immediate liquidity transfer order
- A pre-defined liquidity transfer order
- A standing liquidity transfer order

Successful Execution of a Liquidity transfer

Reference Id	T2S.06.680
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On a successful execution of an immediate liquidity transfer order (which is received or generated) in T2S, T2S sets the settlement status of the immediate liquidity transfer to "settled" and shall confirm (i.e. settlement status message) the RTGS system via a "Confirmation of Credit".

Unsuccessful Execution of a Liquidity transfer

Reference Id	T2S.06.690
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In case of failure in execution of an immediate transfer order (which is received or generated) in T2S, T2S sets the settlement status of the immediately liquidity transfer as "unsettled". The cancellation status of the immediate liquidity transfer order is set to "cancelled" with a reason code. T2S must notify (i.e. settlement status message) RTGS system of the failure in cases where the RTGS is involved.

6.2.4.5 Communication between T2S and RTGS during a transfer of Liquidity from T2S to RTGS

This section details the communication requirements for the settlement process of a reimbursement of liquidity from a T2S Dedicated Cash Account via

- An immediate liquidity transfer order
- A pre-defined liquidity transfer order
- A standing liquidity transfer order

Successful Execution of a Liquidity transfer

Reference Id	T2S.06.700
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T2S shall require a confirmation (i.e. settlement status message) with the fully or partially settled amount to process correctly the successful execution of the liquidity transfer by an RTGS system. Upon receipt of the confirmation, T2S shall set the settlement status of the liquidity transfer as "Settled" in T2S.

Unsuccessful Execution of a Liquidity transfer

Reference Id	T2S.06.710
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T2S shall require a notification (i.e. settlement status message) with a reason to process correctly a failed execution of a liquidity transfer in an RTGS. Upon receipt of the failure notification, T2S shall set the settlement status of the liquidity transfer as "unsettled" in T2S. Following the failure notification if T2S receives a confirmation of credit with the fully or partial executed amount, then upon receipt of the confirmation, T2S shall reset the settlement status of the liquidity transfer as "Settled" in T2S

5. The below new requirements are to be added in the Section 13.2 in Chapter 13

Acceptance of a message

Reference Id	T2S.13.087
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On receipt of a message, the T2S must provide a technical acknowledgement to the sender of the message

Transmission of a message

Reference Id	T2S.13.088
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On transmission of a message, the T2S must receive a technical acknowledgement from the recipient of the message, for a successful transmission

6. In chapter 16, the table 16-21 in the requirement T2S.16.660 is to be enhanced as below

In Table 16-21, a new attribute "Liquidity transfer order reference" is to be included in the Table 16-21, after the "Liquidity Transfer Order identifier".

Attribute	Description
Liquidity Transfer Order Identifier	This attribute shall specify the unique technical identifier assigned to the liquidity transfer order.
Liquidity Transfer Order Reference	<u>This attribute shall specify the unique reference assigned to the predefined and standing liquidity transfer orders, by the instructing party</u>

7. In chapter 16, section 16.8.5, the following text is to be included after the table 16-21

The static data for a predefined and a standing liquidity transfer order shall be allowed to be modified. This modification instruction shall contain the unique reference (i.e. liquidity transfer order reference) to the liquidity transfer order to enable the modification of any of the below attributes

- Debit Cash Account Identifier
- Credit Cash Account Identifier
- Currency
- Amount
- All Cash
- Valid From Date
- Valid To Date
- RTGS Account Number
- Execution Type
- Execution

8. In Annex 2, Glossary, the definition of "Standing liquidity transfer order" should be modified as below

An instruction to transfer a specified amount of money from one ~~central bank~~ cash account to another cash account to be executed repetitively at a defined time or event in the T2S processing cycle until the order is changed or ~~cancelled~~.

9. In Annex 18, section 2.2.1, the references to chapter 6 should be changed as below

Line 9:

"Immediate liquidity transfer orders (see URD, T2S.06.40 to T2S.06.260)" should be rephrased as "Immediate liquidity transfer orders (see URD, sections 6.2.2.3, 6.2.3, 6.2.4.1)"

Line 18:

"Predefined liquidity transfer orders (see URD, T2S.06.270 to T2S.06.320)" should be rephrased as "Predefined liquidity transfer orders (see URD, sections 6.2.2.4, 6.2.3, 6.2.4.2)"

Line 27:

"Standing liquidity transfer orders (see URD, T2S.06.330 to T2S.06.420)" should be rephrased as "Standing liquidity transfer orders (see URD, sections 6.2.2.5, 6.2.3, 6.2.4.3)"

Outcome of meetings:

* SG meeting on 2 June 2009

Recommendation to the AG: Approval

* AG meeting on 15 June 2009

Approval of SG recommendation

