



EUROPEAN CENTRAL BANK

EUROSYSTEM

Project Team

TIPS related topics

**Overview and high level
architecture elements of T2/T2S
consolidation proposals**

Task Force on TARGET Instant Payments Settlement

3rd meeting on 20 December 2016

Start of the investigation phase

- In the 1st and 2nd quarter 2016 the Consultation on the future RTGS services was performed
- On 21 September 2016, the Governing Council gave the green light to start the investigation phase for 3 projects:
 - T2/T2S Consolidation
 - TARGET Instant Payments Settlement (TIPS)
 - Eurosystem Collateral Management System (ECMS)
- The Market Infrastructure Board approved the mandate of the Task Force on Future RTGS Services on 20 October 2016

Objectives of the T2/T2S Consolidation project

The Eurosystem plans to consolidate and optimise the provision of the T2 and T2S services, with the aim to:

- provide the opportunity to consider the development of new services for market participants or to adapt the existing ones to the changing needs of the large value payments business and liquidity management
- allow TARGET2 to benefit from state of the art approaches and technologies offered by T2S through technical consolidation
- noticeably decrease running costs for the Eurosystem through functional consolidation between TARGET2 and T2S which could also mean dropping unused or little used functionality
- improve usability

The 4 workstreams vis-à-vis the Task Force

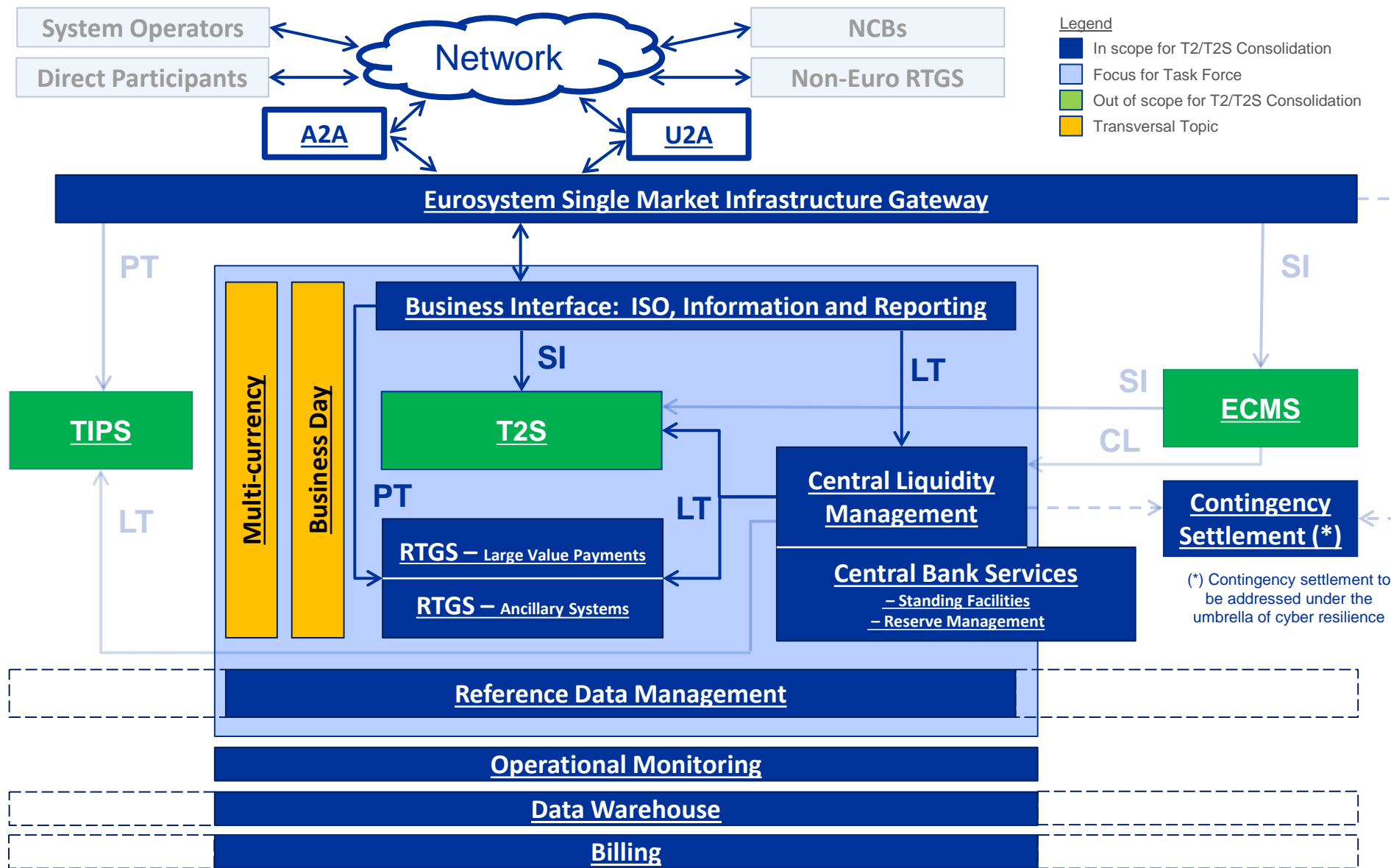
Workstream	Scope of the workstream
Technical consolidation	<ul style="list-style-type: none">• Mainly the Service Providers' internal activities• The aim is to have as little impact on the users as possible
Single Gateway	<ul style="list-style-type: none">• T2S connectivity model (network agnostic) to be extended to TARGET2, including the migration to ISO20022• This workstream covers only technical infrastructure readiness
Functional convergence	<ul style="list-style-type: none">• Identification of services that are provided by one system, but could be of interest also to the users of another system or to harmonise services offered by both systems (e.g. T2S multi-currency services; Consolidation of one single common service for reference data or Billing)
New RTGS services	<ul style="list-style-type: none">• Definition of user requirements for new enhancements/ services (e.g. new liquidity management approach)• This workstream covers also the TARGET2 migration to and description of the relevant ISO20022 messages

The 4 workstreams vis-à-vis the Task Force

- As a consequence, the Task Force will focus its work on the last 2 workstreams, and provide requirements for the future services

- The following approach is foreseen:
 - T2S remains unchanged, as far as possible
 - To review the RTGS services offered by T2
 - Which services will need to remain unchanged
 - Which services should be adapted and enhanced
 - Which services are no longer needed and can therefore be de-scoped
 - Which new services should be introduced

Functional scope for the Task Force



PT – Payment Transaction; LT – Liquidity Transfer; SI – Settlement Instruction; CL – Credit Lines

The centralised management of the liquidity

- The main functional objective of the consolidation is to manage more efficiently the liquidity between the various services
- The user should
 - Have a consolidated overall view of its liquidity
 - Be able to dedicate liquidity for one single service
 - Be able to re-allocate easily liquidity from one service to another via CLM (such as by liquidity transfer or by a time-based or event-based standing order)
- Impacts of this approach on Standing Facilities and Reserve Management have to be first checked with the NCBs

The enhanced reference data management

- T2S and T2 reference data management should be merged to avoid duplication of entries through the use of centralised repositories
- Access rights management should be harmonised
- Single Sign On