



EUROPEAN CENTRAL BANK

EUROSYSTEM

General Information (Origin of Request) <input type="checkbox"/> User Requirements (URD) or GUI Business Functionality Document (BFD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: Banque de France on behalf of the T2S French NSG	Institute: Central bank	Date raised: 24/05/2018
Request title: Implementation of thresholds in Standing Liquidity Transfer Orders		Request ref. no: T2S 0679 SYS
Request type: Common	Classification: Scope enhancement	Urgency: Normal
1. Legal/business importance parameter: Medium	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter: High	
Requestor Category: Central Bank	Status: Preliminary assessed	

Reason for change and expected benefits/business motivation:

Currently, T2S allows T2S Actors to define Standing Liquidity Transfer Orders which are executed every time their defined point in time is reached or when the business event configured occurs.

The amount to be transferred to the RTGS account can either be:

- a specified amount, i.e. the amount of cash to be transferred is defined and stored within the Standing Order,
- "all cash", i.e. the whole available credit balance on the T2S Dedicated Cash Account has to be transferred,
- a "dedicated amount", i.e. the amount to be transferred is calculated and generated by T2S (used in case of Corporate Actions for instance).

If there is no liquidity available on the T2S Dedicated Cash Account to be debited, the Liquidity Transfer is unsettled. In case of insufficient liquidity, Standing Orders are partially executed, i.e. the whole available amount on the account is transferred even if this amount is lower than the amount specified in the liquidity transfer order. The liquidity transfer is not recycled for further settlement for the part that could not be settled on first attempt.

The options currently available can lead to the generation of a flood of liquidity transfers for negligible amounts if payment banks define an "event based" Standing Order (CARL for instance). If the payment banks can't determine in advance the amount to be transferred (which is a valid assumption for event based Standing Orders), they have to rely on the last two options available, i.e. "all cash" or "dedicated amount". Unfortunately, in the corporate actions context, this configuration can trigger numerous small-value transfers to the RTGS accounts of the participants, with potentially manual reconciliation on their internal systems (to allocate the liquidity received) and then an increase of their operational costs.

Description of requested change:

The change request should allow participants, on an optional basis, to set a minimum threshold in their Standing Orders if they don't determine a specific amount, i.e.:

- Option "all cash" with a minimum threshold configured: the whole available amount on the account is transferred if the available balance is equal to or higher than the minimum threshold.
- Option "dedicated amount" with a minimum threshold configured: the amount calculated and generated by T2S is transferred if it is equal to or higher than the minimum threshold.

The implementation of such functionality would decrease the possible high number of outbound liquidity transfers and subsequently linked manual reprocessings.

The ability to set a minimum threshold is not required for liquidity transfers pertaining to the multi-liquidity provider functionality. Outbound liquidity transfers automatically generated for Monetary Policy Cash rebalancing are also out of scope of the change request.

Submitted annexes / related documents:

Proposed wording for the Change request:

High level description of Impact:

Outcome/Decisions:

- * CRG on the 4 July 2018: The CRG agreed to launch the preliminary assessment of the CR
 - * CRG teleconference on the 26 September 2018: The CRG agreed to recommend to the authorisation of the Change Request at the Steering level
 - * AMI-SeCo on the 9 October 2018: The AMI-SeCo agreed to the recommendations of the CRG to authorise this Change Request for ranking and allocation to a release.
 - * CSG meeting on 10 October 2018: The CSG authorised for ranking and allocation to a release of this Change Request.
 - * NECSG on 26 October 2018: The NECSG adopted the resolution to authorise the CR-679 for ranking and allocation to a release.
 - * MIB on 5 November 2018: The MIB authorised CR-679 for ranking and allocation to a release.
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Preliminary assessment:

- **Impact:** High
- **Impacted Modules/Functionalities:** LQMG, INTF, SETT, LTSI-LEA, SDMG
- **Findings:**
 - A new field in the Liquidity Transfer Order object will allow determining a minimum amount for standing and predefined liquidity transfer orders. This field will not be usable if inputting a specific amount. This field will be editable.
- **Open issues/ questions to be clarified by the originator:**
 - Clarification is requested regarding the required behaviour of T2S for Monetary Policy Cash rebalancing. In this specific context, automatic outbound liquidity transfers are generated but they are not based on any LTO.
 - Currently A2A (camt.024) does not offer the possibility to enter a threshold. We do not foresee an update of the message. Therefore the setup of the threshold will only be possible in U2A.