DEUTSCHE BUNDESBANK EUROSYSTEM

Risk mitigation in the field of liquidity transfers - Introduction of a whitelist for LTs across (settlement) services

DE AMI-Pay NSG proposal for the T2-CG meeting on 15th February 2024

Limitations for inter-service liquidity transfers in TARGET
Background

- Via the GUI, **inter-service liquidity transfers (LTs) can be initiated in favour of any counterparty**
- **Limitations** are **only possible within a settlement service** (CLM and RTGS, respectively) via *Liquidity Transfers Groups* (LTGs)
- **Such limitations**, however, **can be circumvented** via inter-service LTs
- This **might cause an operational risk and compliance issues**
  - Risk of unwanted cash transfers, instructed accidently or by malicious intend
  - The full TARGET participant's liquidity is at risk
- Using the **four-eyes principle does not seem to be realistic**
  - The two-eyes principle seems to be usual in the liquidity management area
  - Actions of liquidity managers are often required in a short, critical time window (shortly before cut-off) and under time pressure
  - Also the saving of resources might be an argument for participants
  - The preferred risk mitigation measure seems to be the limitation of the liquidity managers' possibilities

Limitations for inter-service liquidity transfers in TARGET
Ideas for a possible solution (possible requirements for a change request)

- Set up of a **whitelist**
  - All allowed beneficiary accounts are on the list (variant: there is a general permission for accounts of the same party)
  - An empty list should be understood as ‘no limitation’ (every LT is allowed)

    ⇨ no maintenance effort for those participants that do not need any limitation
  - Maintenance of the whitelist by the users themselves, preferably in four-eyes mode

    (e.g. separate entitlement role in CRDM – ‘CRDM whitelist manager 2E/4E’)

A whitelist was removed from T2 UDFS v0.2. However, the practical experience since T2 go-live seems to show that there is a need for a whitelist.

- In order to avoid circumventions, the limitations should be in place for **all directions** (between MCAs and (RTGS / T2S / TIPS) DCAs)

  ⇨ The TARGET services T2, T2S und TIPS should be involved
- Limitations for **U2A outbound LTs** are deemed sufficient
- It is also deemed sufficient that changes of the whitelist become **effective as of the next business day**

High-level demand 052 (Limitations for liquidity transfers between CLM and RTGS) and high-level demand 032 (extension of the liquidity transfer group functionality to cross-component liquidity transfers) might be considered in conjunction.