



EUROPEAN CENTRAL BANK

EUROSYSTEM

**ATTACHMENT 2**

**USER INFORMATION GUIDE TO THE TARGET2 PRICING**

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# USER INFORMATION GUIDE TO THE TARGET2 PRICING

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# USER INFORMATION GUIDE TO THE TARGET2 PRICING

## INTRODUCTION

The purpose of this information guide is to provide TARGET2 users with a comprehensive overview of the pricing schemes related to TARGET2 and to give a detailed reference to the billing principles of the TARGET2 core services, liquidity pooling and ancillary systems services.

This Guide is intended purely to give information on the TARGET2 pricing and the billing related issues and has been elaborated with a view to being updated as necessary. The content of this document confers no legal rights on participants/operations or any other person or entity.

In order to have a better understanding of the pricing and billing issues with respect to TARGET2, a certain level of knowledge on the general structure and functioning of TARGET2 is needed. Thus, the first section presents a general overview of TARGET2 and the services provided via the SSP. Section 2 presents the pricing of TARGET2 services for the end users. Section 3 presents the principles and procedures for billing of the TARGET2 services to the users and the standard set of elements that need to be covered on the invoices presented to the participants.

Annex 1 provides some practical examples for the pricing and billing of the various types of participants with different payment profiles. The list of the transactions subject to the billing of TARGET2 services is presented in the Annex 2.

The information on the SWIFT pricing is out of scope of the present document. All aspects related to SWIFT pricing can be found in the SWIFT Price List available on [www.swift.com](http://www.swift.com).

## **1. GENERAL OVERVIEW OF TARGET2 AND THE SINGLE SHARED PLATFORM (SSP)**

### **1.1 From TARGET to TARGET2**

TARGET<sup>1</sup> is the EU-wide real-time gross settlement system (RTGS) for the euro. In TARGET2 a single technical platform, called the SSP (Single Shared Platform) is provided by the 3CB (Deutsche Bundesbank, Banca d'Italia and Banque de France) replacing the decentralised infrastructure of the first version of TARGET. Although operating on one technical platform, TARGET2 is legally composed of national components governed by the national legislation of each participating member state. The business relationship with the users and their accounts remain with the national central banks. TARGET2 offers a broad range of features and services in order to adequately meet the user needs. With TARGET2 the Eurosystem is aiming to provide a harmonised level of services at a single price structure for both intra- and inter- Member State payments and to achieve a high level of cost recovery.

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<sup>1</sup> TARGET is the acronym for “Trans-European Automated Real-time Gross settlement Express Transfer system”

The go-live date for TARGET2 is 19 November 2007. The migration to TARGET2 is taking place in “country groups”. The first one migrates on 19 November 2007, the second on 18 February 2008 and the last one on 19 May 2008. A fourth migration window is scheduled for 15 September 2008 reserved for contingency.

## **1.2 Services provided by the Single Shared Platform (SSP)**

The Single Shared Platform (SSP) provided by the 3CB contains all the functionalities needed by the central banks to offer TARGET2 services to their banking community. The SSP also offers some optional services, which are linked to TARGET2, even though not related to the provision of RTGS services.

## **1.3 TARGET2 services provided by the NCBs**

When agreeing to establish the SSP for TARGET2 it was also decided that NCBs could continue processing payments via their so called PHAs (Proprietary Home Account application) for a transitional period of four years (from the moment the relevant CB migrates) in order to give the central banks and PHA participants more time and to facilitate their change-over to the SSP. Some NCBs do not use this option to offer PHA services, but move all their RTGS services to the SSP immediately. As mentioned above, also in TARGET2 the NCBs are in charge of managing the relationship with their participants/users and offer them “help desk services”.

## **2. TARGET2 PRICING SCHEME**

### **2.1 The pricing scheme in general**

The pricing scheme for TARGET2 comprises several different elements. Most of the TARGET2 services available to the users are covered by the core pricing scheme applicable to payment transactions. Users are also offered the liquidity pooling as an optional and separately priced core service which is charged only to the users of this service. Ancillary systems settling in TARGET2 are subject to a separate pricing scheme. There are also special fees charged for indirect participation, addressable and multi-address BICs and for accounts identified by unpublished BICs. Special conditions have also been agreed for the pricing of payment services offered by NCBs using their PHA during the transitional period of four years.

In order to support the restart of the SSP after an interregion failover, the SSP benefited from the SWIFTNet FIN Bulk Retrieval function. Users will be charged a small fee (currently EUR 0.003) on top of the normal message fees according to the SWIFT standard pricing scheme.

In order to ensure a level playing field for all market participants across the Eurosystem, the TARGET2 pricing scheme will be applied as from the moment when the third migration group joins the SSP i.e. 19 May 2008. It means that all NCBs would continue to charge the current TARGET cross border fees until the end of the migration period, as well as their fees for domestic traffic.

The different pricing schemes and elements are covered in the following sections.

**2.2 Core pricing scheme**

The pricing scheme for TARGET2 core service (i.e. processing of payment orders in TARGET2) offers 2 options:

- option A with a monthly fee of EUR 100 and a flat transaction fee of EUR 0.80 per transaction (i.e. per debit entry);
- option B with a monthly fee of EUR 1,250 and transaction fees based on the volume ranging from EUR 0.60 to EUR 0.125 per transaction (i.e. per debit entry) according to the table below.

<b>Option A</b>			
<b>Fixed fee</b>	Monthly		€ 100
Flat rate			€ 0.80
<b>Option B</b>			
<b>Fixed fee</b>	Monthly		€ 1,250
<b>Monthly Transactions</b>			
<b>Band</b>	<b>From</b>	<b>To</b>	<b>Price</b>
1.	1	10,000	€ 0.60
2.	10,001	25,000	€ 0.50
3.	25,001	50,000	€ 0.40
4.	50,001	100,000	€ 0.20
5.	Above 100,000		€ 0.125

Participants have to decide themselves which of the two core pricing options is most favourable to them. Shift can happen between the core pricing options monthly. In case of a shift, the participant should inform the NCB until the 20<sup>th</sup> calendar day of the relevant month. The NCB will modify the parameter so that the bill can be calculated at the end of the month according to the newly chosen option.

**2.3 Ancillary systems pricing scheme**

Ancillary systems (AS) settling in TARGET2 will be subject to fixed fees and transactions fees depending on the number of transactions. All ASs pay a yearly fixed fee of EUR 12,000. In addition they pay another fixed fee which is based on the gross underlying value settled in the AS, i.e. the total value of all transactions in euro processed in the AS, the result of which will be settled in TARGET2. In addition all ASs pay a fee composed of a fixed fee and a transaction fee similar to the core pricing but with a degressive transaction fee based on half of the volumes of the core pricing scheme.

The same pricing scheme is applied to all ASs independent of whether they use the ancillary system interface (ASI) or the payment interface for settlement.

If a participant wants to carry out two different activities, AS settlement business and normal banking business, this participant will be considered as an ancillary system (and has to register as an ancillary system). The value of the banking business is not considered as part of the gross underlying value, which is the basis for the second fixed fee. The monthly fee for the normal banking business should not be paid

again, because it is already integrated in the AS pricing scheme. Nevertheless, all transactions will be charged according the AS pricing scheme, as shown in the table below.

The following fees are applied to ASs:

<b>Transaction fee (as per Core pricing)</b>			
<b>Option A</b>			
<b>Fixed fee</b>	Monthly		EUR 100
<b>Flat rate</b>			EUR 0.80
<b>Option B</b>			
<b>Fixed fee</b>	Monthly		EUR 1,250
<b>Monthly Transactions</b>			
<b>Band</b>	<b>From</b>	<b>To</b>	<b>Price (EUR)</b>
1.	0	5,000	0.60
2.	5,001	12,500	0.50
3.	12,501	25,000	0.40
4.	25,001	50,000	0.20
5.	Above 50,000		0.125
<b>2. Fixed fee I</b>			
<b>Monthly fee per AS</b>			€ 1,000
<b>3. Fixed fee II (based on underlying gross value)</b>			
<b>Size (EUR million/day)</b>	<b>Annual fee (EUR)</b>		<b>Monthly fee (EUR)</b>
from 0 to below 1,000	5,000		417
from 1,000 to below 2,500	10,000		833
from 2,500 to below 5,000	20,000		1,667
from 5,000 to below 10,000	30,000		2,500
from 10,000 to below 50,000	40,000		3,333
50,000 and above	50,000		4,167

Each ancillary system (i.e. the systems designated under the SFD, as well as those which are not designated under the SFD) should pay all fixed fees only once (including the one which is part of the transaction pricing in the core pricing scheme) irrespective of the fact that they keep one or more accounts of any type (RTGS, technical or mirror account) in TARGET2 or no account at all. Similarly, all transactions on these accounts will be grouped together to calculate the transactions fees that should be paid according to the AS pricing scheme.

All transactions related to the settlement of ancillary systems are charged to the ancillary system, irrespective of the whether they are initiated by the ancillary system itself (or the central bank on its behalf) or by one of the settlement banks. The latter will be excluded from the invoice of the settlement banks.

## 2.4 Pricing of liquidity transfers

Liquidity transfers are transfers of funds:

- between home accounts and PM accounts or;
- between accounts of the same participant or;
- between two accounts of a group of accounts or;
- between a PM account and a mirror account.

Liquidity transfers involving mirror accounts and sub-accounts are dealt with in section 3.3.1 and are not considered in this section.

Liquidity transfers are used to shift liquidity between accounts held in the payment module of the SSP, the accounts of the SSP's home accounting module, and the NCB's proprietary home accounting application or within these home accounts. They could, inter alia, be used to support the management of liquidity on home accounts which are maintained by indirect TARGET2 participants (e.g. for reserve requirements). In addition, credit institutions which belong to a group of accounts may submit cross-border liquidity transfers to each others to support their liquidity management at European level.

Liquidity transfers are defined as all transactions transmitted via a simplified SWIFT MT202 message type (or the corresponding XML message for liquidity transfers) within/between PHA/HAM accounts and payment module accounts<sup>2</sup>. The TARGET2 core fee will apply to the liquidity transfer initiated in the PM. Pricing of liquidity transfers initiated from the PHA/HAM to the PM and within the PHA/HAM and processed within the PHA/HAM is left to the discretion of the respective NCB.

In order to avoid misusing the simplified MT202 message for payment business, the above agreement is provisional for the first 6 months after the end of the migration period (i.e. from May 2008). During this period the Eurosystem will closely monitor the use/misuse of liquidity transfers and will thereafter, if deemed necessary, reconsider the pricing scheme.

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<sup>2</sup> In the simplified SWIFT MT202 message there is a limitation in the format: only fields needed for the execution of transfers of liquidity are allowed; it is not possible to specify an ordering institution (field 52) different from the sender and it is not possible to specify an account-with institution (field 57) different from a central bank. No intermediary institution (field 56) can be specified. For more information, see UDFS Book 2, section 14.1.2.2.1.4.

## 2.5 Fees applicable to indirect, addressable BICs and multi-addressee access and unpublished BICS

In the TARGET2 participation framework, there is a number of ways to access the TARGET2 system, other than direct participation. The fees for registering the different types of participation and for unpublished BICs are the following:

<b>One-off fee</b>	<b>EUR</b>
Indirect participation	20
Addressable BICs	5
<b>Monthly fee</b>	
Unpublished BICs	30
Multi-addressee access*	80

\* Based on BIC-8.

The above mentioned fees are charged to the direct participants which have the responsibility of the business relationship with these entities, on top of the core pricing scheme. The above one-off fees will be first charged when the TARGET2 pricing scheme starts to apply i.e. on 19 May 2008.

## 2.6 Liquidity pooling pricing scheme

TARGET2 will offer two variants for liquidity pooling: i) the aggregated liquidity (AL<sup>3</sup>) formerly known as virtual account, which allows to settle payments by using the liquidity available on the other accounts of the group; and ii) the consolidated account information (CAI), which allows the group manager to get comprehensive information about the liquidity position of all group members.

The price for the CAI option is set at EUR 1,200 yearly per account included in the group and the price for the AL option (which includes the CAI option) is set at EUR 2,400 yearly per account included in the group.

The participants who buy one of the liquidity pooling options benefit from the group pricing. The degressive transaction fee of the core pricing scheme will be applied to all the payments initiated from one of the accounts of the group (except those that are related to the settlement of ancillary systems – see 2.3).

In case PM accounts belong to one group, with one single group manager, the implementation of the pricing scheme is straightforward. The group manager (for the CAI group and/or the AL group) pays a monthly account fee of EUR 1,250 (i.e. the account fee for option B of the core pricing scheme) whereas the members of the group of accounts pay EUR 100 monthly (i.e. the account fee for option A of the core pricing scheme). Naturally, on top of the account fees of the core pricing scheme, both the Group

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<sup>3</sup> During the development of the TARGET2 Guidelines, the term “virtual account” has been replaced with “aggregated liquidity” (AL), therefore this term is used in this report.

Manager and the members have to pay the fee for the liquidity pooling service i.e. EUR 200 monthly in case of the AL group or EUR 100 monthly in case of the CAI group.

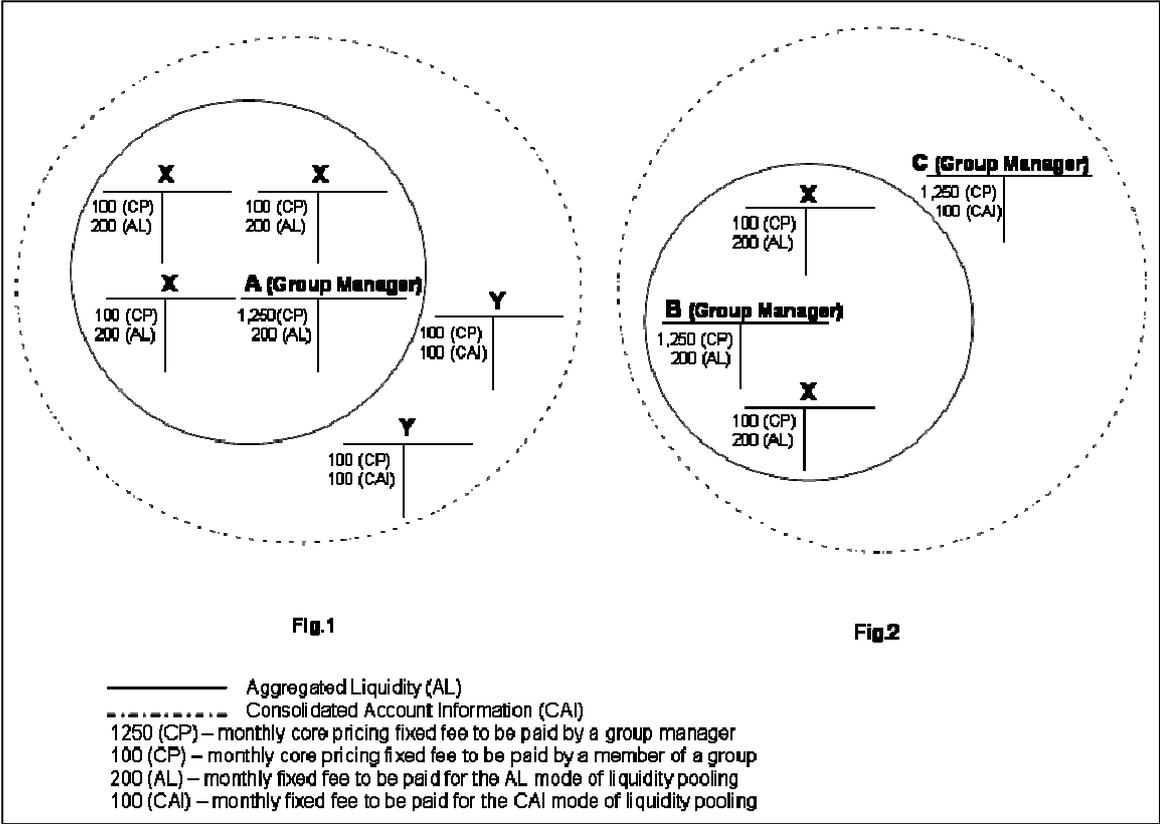
However, an account can be part of two groups, one AL group and one CAI group. In that case, if one account of a CAI group also belongs to an AL group, all accounts of this AL group must also be included in the CAI group. In that case, there are two plausible scenarios:

1. the CAI group manager and the AL group manager are the same;
2. the CAI group manager is different from the AL group manager and is not a member of the AL group.

Taking into account these scenarios, the following pricing scheme applies to the entities participating in a group of accounts:

- *Group manager:*
  - If the AL group manager is the same as the CAI group manager (entity A in fig. 1), the fees to be applied are EUR 200 monthly (i.e. AL option of liquidity pooling) and EUR 1,250 monthly (i.e. account fee for option B of the core pricing scheme).
  - If the AL group manager is different from the CAI group manager, the fees to be applied are as follows:
    - AL group manager (entity B in fig. 2): EUR 200 monthly (i.e. AL option of liquidity pooling) and EUR 1,250 monthly (i.e. the account fee for option B of the core pricing scheme)
    - CAI group manager (entity C in fig. 2): EUR 100 monthly (i.e. CAI option of liquidity pooling) and EUR 1,250 monthly (i.e. the account fee for option B of the core pricing scheme)
- *Group member:*
  - If a participant is a member in an AL group as well as in a CAI group (entities X in all figures), the fees to be applied are EUR 200 monthly (i.e. AL option of liquidity pooling) and EUR 100 monthly (i.e. the account fee for option A of the core pricing scheme).
  - If a participant is member only in a CAI group (entities Y in figure 1), the fees to be applied are EUR 100 monthly (i.e. CAI option of liquidity pooling) and EUR 100 monthly (i.e. the account fee for option A of the core pricing scheme).

A diagram clarifying the liquidity pooling pricing is presented below:



**2.7 Pricing of transactions settled on home accounts**

The long term decision for TARGET2 is to process all interbank payments, open market operations and ancillary system settlement transactions in the Payment Module (PM) of the SSP. During a transitional period of four years from migrating to the SSP, the NCBs can also offer payment services to their users outside the PM on so called “proprietary home accounts” from their Proprietary Home Accounting applications (PHA) or in the Home Accounting Module (HAM) of the SSP. After the transitional period NCBs can use home accounts to offer payment services only to customers which are not eligible to be TARGET2 participants. After the transition period, PHA accounts can still be held for TARGET2 participants, but these accounts can only be used for only a limited number of well-defined transactions (e.g. cash withdrawal, reserve management or standing facilities).

The Eurosystem has decided to charge transactions on home accounts during the transition period above the TARGET2 price in order to speed up the move of payment traffic to the SSP.

Interbank payments settled on home accounts will be charged above the TARGET2 core pricing scheme for low-volume participants (i.e. above EUR 100 per month plus EUR 0.80 per transaction). The NCBs connecting indirect participants to TARGET2 will charge them above EUR 100 per month + EUR 0.80 per transaction for payments settled on home accounts.

Ancillary systems settling on the PHA will be charged the fixed fees I and II agreed for ancillary systems settling on the SSP and a transaction fee higher than the one applied to ancillary systems settling on the SSP (which consists of a monthly fee and a transaction fee). However, in case there are NCBs which prefer to maintain their current pricing scheme during the limited remaining time before these transactions will be settled on the SSP, these central banks may apply other pricing schemes for ancillary system-related transactions, provided that the total revenues are the same as the revenues that would be generated if the central banks were to apply the home accounting pricing scheme presented here.

In order to ensure a level-playing field with regard to monetary policy transactions and to avoid “penalising” the TARGET2 participants which have to use the PHA for open market operations due to the choice of their central bank, the transactions related to open market operations settling on accounts in the PHA during the transition period will be charged according to the normal TARGET2 core transaction price (i.e. a transaction fee between EUR 0.80 and EUR 0.125).

The pricing for cash withdrawals, standing facilities and reserve management that take place on PHA accounts is not harmonised.

### **3. BILLING FOR TARGET2 SERVICES**

#### **3.1 General principles**

The invoice for all the TARGET2 services during a given month is sent out to the direct participants by the relevant NCB, at the beginning of the next month (not later than on the fifth business day) and it has to be paid at the latest on the tenth business day of that month.

The billing period is monthly for the fees that should be paid by the users for the TARGET2 services (i.e. core services, ancillary systems, liquidity pooling services) except the one-off fee.

#### **3.2 Billing of transactions subject to the core pricing scheme**

##### **3.2.1 Transactions on accounts not included in a group**

###### **3.2.1.1 Transactions initiated by credit institutions**

###### **3.2.1.1.1 Transactions to be charged**

Under the TARGET2 core pricing scheme, every transaction received by the PM of the SSP from a direct participant<sup>4</sup> (e.g. normal payments, liquidity transfers initiated in the PM) is charged with a transaction fee. The following types of transactions are excluded:

- transactions crediting the account of an ancillary system used for the settlement of transactions/balances of such system<sup>5</sup>;
- transactions related to reversal payments in the context of ASI procedure 4;

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<sup>4</sup> Including the entities authorised to debit the direct participant’s account for sending payments to the system i.e. multi-addressee access.

<sup>5</sup> An ancillary system may hold an account in the PM of the SSP for other purposes than settlement of balances/transactions, e.g. the payment of expenses, fees, penalties, interests related to the participation by members of such a system. In this case, the transactions sent by the participants crediting the account of the ancillary system are subject to the core pricing scheme.

- transactions related to the liquidity transfers from the RTGS account to the sub-account and vice versa as well as the transactions related to auto-collateralisation in the context of ASI procedure 6.

The transactions that have not been processed due to technical reasons and in particular because of an incorrect format causing their rejection, will not be subject to billing.

On the other hand, the transactions rejected for reasons other than technical (i.e. a payment rejected at the end of day because of lack of liquidity, or a payment revoked by its sender while queued) will be charged the same way as if they had been settled.

Annex 2 presents the detailed list of the transactions subject to billing.

#### **3.2.1.1.2 The entities to be invoiced**

The direct participants are invoiced for all the fees of the core pricing scheme. The invoice is created per RTGS account. A legal entity which would have several accounts (participants), would receive several invoices.

The fee is to be paid by the participant whose account is debited (i.e. the sender of the payment messages for credit transfers and the payer for direct debits).

Other kinds of participants (Indirect participants, multi-addressee access, addressable BICs and unpublished BICs) are not subject to the billing and do not receive any invoice. Fees related to their registration (i.e. one-off, monthly and transactions fees) are charged to the direct participants who have the business relationship with these entities. The transactions of these kinds of participants are considered as transactions of the direct participant and therefore are billed to the direct participant.

The other types of entities which do not have a PM account (e.g. CB customers, entities with a HAM account only, CIs subject to Reserve management managed in the RM) are not concerned by the fees as defined for the TARGET2 core service pricing scheme considering that the fees are determined by their relevant NCB.

#### **3.2.1.1.3 Account charged for billing**

The account of the direct participant is charged with the amount invoiced by the relevant NCB. In case of a legal entity which would have several accounts, the several invoices received will be paid by the direct participant from the account announced to its relevant NCB.

### **3.2.1.2 Transactions initiated by NCBs**

#### **3.2.1.2.1 Transactions to be charged**

First of all, transactions initiated by the NCBs to the SSP acting as direct participants in TARGET2 will be subject to the core pricing scheme.

In addition, the NCBs are able to use the ASI for other operations than the settlement of ancillary systems (e.g. monetary policy operations, cash withdrawals, customer services, FX arbitrage, invoicing) as described in the provisions of the User Detailed Functional Specifications. The transactions related to these central bank specific operations settled via ASI are charged in accordance with the core pricing scheme specified in section 2.2, provided that these operations are not related to the settlement of ancillary systems.

In case NCBs act as clearing agent for ancillary systems, as a result of which they submit the settlement instructions to the SSP (either via the Participant Interface or via the Ancillary System Interface) they will be charged as specified in section 3.3. In case an NCB acts on behalf of an ancillary system (e.g. in case of problems), the ancillary system will be charged as usual. The volume of NCBs transactions to be charged settled via ASI will be calculated on the basis of the same criteria envisaged for ancillary system transactions.

#### **3.2.1.2.2 The entities to be invoiced**

In both cases, the NCBs are charged for their activities, i.e. as direct participants and in the situations when they use ASI for their own specific operations.

### **3.2.2 Transactions on accounts included in a group**

#### **3.2.2.1 Transactions to be charged**

The group pricing allows for the aggregation of the transactions of all the participants belonging to a group of accounts. These transactions are charged according to the normal core pricing scheme, but the digressive fee structure is applied to the sum of all transactions on the accounts of the group. In case a group is included in another larger group of accounts (typically, a AL group and some participants form a CAI group), the largest group is always the basis for the invoicing.

#### **3.2.2.2 The entities to be invoiced**

The direct participant which owns the main account of the group i.e. the group manager will be invoiced for all the fees related to all accounts in the group:

- T2 core service (fixed fee, transaction fee and specific fees related to unpublished BICs, multi-addressee access, indirect participation and addressable BICs);
- liquidity pooling service (see section 2.6).

In case the CAI group manager is different from the AL group manager, the participant who owns the main account of the CAI group will be invoiced for the total fees of the group of accounts, according to the degressive scheme applied to all payments of its group.

### **3.2.2.3 Account charged for billing**

The account of the group manager (i.e AL group or CAI group) is debited for all the fees apply to the entities participating in the group of accounts.

## **3.3 Billing of transactions subject to the ancillary system pricing scheme**

### **3.3.1 Transactions to be charged**

Any transaction sent by an ancillary system or settled on its account is considered an ancillary system-related transaction. All the transactions involving accounts belonging to the ancillary systems are invoiced as AS transactions, irrespective of whether they are performed through the ASI or not. Also, the transactions involving the guarantee account are subject to AS transaction pricing. Therefore, in order to avoid charging a system twice, TARGET2 will not charge banks when they send a payment to an ancillary system. The ancillary system would then charge its banks in accordance with its own pricing scheme outside of TARGET2.

With respect to the definition of billable transactions settled via ASI, the charging modalities for ancillary systems transactions are as follows:

- for the ancillary systems settling bilateral transactions under ASI settlement procedures 4, 5 and 6 (i.e. the “double-charging” case): to charge only half of the number of debits and credits on the RTGS/sub accounts (i.e. sum of the number of debits and credit on the RTGS/sub accounts divided by two);
- for the ancillary systems settling bilateral transactions without involving a technical account in the settlement process: to charge for every transaction (i.e. debit) on an RTGS account, similar to normal TARGET2 payment;
- for the ancillary systems settling multilateral transactions (necessarily via a technical account): to charge for each debit on the RTGS/sub account (to technical account) and for each credit to an RTGS /sub account (from the technical account).

As regards the charging of the liquidity transfers under the ASI settlement procedures, the Eurosystem decided the following:

- not to charge the liquidity transfers from the RTGS accounts to sub-accounts and vice versa (i.e. in settlement procedure 6 (interfaced));
- to charge the liquidity transfers between the RTGS accounts and mirror accounts for every debit and credit on the RTGS accounts (i.e. in settlement procedures 1, 3 and 6).

As far as the transactions related to auto-collateralisation are concerned, the Eurosystem decided not to charge these transactions following the same principle as for liquidity transfers from the RTGS accounts to sub-accounts.

The details for charging ancillary systems transactions settled via ASI, as well as the liquidity transfers under the ASI procedures are presented in Annex 2.

### **3.3.2 The entities to be invoiced**

The following types of entities will be invoiced according to the AS pricing scheme:

- ancillary systems entity: all transactions submitted by ancillary systems or involving accounts belonging to these entities are invoiced as AS transactions, irrespective of whether they are performed through the ASI or not;
- central banks: an NCB operating an AS is subject to the AS pricing scheme as any private ancillary system;
- entity (e.g. AS, CB) owning a guarantee account: transactions involving this account are subject to AS transaction pricing. The core service fixed fee is not invoiced for this account (it is deemed to be covered by the AS fixed fee for the respective AS).

### **3.3.3 Ancillary System entity**

In principle, a designation of a system under the Settlement Finality Directive (SFD) automatically implies that such a system is considered as one entity for the application of the pricing scheme for ancillary systems.

For systems which are not designated under the SFD, the Eurosystem decided to identify a system<sup>6</sup>: as (i) a formal arrangement, based on private contract or statute law (e.g. an agreement among the participants and the system operator), (ii) with multiple membership, (iii) common rules and standardized arrangements, (iv) according to which payments and/or financial instruments are exchanged and/or cleared while the resulting monetary obligations are settled in TARGET2.

### **3.3.4 Account charged for billing**

As a matter of principle, the account of the AS which is used for the settlement of balances/transactions of its participants is never used to pay the TARGET2 invoices. If the AS holds an account on which non-AS-related transactions can be made, this account is charged for all the fees as defined in the ancillary system pricing scheme.

Alternatively, in case the AS holds an account with a commercial bank, the invoice could be paid via a direct debit message on the PM account of this bank, or via a credit transfer initiated by the AS via this bank.

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<sup>6</sup> Based on the definition used for defining a funds transfer system in “*A glossary of terms used in payments and settlement systems*” published by the BIS, January 2001 and on the definition laid down in Art. 2 of the Guideline of the European Central Bank of 26 April 2007 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB2007/2).

#### **4. MINIMUM SET OF INFORMATION INCLUDED IN THE INVOICE**

Given the fact that not all the NCBs are using the billing optional services (i.e. CRISP) provided by the 3CB, a harmonisation with respect to the billing information of the invoices that are sent to the TARGET2 users is needed.

The minimum set of information to be comprised in the invoiced presented to the participants is listed below:

- information on the billing period;
- information on the number of priceable items used by each participant during the billing period;
- information on the participation type of each participant;
- information on the type of settlement and procedure used ( in the case of ancillary system);
- information on the VAT (if needed);
- information on the option of the TARGET2 core service



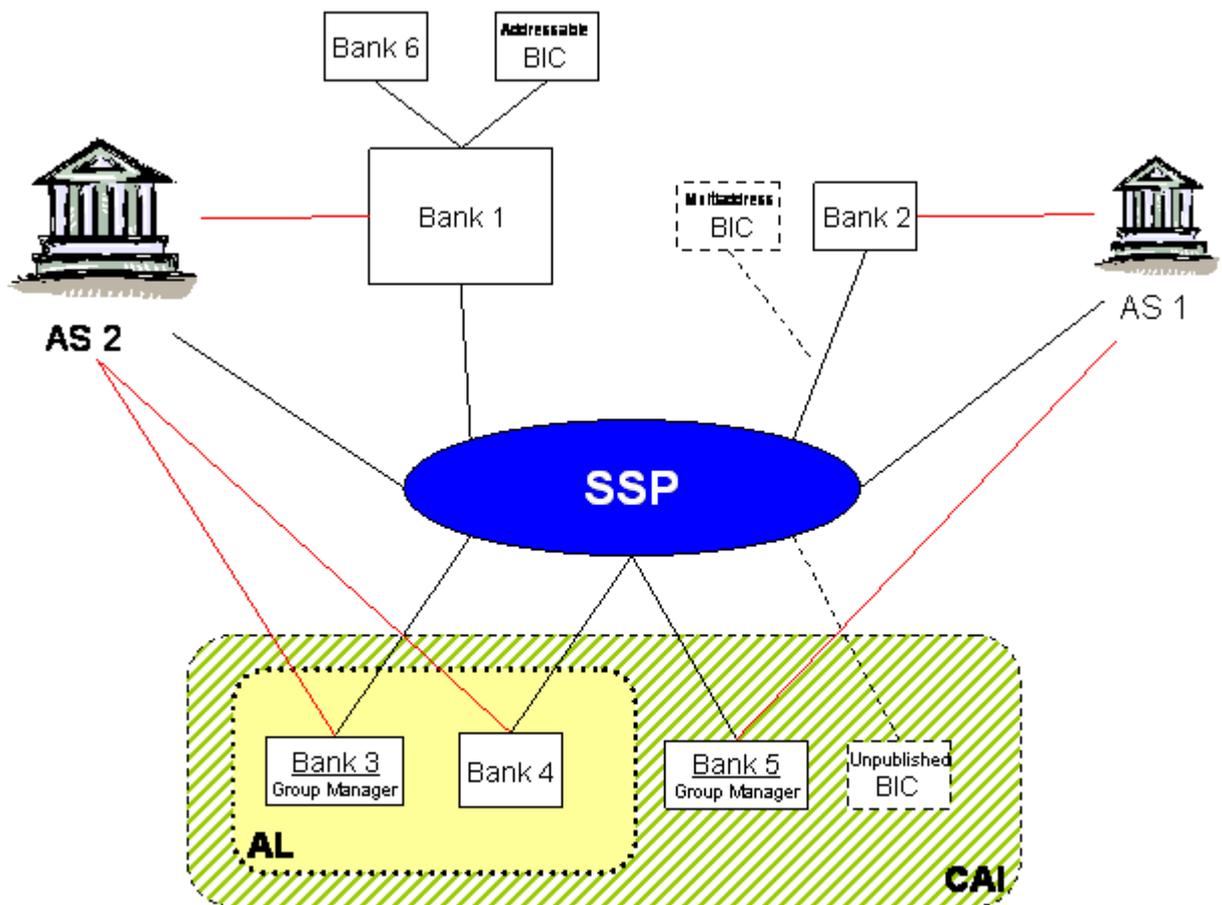
## ANNEX I

### PRACTICAL EXAMPLES AND SAMPLE OF INVOICE

#### **1.1 Practical example for the billing of various types of participants**

In the following you find a practical example for the pricing and billing of various types of participants with different payment profiles. First, we present the profiles of the participants with their description and traffic, and at the end some sample invoices are provided for the one-month traffic. Please note, that the formatting presented here may not coincide with your actual future bill, it only serves demonstration purposes.

In the model-SSP there are only 2 types of participants: ancillary systems and banks (for the sake of simplicity, all participants that are not ancillary systems are to be called banks). Both can vary in size, dimensions of correspondent business and payment traffic. Some banks participate in liquidity pooling, others register indirect participants, unpublished BICs etc.



**AS1** is a small gross/bilateral ancillary system with EUR 1,550 million daily underlying value. It has 2 participating banks that each generate 2,000 transactions per month, therefore it is reasonable that this AS chooses option A. AS1 is using settlement model 5 for bilateral transactions, therefore the fee is charged only for half of the debits and credits on the RTGS accounts (i.e. 4,000/2).

**AS2** is a big ancillary system; the daily underlying value of its settlement is EUR 47,500 million. It has three banks participating in its settlement procedures: Bank 1, Bank 3 and Bank 4. Bank 1 initiates 20,000 AS-related transactions; Bank 3 submits 10,000 transactions and Bank 4 submits 3,000 to AS2. AS2 is using ASI models 2 and 3 (bilateral) with technical account involved, therefore the transaction fee is charged for every credit and debit on the RTGS accounts. In the TARGET2 pricing scheme AS2 will be charged directly for all these transactions, namely 66,000 transactions per month.

**Bank 1** is a big bank with a widespread correspondent business: apart from the already existing customers (which do not appear on the picture, since their registration was already billed) in the current month it connects Bank 6 as a new indirect participant and another addressable BIC. For the new business partners Bank 1 has to pay EUR 20+5 one-off fee. Bank 1 submitted 173,000 transactions (e.g. normal/regular payments and liquidity transfers) which already cover the traffic of the indirect participant

and the correspondent BICs channelled through Bank 1. Bank 1 also initiated 20,000 AS related transactions, but these are exempted from the billing of the participant, and charged directly to the AS.

**Bank 2** is a small bank (logically choosing option A with the flat transaction fee) that has a multi-addressee access as well. Bank 2 and the multi-addressee BIC together submit only 3,211 transactions in the given month. Its AS-related transactions will be charged directly to AS1.

**Bank 3** together with Bank 4 & 5 uses the liquidity pooling service. Bank 3 and 4 form an aggregated liquidity account (formally virtual account, VA) where Bank 3 is the group of account manager. Moreover, all consolidate their account information (CAI option) where Bank 5 is the main account holder. For these liquidity pooling services Bank 3 and Bank 4 have to pay EUR 200 monthly, whereas Bank 5 will be charged EUR 100 monthly. The monthly fixed fees of the core pricing scheme also apply: Bank 3 and Bank 5 will be charged EUR 1,250 monthly whereas Bank 4 will be charged EUR 100. Besides, there is an unpublished BIC (published in the SWIFT directory, not published in the T2 directory), for which there is a monthly fee of EUR 30. Since the unpublished BIC account (published in the SWIFT directory, not published in the T2 directory) is included in the liquidity pooling, the liquidity pooling fee (EUR 100) and the core pricing fee (EUR 100) apply on top of the EUR 30.

As regards the transactions fees, the core service pricing scheme is applied; however, the invoicing for all the transactions and accounts is done as if the main account holder of the CAI option had operated all of them (“group pricing”). In our example Bank 3 submitted 12,345 regular payments; Bank 4 submitted 23,456 regular payments and Bank 5 sent 987 payments a month to the SSP. There were also 100 transactions via the unpublished BIC. In addition, there were AS related transactions which are exempted from the invoicing of the bank and are billed to the ancillary systems: the additional 3,000 transactions of Bank 4 are billed to AS2, while 2,000 transactions of Bank 5 are billed directly to AS1.

## 1.2 Sample of Invoice

Below you find the invoice samples for all the aforementioned cases:

<b>INVOICE "AS1"</b>			
<b>Date :</b>	from 1 Jan 2009 to 31 Jan 2009		
<b>Participant:</b>	AS 1		
<b>Pricing option:</b>	option A		
<b>Number of transactions</b>	4000 (Settlement Model 4)		
<b>AS1 Size :</b>	1.550.000 €/day underlying value		
<b>Type of settlement:</b>	Gross/Bilateral system		
Periodic fee option A:			<b>100</b>
AS fixed fee I:			<b>1 000</b>
AS fixed fee II:			<b>833</b>
	<i>Quantity</i>	<i>Unit price (eur)</i>	
Option B transaction fee band 1	-		
Option B transaction fee band 2	-		
Option B transaction fee band 3	-		
Option B transaction fee band 4	-		
Option B transaction fee band 5	-		
Transaction fee:	4000/2	0.80	<b>1 600</b>
<b>Total price (VAT not included)</b>			<b>3 533</b>

<b>INVOICE "AS2"</b>			
<b>Date :</b>	from 1 Jan 2009 to 31 Jan 2009		
<b>Participant:</b>	AS 2		
<b>Pricing option:</b>	option B		
<b>Number of transactions</b>	66.000 (Settlement Model 2, 3)		
<b>AS1 Size :</b>	47.500.000 €/day underlying value		
<b>Type of settlement:</b>	Real time, bilateral		
Periodic fee option B:			<b>1 250</b>
AS fixed fee I:			<b>1 000</b>
AS fixed fee II:			<b>3 333</b>
	<i>Quantity</i>	<i>Unit price (eur)</i>	
Option B transaction fee band 1	5 000	0.60	3 000
Option B transaction fee band 2	7 500	0.50	3 750
Option B transaction fee band 3	12 500	0.40	5 000
Option B transaction fee band 4	25 000	0.20	5 000
Option B transaction fee band 5	16 000	0.125	2 000
Transaction fee:			<b>18 750</b>
<b>Total price (VAT not included)</b>			<b>24 333</b>

<b>INVOICE "BANK 1"</b>			
<b>Date :</b>	from 1 Jan 2009 to 31 Jan 2009		
<b>Participant:</b>	Bank 1		
<b>Pricing option:</b>	option B		
<b>Number of transactions</b>	173 000		
Periodic fee option B:			<b>1 250</b>
	<i>Quantity</i>	<i>Unit price (eur)</i>	
Option B transaction fee band 1	10 000	0.60	6 000
Option B transaction fee band 2	15 000	0.50	7 500
Option B transaction fee band 3	25 000	0.40	10 000
Option B transaction fee band 4	50 000	0.20	10 000
Option B transaction fee band 5	73 000	0.125	9 125
Transaction fee:			<b>42 625</b>
Registration of indirect participant	1		<b>20</b>
Registration of addressable BIC	1		<b>5</b>
<b>Total price (VAT not included)</b>			<b>43 900</b>

<b>INVOICE "BANK 2"</b>			
<b>Date :</b>	from 1 Jan 2009 to 31 Jan 2009		
<b>Participant:</b>	Bank 2		
<b>Pricing option:</b>	option A		
<b>Number of transactions</b>	3 211		
Periodic fee option A:			<b>100</b>
	<i>Quantity</i>	<i>Unit price (eur)</i>	
Option B transaction fee band 1	-		
Option B transaction fee band 2	-		
Option B transaction fee band 3	-		
Option B transaction fee band 4	-		
Option B transaction fee band 5	-		
Transaction fee:	3 211	0.80	<b>2 569</b>
Multiaddressee access monthly fee	1		<b>80</b>
<b>Total price (VAT not included)</b>			<b>2 749</b>

<b>INVOICE "BANK 5" (GROUP OF ACCOUNTS)</b>			
<b>Date :</b>	from 1 Jan 2009 to 31 Jan 2009		
<b>Participant:</b>	Bank 5		
<b>Pricing option:</b>	option B		
<b>Number of transactions</b>	12.345 + 23.456 + 987 + 100		
Periodic fee option B (Bank 3):			<b>1 250</b>
Periodic fee option A (Bank 4):			<b>100</b>
Periodic fee option B (Bank 5):			<b>1 250</b>
Periodic fee option A (unpublished BIC account):			<b>100</b>
	<i>Quantity</i>	<i>Unit price (eur)</i>	
Option B transaction fee band 1	10 000	0.60	6 000
Option B transaction fee band 2	15 000	0.50	7 500
Option B transaction fee band 3	11 888	0.40	4 755
Option B transaction fee band 4	-		
Option B transaction fee band 5	-		
Transaction fee:			<b>18 255</b>
Liquidity pooling VA	2	200	<b>400</b>
Liquidity pooling CAI	2	100	<b>200</b>
Unpublished BIC monthly fee	1		<b>30</b>
<b>Total price (VAT not included)</b>			<b>21 585</b>

There is no invoice for Bank 3 and Bank 4.

## LIST OF THE TRANSACTIONS SUBJECT TO BILLING

The annex gives the list of the transactions taken into account in the calculation of the consumption of each participant.

The first table gives the list of the operations subject to billing for the credit institutions. The first column describes the type of transaction from the PM and the billing mandatory services (CROSS) point of view. The second column indicates which entity is invoiced.

PM special payment type description	Billing comments
Normal, regular payment	The owner of the debited account is invoiced
Payment to HAM via internal interface	The owner of the debited account is invoiced
Liquidity transfer to PHA	The owner of the debited account is invoiced
Liquidity Transfer ICM to HAM	The owner of the debited account is invoiced
Liquidity Transfer FIN (Y-Copy) to HAM	The owner of the debited account is invoiced
Liquidity Transfer FIN (Y-Copy) to PM Participant	The owner of the debited account is invoiced
Liquidity Transfer FIN to PHA	The owner of the debited account is invoiced
Liquidity Transfer ICM to PM (Within Virtual Group or Consolidated Info Group)	The GoA manager is invoiced
Liquidity Transfer EOD to other PM participant	The owner of the debited account is invoiced
Liquidity Transfer EOD to HAM	The owner of the debited account is invoiced
Liquidity Transfer EOD to PHA	The owner of the debited account is invoiced
Overnight deposit, debit call from SF	The owner of the debited account is invoiced
Refunding of marginal lending, debit call from SF	The owner of the debited account is invoiced
Backup Payment	The owner of the debited account is invoiced
Connected payment (FIN)	The owner of the debited account is invoiced
Mandated payment (FIN)	The owner of the debited account is invoiced
Billing payment, debit call from CRM (MT204)	The owner of the debited account is invoiced
Transfer of liquidity of group for excluded participant	The owner of the debited account is invoiced
REPO Operation	The owner of the debited account is invoiced

The next table gives the list of the operations subject to billing for the AS.

PM special payment type description	Billing comments
SM1 Liquidity Transfer Bank to mirror account	The AS involved in transaction is invoiced
SM1 Liquidity Transfer mirror account to bank	The AS involved in transaction is invoiced
SM6 integrated model standing order	The AS involved in transaction is invoiced
SM6 integrated model current order (per settl bank to mirror account, input per ICM)	The AS involved in transaction is invoiced
SM6 integrated model current order (per settl bank to mirror account or vice versa) (input per AS-XML)	The AS involved in transaction is invoiced
SM2 Real time settlement	The AS involved in transaction is invoiced
SM3 Bilateral settlement	The AS involved in transaction is invoiced
SM4 debit side (Standard multilateral settlement)	The AS involved in transaction is invoiced
SM4 credit side (Standard multilateral settlement)	The AS involved in transaction is invoiced
SM4 guarantee payment	The AS involved in transaction is invoiced
SM4 conversion settl type 5 to 4 debits	The AS involved in transaction is invoiced
SM4 conversion settl type 5 to 4 credits	The AS involved in transaction is invoiced
SM5 debit side (Simultaneous multilateral settlement)	The AS involved in transaction is invoiced
SM5 credit side (Simultaneous multilateral settlement)	The AS involved in transaction is invoiced
SM6 settlement interfaced model (per sub acc to tech acc or vice versa)	The AS involved in transaction is invoiced
SM6 settlement interfaced model (per tech acc to RTGS acc)	The AS involved in transaction is invoiced
SM6 settlement interfaced model (per RTGS acc to tech acc)	The AS involved in transaction is invoiced