

# ECB consultation on TARGET2

In connection to ECB's request for consultation on the principles and structures of Target 2, we list here below our main considerations.

First of all, we note that the document provided by ECB does not formulate clear proposals on some of the central themes which had been raised. We point, in particular, themes concerning the structure of the future platform of Target 2 as well as the future services intended to be developed on said platform.

To enable us to provide a valid contribution to ECB, it is imperative that its proposals be precisely expressed: the absence of this will inevitably lead to an uncontrollable, ambiguous and never-ending debate. ECB should, in other words, tell us exactly what it would like to do.

Under these circumstances, we limit ourselves to express our views only to the following three points:

## 1) The Structure of TARGET2

For the sake of clarity we deem it is appropriate to divide our comments into two parts: The first part is relative to our goal, while the second, to the transitional period beginning from the prevailing situation.

### **Our goal:**

We deem there must be only a single platform for the sake of global efficiency (service costs, development procedures of the basic and new functions, rules, flexibility and ease in the enlargement of the pool of users) and effectiveness (service levels, procedures for the delivery of services).

Services of local value tailored to the specific needs of the single Country can also be developed on said platform. Factors connected to opportunities, conveniences and costs suggest that such platform should be made from winning models presently available in the market. It appears that the German RTGSplus and the Italian BI-REL (especially the one coming up) are those richest of functionality as well as the most evolved in terms of technological architecture.

For security reasons (which must be placed on a maximum level considering the profile of the service), the service must be delivered not from a single, but from at least two service centres (in two different physical locations and perhaps in two different Countries), with separate structures which can guarantee the necessary continuity in the occurrences of any event (acts of terrorism included).

It is crucial that said service centres have the same functional capacity, can deliver the same services and can perform a reciprocal function of backing up. The centres must be in other words, completely interoperable.

## **The transitional period:**

During said period, several different service centres may co-exist as long as these are functional and are clearly addressed towards the previously mentioned goal.

## **2) The offered services and interfaces between Target 2 and banking applications**

There is a need to create new services designed to enable the operators to have the most extensive degree of control of their own global corporate position in real time. The services, therefore, must foresee the interactivity of the functions.

In particular, there are needs to (sample list, not exhaustive):

- Enable the operators to:
  - effect enquiries on the status of the payments as well as of the account
  - define the priority of payments during input
  - modify the priority of payments contained in the waiting list or cancel
  - modify in real time the value of the liquidity reserves
  - verify payments directed to themselves from the waiting list of the other operators
- to support the concurrent settlement of each payment in the waiting list of the operators on bilateral basis, with a prior check of the funds availability on the settlement accounts, reducing as a result the necessity for intra-day liquidity and settlement time of each transaction.

For more exhaustive details of the necessary functions, we ask you to refer to the Italian Target User Group documentation.

At the level of governance, we deem essential that all decisions regarding the core and non-core operations would be controlled at a single centralised centre.

As far as interfaces are concerned, the use of Swiftnet must be a firm standard for any future development.

## **3) Pricing**

The 'core' services should be equally priced while those 'non core' (or local) may be priced locally (with an accepted method of approval)

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