Liquidity Transfers between DCAs in two different settlement services

Reminder

- The main purpose of a Liquidity Transfer is to transfer liquidity between different accounts of the same Party. The possible Liquidity Transfers are:

    - Inter-service Liquidity Transfer from MCA to DCA

    - Inter-service Liquidity Transfer from DCA to MCA

    - Intra-service Liquidity Transfer

    - Liquidity Transfer between two DCAs in two different settlement services

- Dedicated Transit Accounts (DTAs) are technical accounts involved in the liquidity transfer process and cannot be involved in the settlement of payments

    - They are owned by Central Banks and there is only one Dedicated Transit Account per settlement service/component / settlement currency combination

- The focus of this presentation is to describe how Liquidity Transfers between two DCAs in two different settlement services/components should be processed and booked

target services

Liquidity Transfers between DCAs in two different settlement services/components

Current Solution planned in the offer and described in the UDFS

Example: Liquidity Transfer of 100 from RTGS DCA to TIPS DCA

CLM

DTA RTGS €   DTA TIPS €

100 (2)   100 (2)

RTGS

RTGS DCA   DTA CLM €

100 (1)   100 (1)

TIPS
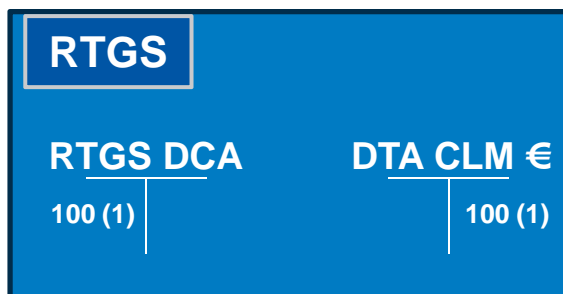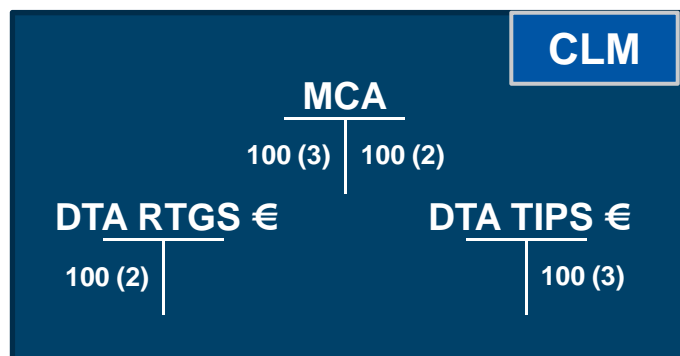
DTA CLM €   TIPS DCA

100 (3)   100 (3)

- A Liquidity Transfer from RTGS DCA to TIPS DCA will lead to the following bookings:

  - **(1) RTGS:** Debit of RTGS DCA (with simultaneous credit of the DTA CLM (for €))

  - **(2) CLM:** Debit of the RTGS DTA (for €) and credit of the DTA TIPS (for €)

  (This movement is not visible to CLM participants!)

  - **(3) TIPS:** Credit of TIPS DCA (with simultaneous debit of the DTA CLM (for €))

target services

Liquidity Transfers between DCAs in two different settlement services/components

Alternative solution

Example:
Liquidity Transfer
of 100 from RTGS
DCA to TIPS DCA

CLM

MCA
100 (3) | 100 (2)

DTA RTGS €
100 (2)

DTA TIPS €
100 (3)

RTGS

RTGS DCA
100 (1)

DTA CLM €
100 (1)

TIPS

DTA CLM €
100 (4)

TIPS DCA
100 (4)

- Liquidity Transfer from RTGS DCA to TIPS DCA under the alternative solution will lead to:

  - **(1) RTGS:** Debit of RTGS DCA (with simultaneous credit of the DTA CLM (for €))

  - **(2) CLM:** Credit of MCA (with simultaneous debit of the DTA RTGS (for €))

  - **(3) CLM:** Debit of the MCA (with simultaneous credit of the DTA TIPS (for €))

  - **(4) TIPS:** Credit of TIPS DCA (with simultaneous debit of the DTA CLM (for €))

Liquidity Transfers between DCAs in two different settlement services/components
Solution comparison

Planned solution	Alternative solution
In line with requirements and current 4CB offer	Requires a CSLD CR
TIPS CR required	TIPS CR required
Lean set up (one liquidity transfer order, no risk of concurrent use of liquidity)	Increased complexity • Two liquidity transfer orders have to be set up by the system • CLM must ensure that liquidity that has arrived on MCA is well transferred to the receiving settlement service and not used for other business purposes (e.g. in case of queued Central Bank Operations) • The processing of a reject in the receiving settlement service is more difficult
Visibility to party according to initiation of liquidity transfer (booking on DCAs of the two different services/components only) No visibility of bookings in CLM for the party	Although liquidity transfer is initiated directly between two services/components, visibility of bookings in CLM to party