

**ECB**  
DG-MIP  
T2-T2S Consolidation

# Big Bang Strategy: Identified root causes

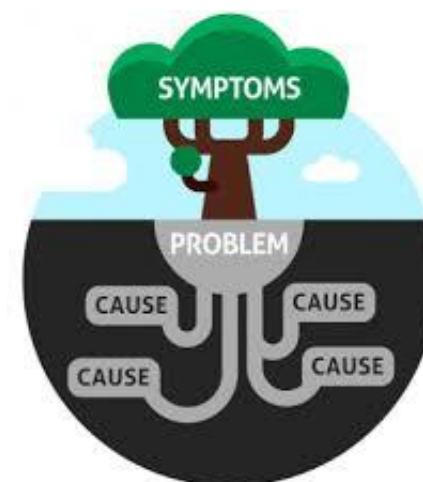
TARGET Consolidation Contact Group

3<sup>rd</sup> meeting on 24 April 2018

# Introduction



- The aim of this presentation is to introduce a first part of the **Big Bang Strategy** of the T2-T2S Consolidation project counteracting one superordinate risk: Participants are not ready at the migration weekend
- Therefore, the possibilities for being not ready will be identified by discussing different **cases describing these incidents**
- The focus of this presentation is completely on the root causes for being not ready on the **participants side**, which jeopardise the migration weekend
- In the last part, you are invited to identify **further root causes**



# Envisaged structure of the document



## Executive summary: Introduction, scope, purpose and faith of the document

**Risk factor I**

Mitigation measure I

Mitigation measure II

...

**Risk factor III**

Mitigation measure I

Mitigation measure II

...

**Risk factor V**

Mitigation measure I

Mitigation measure II

...

**Risk factor II**

Mitigation measure I

Mitigation measure II

...

**Risk factor IV**

Mitigation measure I

Mitigation measure II

...

## Conclusions on the different risk factors and corresponding mitigation measures

# Agenda of the different cases



- 1 Connectivity problems
- 2 Communication problems
- 3 Liquidity management problems
- 4 Participants' internal readiness problems
- 5 Other problems on the participants' side

# 1) Connectivity problems

target  
services

## Case description

- Participants may face **connectivity problems** with their NSP and are affected in terms of their **technical readiness**
- The following problems may occur:
  1. Selection process of the NSP is **delayed** (procurement negotiations)
  2. The **initial setup** does not work
  3. **Day-to-day** issues with the NSP occur



Problem on banks' side

Problem on NSPs' side



## 2) Communication problems



### Case description

- Participants are **not ready** to use the new messaging standard at the migration weekend
- Messages are either **not compliant** with the new ISO standard and will be rejected by ESMIG immediately or **incorrect** and not processed in the business validation
- Payment systems heavily rely on a **network principle**: Problems of only one participant might have an immense impact on the whole community
- The following problems may occur:
  1. Problems on the **sending/receiving side**: Inability to send/receive messages
  2. **Complete/partial** limitations: Participants are completely or with regard to certain message types unable to use the new messaging standard



### 3) Liquidity management problems



#### Case description

- The T2-T2S Consolidation project triggers **substantial changes** in liquidity management
- It needs to be clear ex ante what the **impact** of the centralisation of Central Banks' operations on the **CLM** is for the participants: Interoperability and a sophisticated internal liquidity management have to be guaranteed
- The following problems may occur:
  1. Participants and their **treasurers** may face difficulties in the consolidation of positions and the centralisation of liquidity management as they have **more to monitor** than before
  2. Treasurers have **more tools** to coordinate the liquidity management, but may not know **how to use the toolbox** in an optimal way



## 4) Participants' internal readiness problems

target  
services

### Case description (1/2)

- Even if the technical requirements are fulfilled, participants may face **internal issues** constraining their **business readiness** for the migration weekend
- Problems are often descendent from the need to cope with **many structural and procedural changes simultaneously**, which center on new connectivity including messages, settlement functionalities and the Big Bang approach





## 4) Participants' internal readiness problems

target  
services

### Case description (2/2)

- The following problems may occur:
  1. **Internal problems** with regard to organisational, resource, staff, training and internal project setup issues
  2. Processing an **all-at-once-approach**: The simultaneous implementation of a new connectivity scheme, functionality and the Big Bang approach is intense
  3. The **organisational transformation** as a result of the consolidation including the impact on business models, e.g. **centralisation** and **outsourcing** of payments units (**economies of scale**)



## 5) Other problems on the participants' side

target  
services

### Case description

- Hereafter, you are invited to **identify** and share additional problems that do not fall into one of the previous categories
- The following problems may occur:
  1. ???
  2. ???



# Thank you for the attention!

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