



EUROPEAN CENTRAL BANK

EUROSYSTEM

TARGET2 ASI procedure 6 real-time

Procedural aspects

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ECB Workshop 7th November 2016

Overview

1	Background
2	Funding / defunding
3	Processing of instant payments
4	Remuneration
5	Operational aspects

Focus on ASI model 6-integrated

Principles

- Using only the features developed for the integrated model
- Legally speaking interfaced model (i.e. no outsourcing of central bank money)
- Renaming into ASI procedure 6-real-time
- Minor functional adjustments required

Settlement approach

- Participants funding / defunding on a dedicated technical account
- ACH in full control of the liquidity on the technical account
- No obligation to square the technical account (can maintain overnight balance)
- Supports inter-ACH settlement

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Set-up of accounts



PSP1



Position of the PSPs

Commercial Bank Money



RTGS account (PM) of the PSP

Technical account opened for the ACH (procedure 6-real-time)

Central Bank Money

Funding



PSP1

Funding instruction

Notification



Update of position



Funding of the PSP position in the ACH...

- as current order anytime TARGET2 is open;
- as standing order at start of day;
- instructed by the PSP or by the ACH on its behalf.

Additional funding



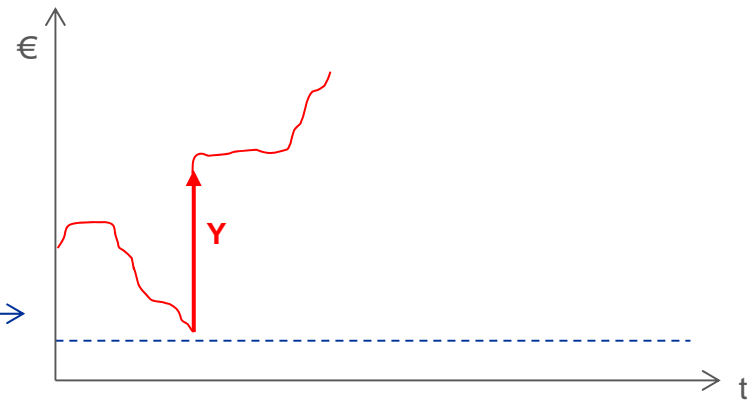
PSP1

Funding instruction

Notification



Update of position



Notification



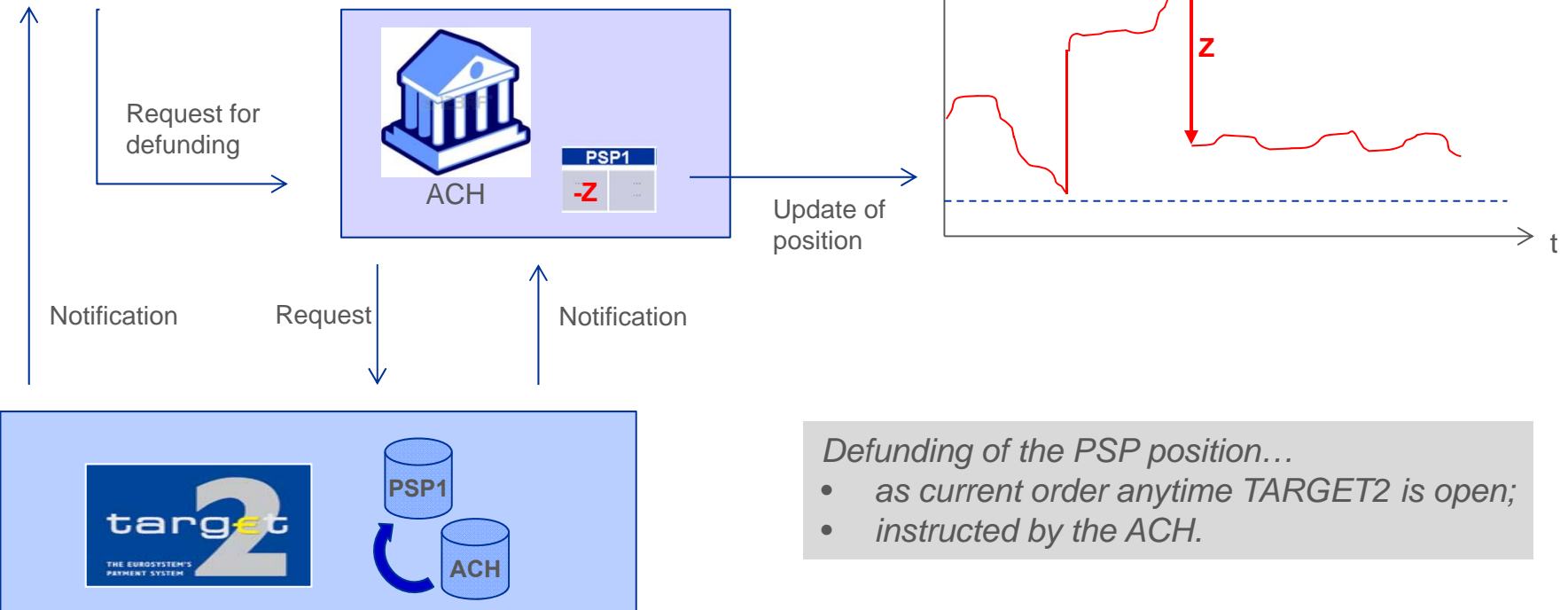
Additional funding of the PSP position...

- *as current order anytime when TARGET2 is operating;*
- *instructed by the PSP or by the ACH on its behalf.*

Defunding



PSP1



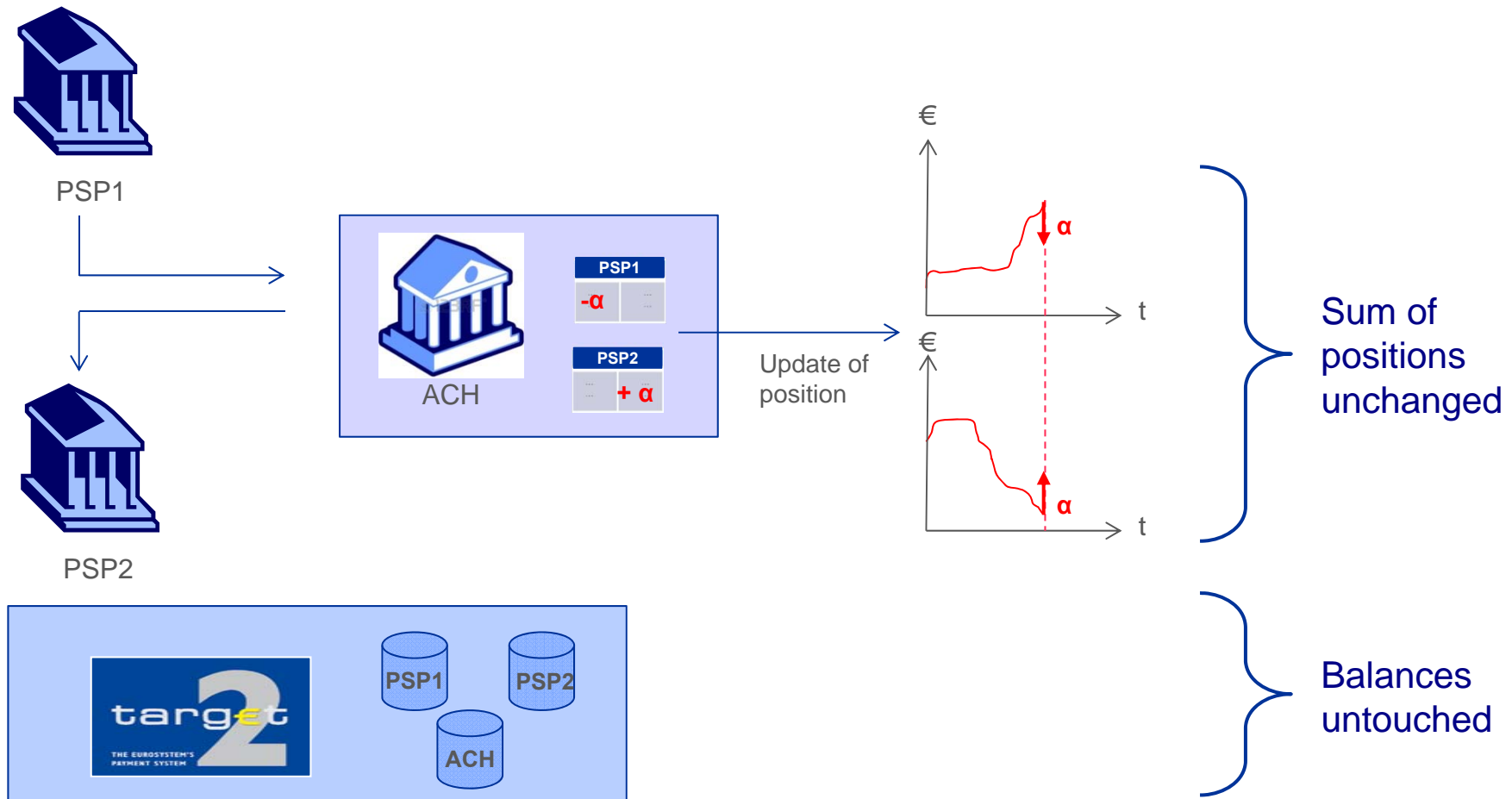
Defunding of the PSP position...

- *as current order anytime TARGET2 is open;*
- *instructed by the ACH.*

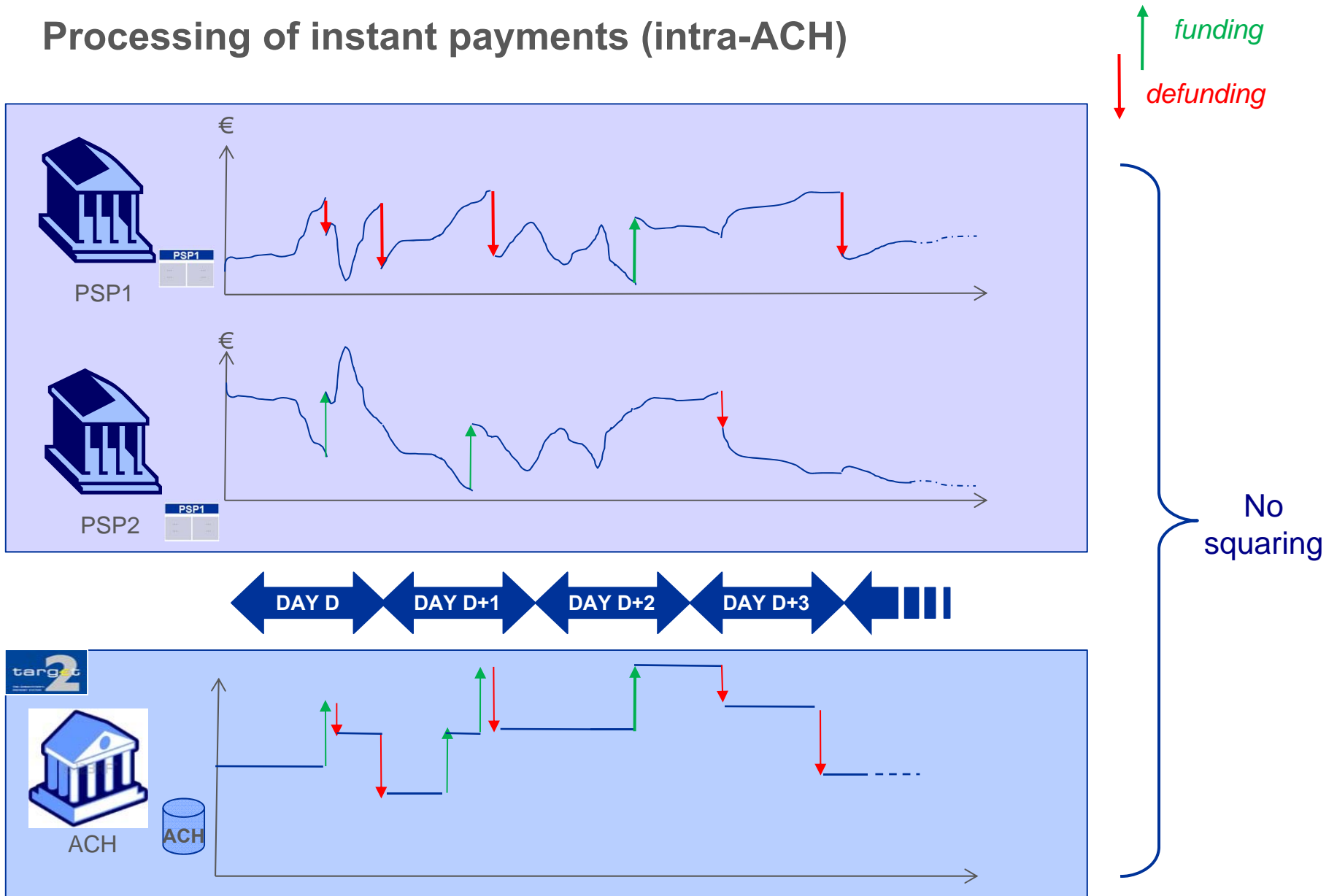
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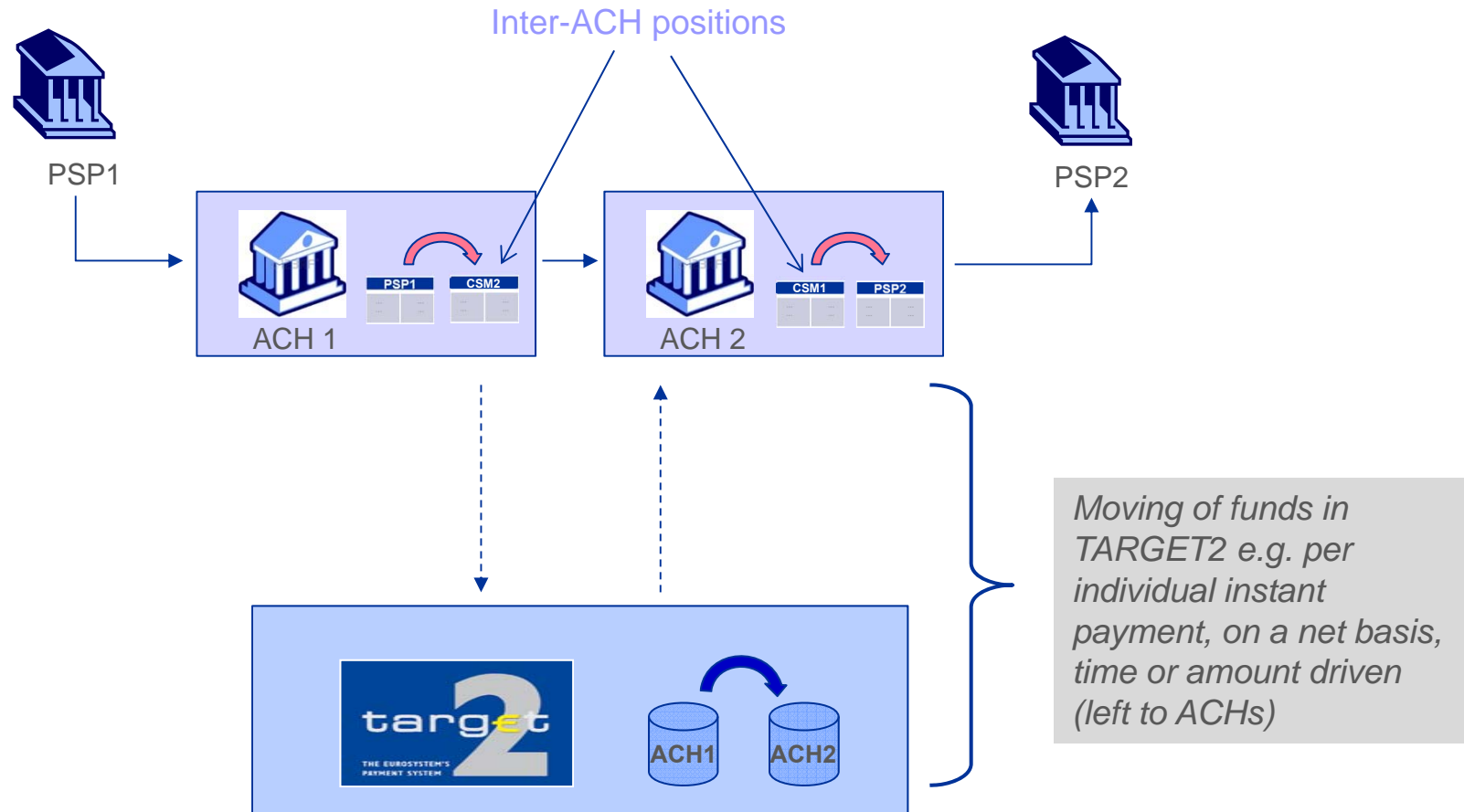
Processing of instant payments (intra-CSM)



Processing of instant payments (intra-ACH)



Processing of instant payments (cross-ACH)



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Decisions taken by the Governing Council of the ECB

June 2014

The negative deposit facility interest rate will also apply to: (i) banks' average reserve holdings in excess of the minimum reserve requirements; (ii) government deposits held with the Eurosystem that exceed certain thresholds that will be set in the relevant Guideline to be published by 7 June; (iii) Eurosystem reserve management services accounts if not currently remunerated; (iv) participants' account balances in TARGET2; (v) non-Eurosystem NCB balances (overnight deposits) held in TARGET2; and (vi) other accounts held by third parties with Eurosystem central banks when stipulated that they are not currently remunerated or are remunerated at the deposit facility rate.

June 2016

The Governing Council approved the harmonisation of the remuneration of the guarantee funds of systemically important payment systems (SIPS) held with the Eurosystem at the interest rate applied on the deposit facility. The harmonised remuneration rate will be reflected in the bilateral agreements between SIPS operators and the respective Eurosystem central banks as soon as practically possible and within three months of the publication of the Governing Council decision, i.e. by 24 September 2016 at the latest. The Governing Council further approved the application of the interest rate in effect for the deposit facility to all guarantee funds of financial market infrastructures held with the Eurosystem.

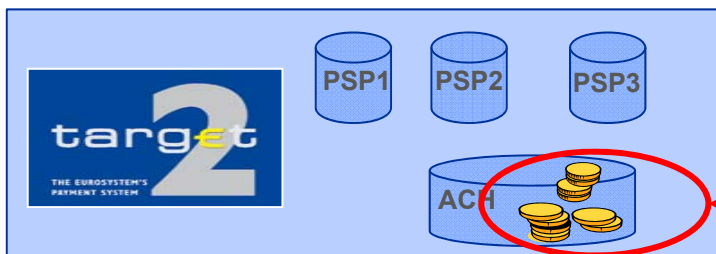
Remuneration



The ACH will ensure that the interests are collected/ redistributed in line with the share of individual PSPs throughout the MP.

At the end of each maintenance period (MP), the Central Bank will communicate the amount of accrued interests (due or to be paid)

At the end of each TARGET2 day, the CB will keep record of the closing balance of the technical account.



Deposit Facility Rate (DRF)

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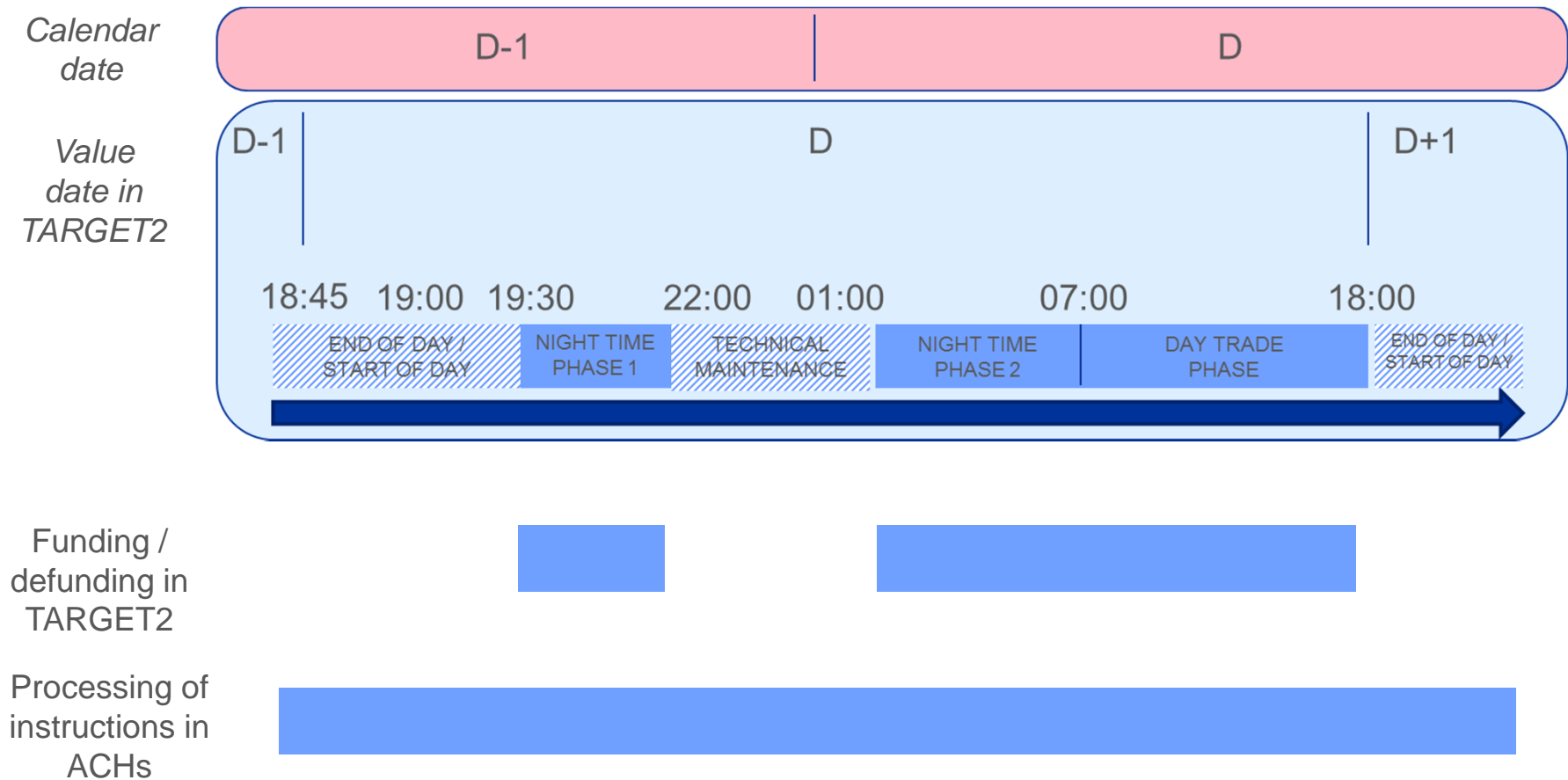
Operating times

- The enhancements brought to TARGET2 are only functional ones
- The operating times of TARGET2 remain unchanged
- PSPs can only fund/defund when TARGET2 is open for settlement
- No possibility to increase/decrease the level of prefunding:
 - On TARGET2 business days between 18:00 and 19:30
 - On TARGET2 business days between 22:00 and 01:00
 - On weekends between Fridays 22:00 and Mondays 01:00
 - On TARGET2 holidays (1st Jan, Good Friday, Eater Monday, 1st May, 26th Dec, 25th Dec)

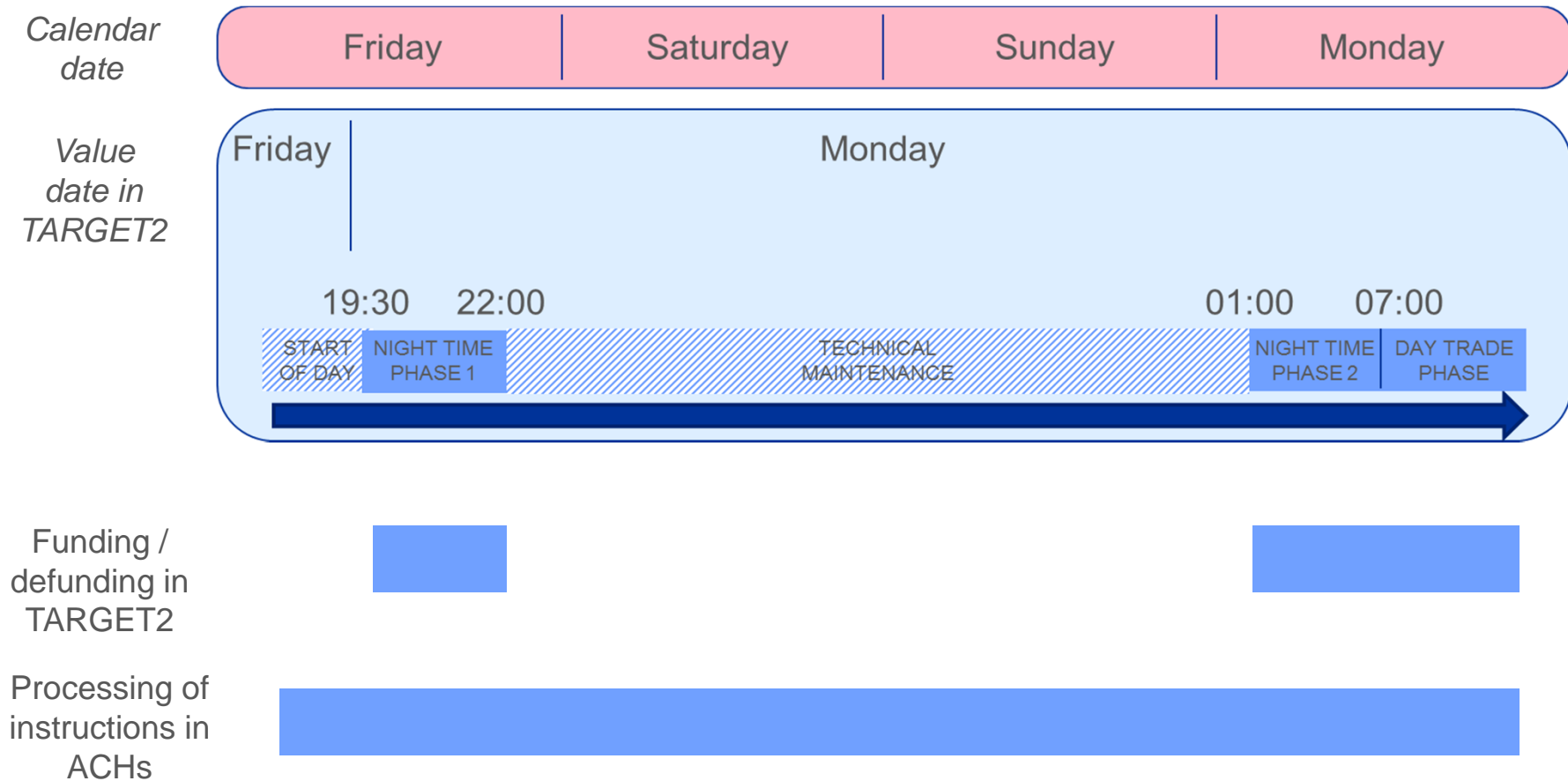
However...

- ACHs can maintain a balance on their technical account in TARGET2 without any time limitation (no squaring requirement)
- The Central Bank guarantee runs without any time limitation
- ACHs can process individual instant payments up to 24/7/365

Operating times (weekdays)



Operating times (weekends)



Central Banks' support

- During normal business hours, Central Banks supports PSPs as well as ACHs in their respective banking communities

In the event of a technical failure ...

...on PSP side

- the Central Bank may act on behalf for increasing its level of prefunding
- the ACH may act on behalf for increasing its level of prefunding

...on the ACH side

- the Central Bank may act on behalf for monitoring the balance of the technical account, notifying when new funds are received on the technical account, decreasing the prefunding of a PSP or for shifting liquidity to the account of another ACH

...on TARGET2

- not eligible for processing via the contingency module (no systemic relevance)

- The level of support outside of the normal business hours remain unchanged compared to what is currently offered for night-time settlement



CONCLUSION

Instant payments as game changer...

- Cycle vs continuous processing
- Settlement of net positions in Central Bank money vs settlement collateralised by Central Bank money
- Value date vs calendar date
- Squaring vs overnight balance

... that raises new challenges

- Active liquidity management
- Book keeping
- Remuneration
- Finality rules