



# **T2-T2S Consolidation: impacts on Eurosystem Banks**

*Salone dei Pagamenti*

*Sessione: «L'evoluzione delle infrastrutture dell'Eurosistema»*

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# Overview



**Evolution towards T2-T2S Consolidation**



**Situation “as is” – “to be”**



**Main impacts of T2-T2S Consolidation**



**Brief overview on benefits and operational impacts**

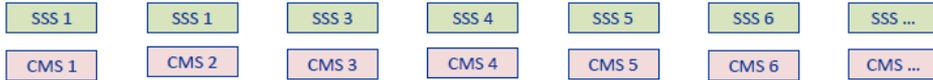


**Conclusions - Q&A**

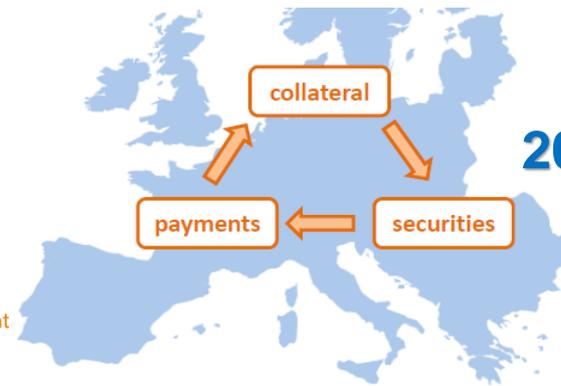
# Evolution towards T2-T2S Consolidation (1)



2007: Target2 (Cash)



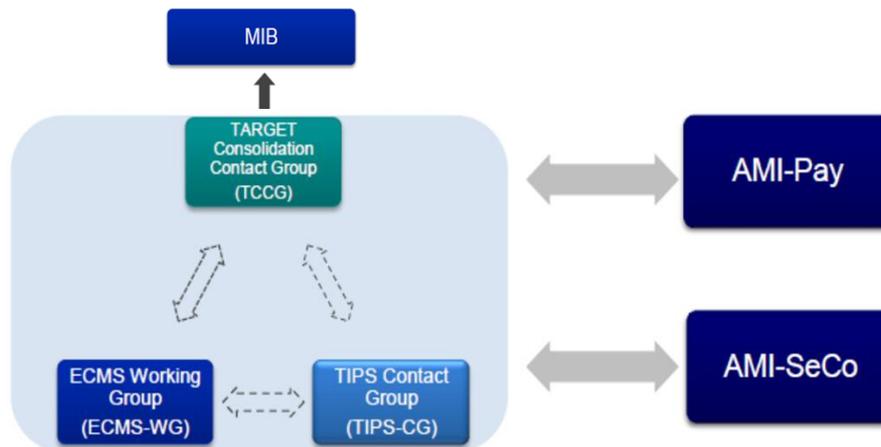
2015: Target2 Securities



2022: Target Services

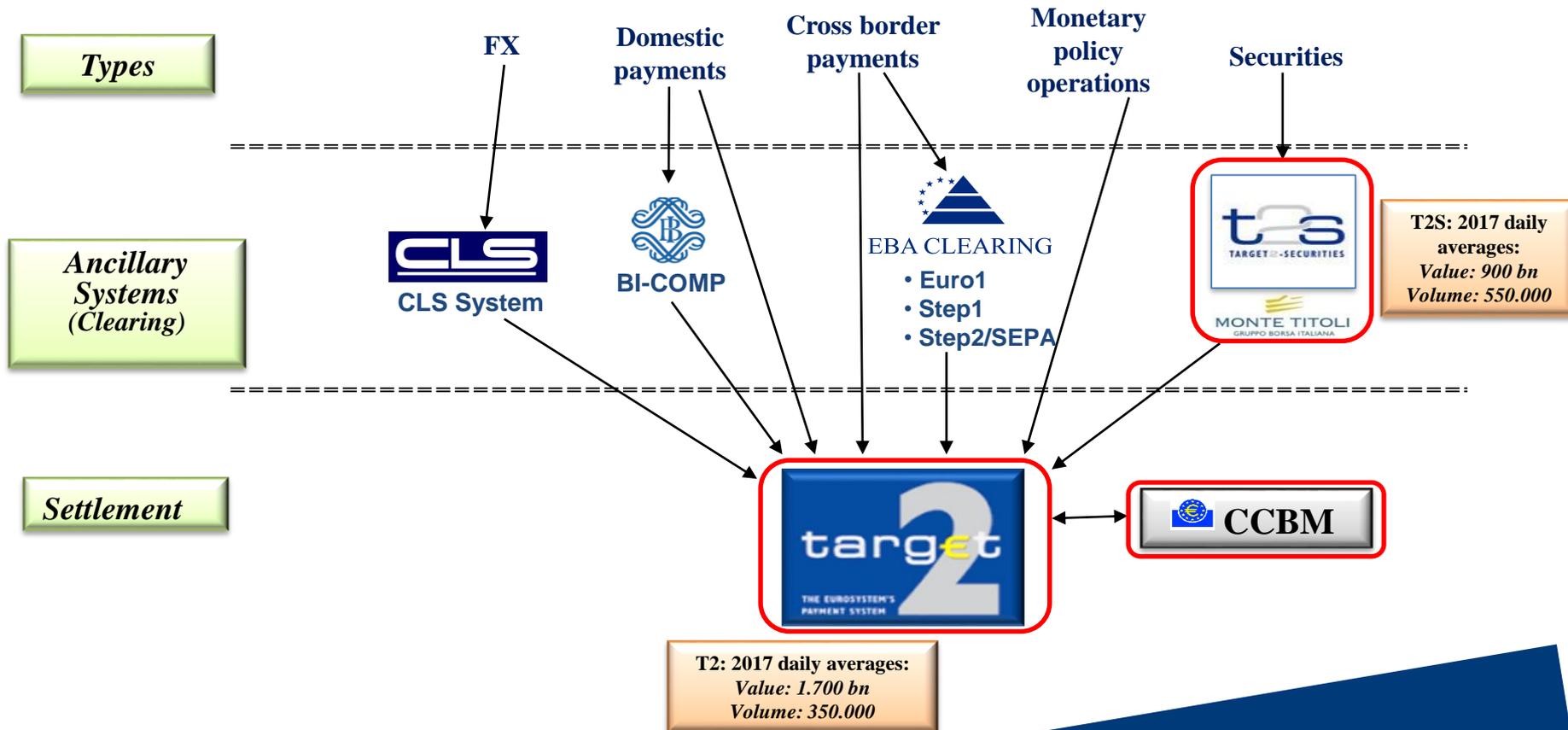
# Evolution towards T2-T2S Consolidation (2)

- On 6<sup>th</sup> December 2017, the Governing Council of the ECB approved the initiation of the “realisation phase” of the T2-T2S Consolidation project. It established the **Target Consolidation Contact Group (TCCG)** with the mandate to prepare the go-live of the new RTGS Services in November 2021, by performing the following activities:
  - provide input on relevant specification documents such as: User Detailed Functional Specifications (**UDFS**), User Handbook (**UHB**) and Business Description Document (**BDD**);
  - assist on the planning and monitoring of activities during the realisation phase of the project to ensure that the users are ready for the migration and go-live;
  - assist on the go-live activities;
  - provide inputs on any risks and issues related to implementation and migration.
- Intesa Sanpaolo participates in the TCCG (together with Bankitalia and Unicredit for Italy).
- Specific Contact Groups are working on the other two projects of “Vision 2020”: **TIPS** and **ECMS**. They interact with T2-T2S Consolidation as shown below.



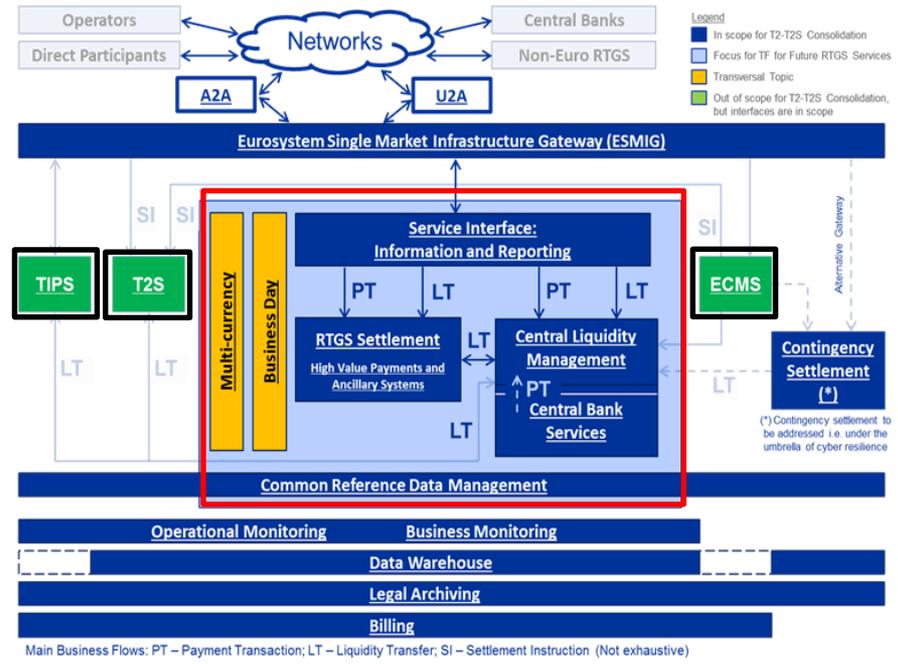
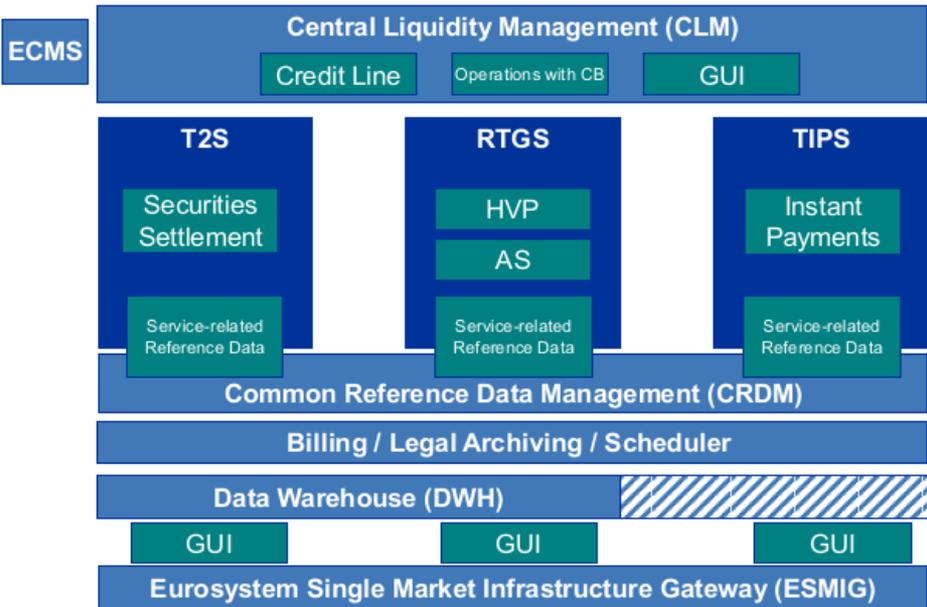
# Situation “as is”

The Eurosystem currently settles cash and securities on separate platforms from a technological point of view (T2 is still on ISO15022 while T2S is already on ISO20022). There isn't a single and efficient european collateral management system.



# Situation “to be” (2021-2022)

As a result of T2-T2S Consolidation, all Eurosystem Services will be part to the same platform. The family of the “**Target Services**” will consist of: **T2** (including CLM – Central Liquidity Management – and RTGS), **T2S** (Target2-Securities) and **TIPS** (Target Instant Payment Settlement). ECMS (Eurosystem Collateral Management System) will go-live in 2022. The common language will be the SWIFT XML ISO 20022.



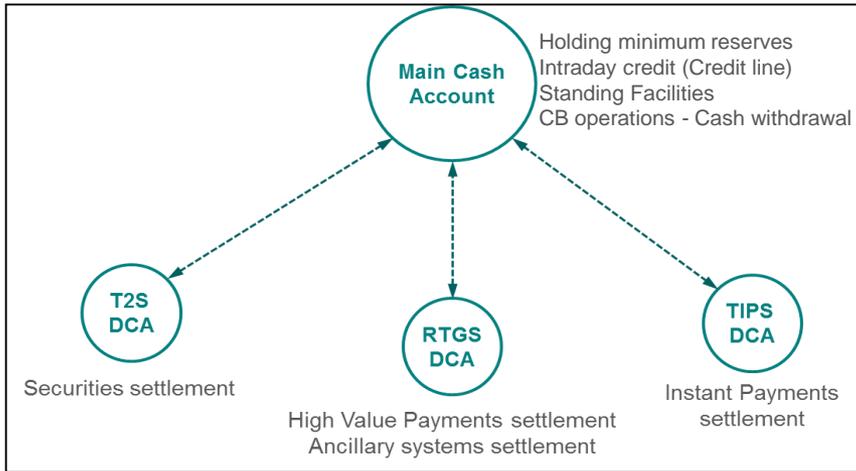
# Main impacts of T2-T2S Consolidation

The main impacts for Eurosystem Banks are the following:

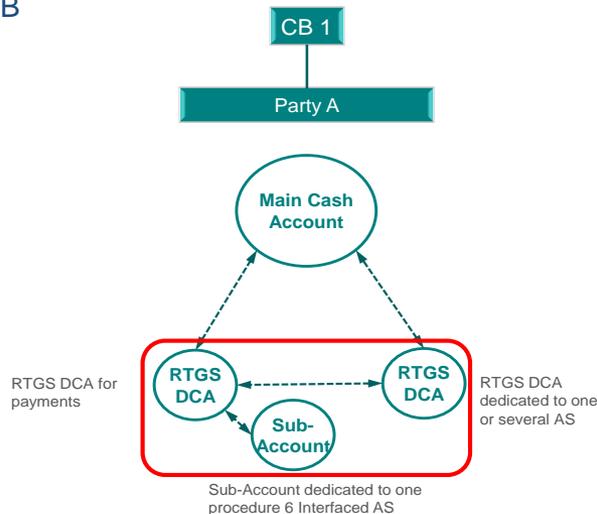
1. **Segregation of interaction with Central Banks on Main Cash Account (MCA).** Small banks don't need an RTGS DCA for monetary policy purposes.
2. **Centralized liquidity management and monitoring.** Clear allocation of liquidity for the different settlement purposes and improved control over the “payment capacity” between the different settlement services (CLM, RTGS, T2S, TIPS). Liquidity management eased by the possibility of applying high automation (based on timing and events) to “Liquidity Transfers” between the different settlement accounts (liquidity saving mechanisms). Changes on AS settlement.
3. **Minimum reserve calculation easier than the current one** (cash sweep on the MCA at the end of the day will become optional).
4. **Usage of standard SWIFT XML ISO20022 for all Services. *Big-bang migration*** with significant impact on the market. Single interface (**ESMIG**) for accessing Eurosystem services with improved usability (ESMIG provide a central liquidity overview in a single screen with easy access to more detailed information).
5. **Longer opening hours for RTGS Services.** Night settlement not only for Instant Payments (TIPS) and Ancillary Systems (AS), but also for normal interbank and customer payments.
6. **New common components:** in particular, the **Common Reference Data Management** (reduces the effort of creating and maintaining multiple copies of reference data as well as centralized management of user access rights) and **Data Warehouse** (central place for participants to access historic information across RTGS, CLM and T2S).

# 1.- 2. Segregation - Liquidity management

The Eurosystem market infrastructure services CLM, RTGS, T2S and TIPS will each operate with its own **set of accounts**. While CLM is the central service for liquidity management and, thus, holds the Main Cash Accounts (**MCA**), the services for RTGS, TIPS and T2S hold Dedicated Cash Accounts (**DCA**).



Fonte: ECB



The future account structure facilitates the requirements of the users in different size and with different business needs. **It will allow the treasurers to dedicate and monitor the liquidity allocated to a specific settlement service for their institution as well as provide the services to other users.** At the same time the account structure concentrates specific operations and transactions on a single account, which facilitates, inter alia, for users to identify which accounts they in reality need.

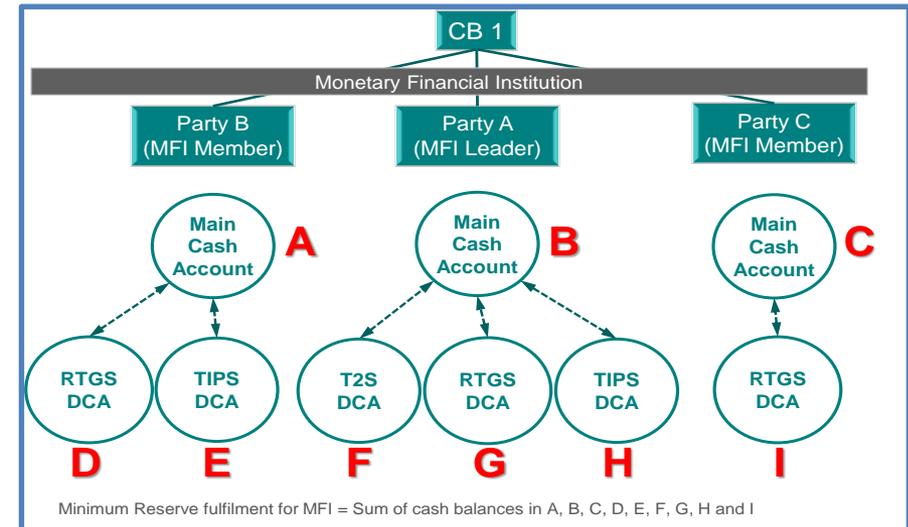
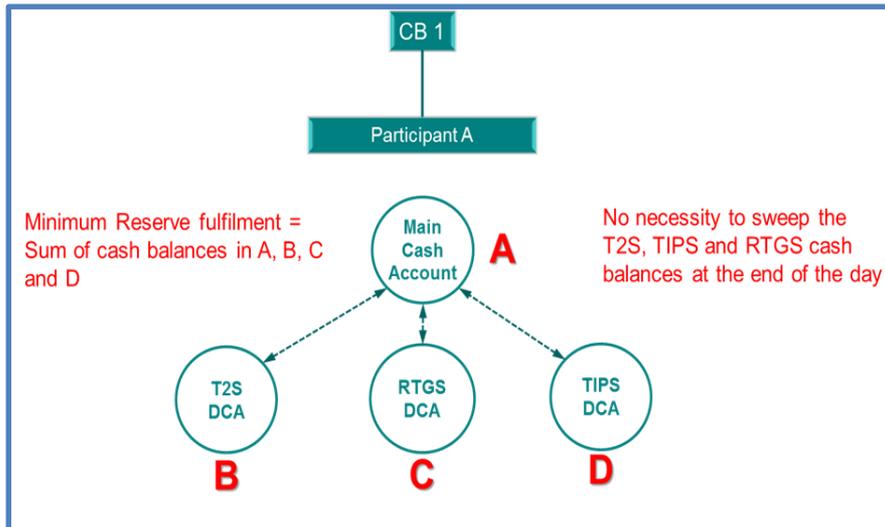
**The Dedicated Cash Account (DCA) in RTGS is for settlement of interbank and customer payments and transactions with ancillary systems (AS).**

A Party may have several RTGS DCAs for a dedicated purpose. The **RTGS DCA operates on “cash only basis”**. The credit line that is on the MCA can be used to increase the liquidity on the DCA by transferring liquidity from MCA to DCA.

The Parties can transfer liquidity either manually (based on **immediate liquidity transfers**) or automatically (based on **standing order liquidity transfers** triggered by events defined in the daily schedule or **rule-based liquidity transfers** triggered by conditions during the settlement process).

### 3. Minimum reserve calculation

- The minimum reserve calculation will automatically include the End of Day balances of all MCAs and DCAs of the bank (or banking group). All accounts must also be held by the same Central Bank (no cross-border reserve management).
- **At the End of Day, all balances in all settlement services (CLM, RTGS, T2S, TIPS) are aggregated.**
- In this case, it's possible to avoid unnecessary Liquidity Transfers at the end of the business day and the retransfer of the liquidity at the start of the next business day (a must for TIPS to work properly).
- T2S cash sweep will become optional.



Fonte: ECB

## 4. New standard SWIFT ISO 20022

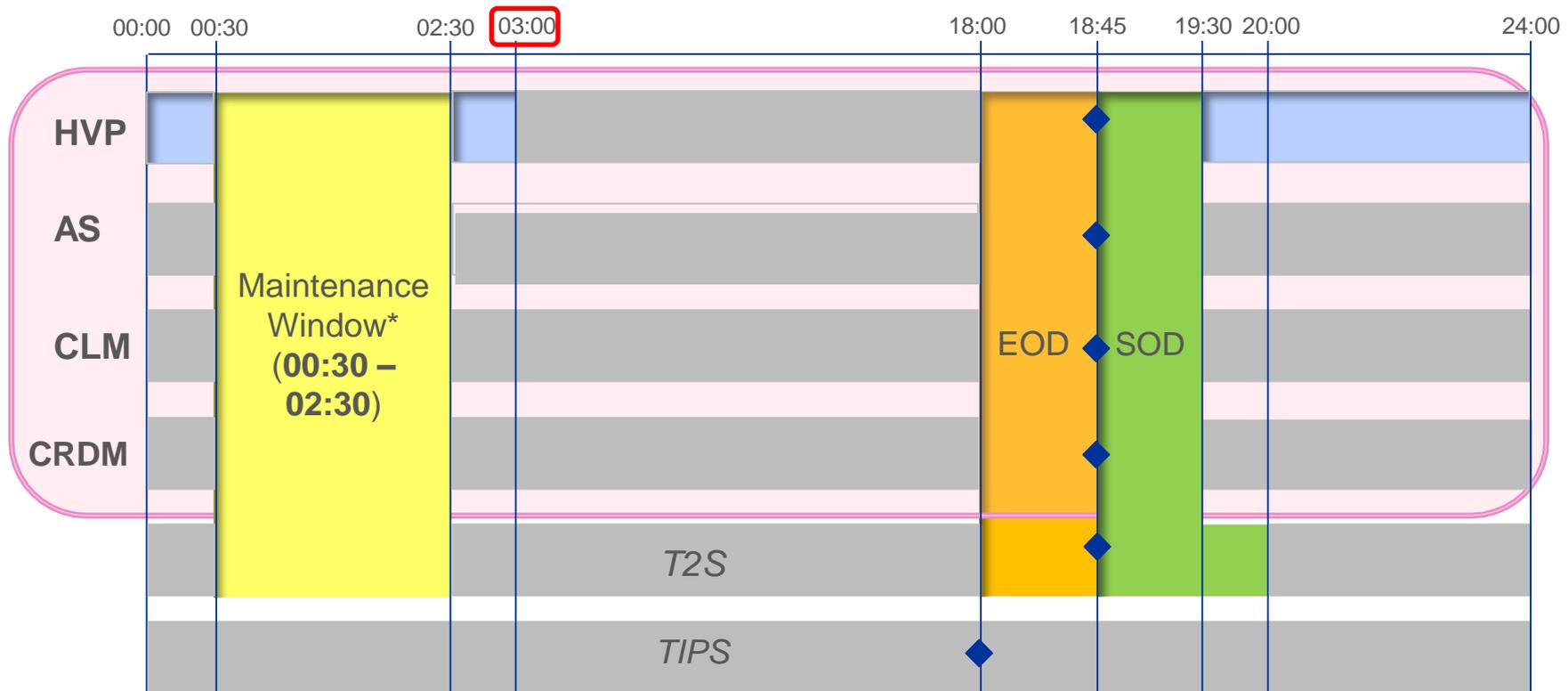
Message ID	Message Name	Replaced MT
pacs.008	FtoFICustomerCreditTransfer	MT 103(+)
pacs.009	FtoFICreditTransfer	MT 202
pacs.009 (COV)	FtoFICreditTransfer (COV)	MT 202 COV
pacs.010	FtoFIDirectDebit	MT 204
pacs.002	FtoFIPaymentStatusReport	MT012/019
camt.054	BankToCustomerDebitCredit Notification	MT 900/910
camt.053	BanktoCustomerStatement	MT 940/950
pacs.004	PaymentReturn	MT103/202 "RETN"
camt.056	PaymentCancellationRequest	-
camt.029	ResolutionOfInvestigation	-

- ❑ **Big-Bang approach:** single migration weekend for all European countries;
- ❑ **No coexistence** of two versions of a message standard (ISO 15022 and ISO 20022);
- ❑ **Fully-fledged approach.**

The access to the Eurosystem services and components will take place via Eurosystem Single Market Infrastructure Gateway (**ESMIG**) component. It will be network provider agnostic and thus allows participants to connect through a single network service providers to access all Eurosystem market infrastructures both **via A2A and U2A**. Furthermore, ISO 20022 compliant messaging will be adopted as the standard format for communication with all Eurosystem market infrastructures. **ESMIG shall provide central authentication, authorisation and user management features to protect the connected systems/platforms** against intrusion and unauthorised access and to ensure that a trusted party transmitted the inbound communication through a secure channel.

Fonte: ECB

# 5. Longer opening hours for «Target Services» 10



- 18:00 – End of Day is the same in all Services
- ◆ 18:45 – Change of business day (except TIPS, where it is at 18:00, after closure of RTGS)
- 19:30 – Start of Day
- 19:30-00:30 – in HVP amend/ revoke Warehouse Payments and settle Liquidity Transfers
- 00:30-02:30 – Maintenance Window in all Services\* except TIPS
- 02:30-03:00 – in HVP amend/ revoke Warehouse Payments

Fonte: ECB

\*) to be agreed with the users of the relevant Services

***«Target Services» will be the natural conclusion of a process that will lead the euro area to have a modern and efficient single structure for its financial activities.***

***A new era is coming for the world of payments and the european banks are facing a new big challenge.***

***Are we ready?***





**Thanks for your attention !**