

Executive Summary to the market consultation on the future RTGS services

Introduction

The Eurosystem is conducting a T2-T2S consolidation project which aims at consolidating and optimising the provision of the TARGET2 and T2S services and the overall provision of liquidity also to other services like TIPS. As part of this project, the Eurosystem and the market participants have reviewed in the form of the “Task Force on Future RTGS Services” the current scope of the RTGS services and have identified new potential features as well as opportunities to adapt and improve the existing services to the changing needs of the payment business.

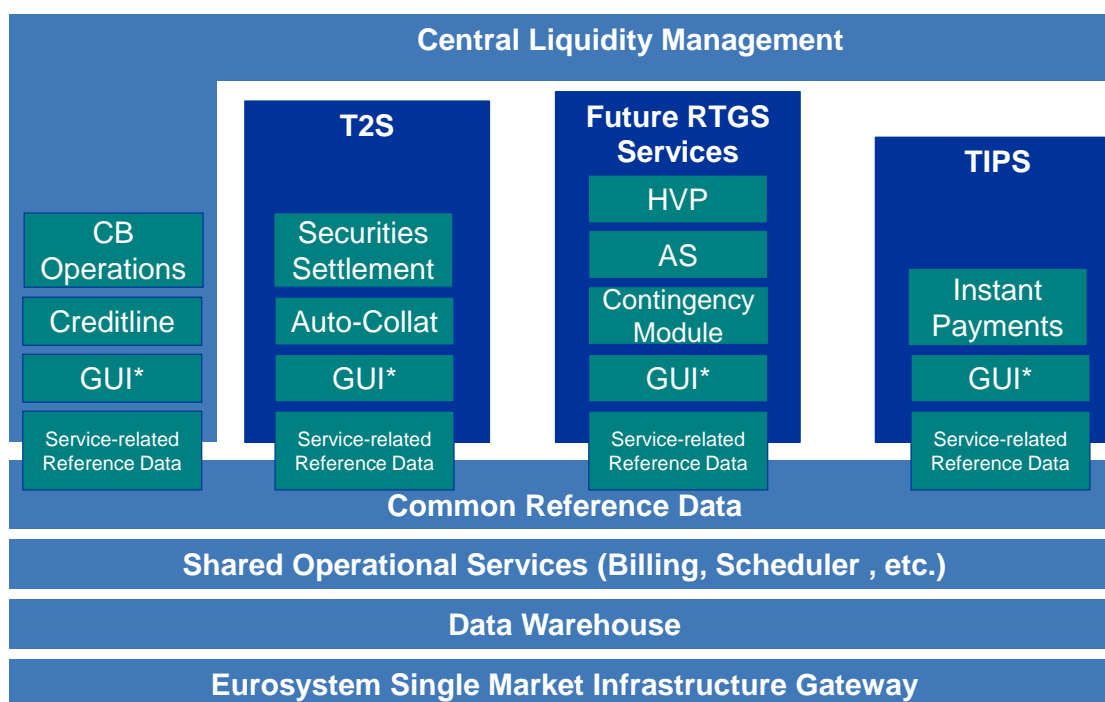
The ECB is submitting the user requirement documents on the future RTGS services to the market consultation from 05 May until 30 June 2017.

This executive summary document describes on a high-level the principles of the future RTGS services.

1. Key proposals

The Eurosystem provides or will provide market infrastructure services for high value payments, instant payments as well as for settlement of securities. To ensure an adequate liquidity provisioning and allocation of liquidity across these different services, a new Central Liquidity Management (CLM) service is proposed. This new service will also segregate the credit institution’s Central Bank operations (i.e. all interaction with the central bank in its role as central bank of issue) from the high-value payments and ancillary system business in RTGS. A harmonisation of the provisioning of supporting functionalities for the future RTGS, T2S and TIPS (e.g. reference data management, data warehouse and billing) is envisaged. Last, but not least, ISO 20022 should become the common format for communication with the different Eurosystem market infrastructures. Furthermore, all market infrastructures should become multi-currency enabled, i.e. to handle settlement in different currencies and according to their own calendars.

The project will technically modularise the currently provided services and consolidate the respective functionalities where reasonable and possible. Each service (CLM, RTGS, T2S, TIPS) will have its own opening times, while the Change of the Business Day is synchronised across all services. The Eurosystem is ready to consider a partly opening the CLM and RTGS services also on TARGET closing days, in case there is a valid business case and depending on the associated costs and other constraints.



**) available to U2A and A2A user*

The **CLM** service will hold the Main Cash Accounts (MCA) of the credit institutions, where they settle all CB operations (e.g. open market operations, cash withdrawals, standing facilities) as well as manage their minimum reserve obligations. On CLM, the participants steer, manage and monitor the liquidity across all services and accounts in a currency. The credit line assigned to a party is on the MCA, where it can be transferred in cash to the dedicated cash accounts of the RTGS, T2S or TIPS services either using manual or automatically triggered liquidity transfers based on time or event (e.g. queued payment, reaching of floor/ceiling amount). This fulfils the requirements of fully automated usage of the payment capacity for interbank and customer payments as well as for CB operations. In addition, the users of current HAM module can fully rely on the CLM functionality without the need to open an RTGS DCA. Also, the current “co-management” of HAM accounts can be reflected via access rights and message subscription in a flexible way.

The **RTGS** service provides the settlement for high value payments and ancillary system transactions. A participant may open more than one RTGS DCA for a dedicated purpose, depending of its business needs (e.g. for AS transactions, for the payment business of a branch/entity). The settlement of payments and transactions will remain almost unchanged or is enhanced compared to the execution and service levels in TARGET2 (e.g. reservations for purpose, priorities, optimisation algorithms).

The consolidation of Eurosystem market infrastructures allows optimising the provision of **services that are common**: reference data, data warehouse, shared operational services. The Eurosystem Single Market Infrastructure Gateway (ESMIG) will be the entry point for all interactions with the market

infrastructures. It will not rely on network specific features and can, thus, allow participants to connect through multiples service providers both A2A and U2A.

2. Key benefits

The Eurosystem aims at further decreasing the running costs of the market infrastructures, which in addition to the below functional benefits is aimed to be passed on to the users.

- Centralised management and control over the payment capacity – clear allocation of liquidity for the different settlement purposes, while providing a central liquidity overview in a single screen with easy access to more detailed information
- Segregation of interaction with central banks from RTGS participation – no RTGS DCA needed for monetary policy purposes
- Minimum reserve calculation and automated standing facilities – technical capability to take all balances on relevant accounts (MCA, DCAs) into account
- Multi-vendor approach for connectivity – encourages competition among service providers as the service is not relying on proprietary features of a specific network provider
- Introduction of ISO 20022 compliant messaging – allows the participants to communicate to all Eurosystem market infrastructures with the ISO 20022 compliant messages
- Common reference data management – reduces effort of creating and maintaining multiple copies of reference data as well as centralised management of user access rights
- Shared data warehouse – central place for participants to access historic information across different services
- Longer opening hours for HVP settlement (under consideration) – allows participants active around the world to better service customers in different time zones for their euro settlement