General Information (Origin of Request)		
☒ User Requirements (URD)		
☒ Other User Functional or Technical Documentation (SYS)		
Request raised by: Deutsche Bundesbank	**Institute:** Central Bank	**Date raised:** 11/09/2015
Request title: Internal liquidity transfers between Central Bank Cash Account(s) and Payment Bank DCA(s) in T2S		**Request ref. no:** T2S 0555 URD
Request type: Common	**Urgency:** Normal	
1. Legal/business importance parameter: High	**2. Market implementation efforts parameter:** Low	
3. Operational/Technical risk parameter: Low	**4. Financial impact parameter:** Low	
Requestor Category: Central Bank	**Status:** Authorised at Steering Level	

Reason for change and expected benefits/business motivation:

In T2S internal liquidity transfers between two DCAs are only possible "*if the accounts involved belong to the same payment bank or the T2S DCAs are linked to the same RTGS accounts*" (see UDFS v2.0, page 497). This is also reflected in URD v5.04 requirement T2S.06.114.

This general rule is reflected in the business rule LLCI008 in the UDFS as well as in the UHB.

With CR 516 ("Internal liquidity transfers between RTGS Dedicated Transit Account and DCA in T2S") the business rule LLCI008 was modified to allow internal liquidity transfers also between RTGS Dedicated Transit Accounts and DCAs.

In addition to CR 516, it would be a considerable advantage to allow internal liquidity transfers between Central Bank Accounts and Payment Bank DCA(s) in both directions.

Especially in contingency scenarios, a shift of liquidity between the Central Bank Account and the DCA(s) of the Payment Banks could contribute to smooth operations, e.g. in the following situations:

- If the provision of liquidity from TARGET2 to T2S (especially at the start of the business day) was not working, the Central Bank could - as a contingency solution - provide liquidity to selected Payment Bank DCAs by means of a T2S internal liquidity transfer debiting its own Central Bank Account. This would improve the settlement efficiency of the T2S night-time settlement even if no liquidity could be provided by TARGET2.

- If a Payment Bank had excess liquidity on its DCA(s) and this liquidity cannot be transferred from T2S to TARGET2 (because of a disturbance in the liquidity bridge from T2S to TARGET2), such liquidity could at first be transferred to the Central Bank Account by a T2S internal liquidity transfer crediting the Central Bank Account. The Central Bank may subsequently credit the PM account of that participant manually in TARGET2.

- Currently it is not foreseen that liquidity on a DCA can be used in the contingency module of TARGET2[1]. The possibility to shift liquidity from any DCA to a Central Bank Account would allow the use of liquidity in T2S in the contingency module of TARGET2: When the Central Bank has received the liquidity on its Central Bank Account, the liquidity can be injected in the contingency module of TARGET2.

With this CR, the technical prerequisite to offer the contingency solutions described above would be achieved. Without this CR, such contingency solutions would technically be not feasible, even if a Central Bank would like to arrange such a solution with its banking community.

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[1] The Contingency Module (CM) is the common mandatory tool to manage an emergency situation where the normal PM functionality is not available, but still (very) critical payments need to be processed. Only NCBs have access to the CM and can perform payments on behalf of their TARGET2 users. Please see the "Information guide for TARGET2 users" for more information.

As DCAs opened and maintained by one Central Bank can be linked to RTGS accounts in a different Central Bank, internal liquidity transfers should also be possible between Central Bank Accounts to be able to efficiently and correctly perform the described contingency solutions.

Description of requested change:

T2S should allow internal liquidity transfers between Central Bank Account(s) and Payment Bank DCA(s) as well as between Central Bank Accounts.

Submitted annexes / related documents:

Proposed wording for the Change request:

URD:

The following URD requirement reference must be enhanced as below to accommodate the above requirement:

~~Liquidity transfers between T2S dedicated cash account and RTGS account of the same payment bank~~
Liquidity transfers between cash accounts belonging to payment bank(s) and/or NCB(s)

Reference ID	T2S.06.114

T2S shall settle liquidity transfers between:
- two T2S dedicated cash accounts linked to the same RTGS account or between T2S dedicated cash accounts of the same payment bank (including the T2S dedicated cash accounts of another T2S party the payment bank acts for as liquidity provider);
- two T2S NCB cash accounts;
- a T2S dedicated cash account of a payment bank and a T2S NCB cash account and vice versa.

GFS:

3.6.1 General Introduction

Liquidity Transfers are possible between two T2S Dedicated Cash Accounts (Internal Liquidity Transfer) linked to the same RTGS account or between two T2S Dedicated Cash Accounts belonging to the same Payment Bank (i.e. proprietary and clients' accounts) or if one or both of the involved accounts is a T2S Central Bank account. This rule is not applicable if one of the involved accounts is a Dedicated Transit Account i.e. if one of the involved accounts is a Dedicated Transit Account Internal Liquidity Transfers are always possible. **{T2S.06.114} {T2S.06.241}**;

3.6.3.3. Description of the functions of the module

The following paragraphs identify a non-exhaustive list of validations/ revalidations of Immediate / Inbound Liquidity Transfers to be performed (based on Static Data):
[….]
The involved T2S Dedicated Cash Accounts in case of an Internal Liquidity Transfer are linked to the same RTGS account or belong to the same Payment/Settlement Bank or one or both of the involved accounts is a T2S Central Bank account. This rule is not applicable if one of the involved accounts is a Dedicated Transit Account i.e. if one of the involved accounts is a Dedicated Transit Account Internal Liquidity Transfers are always possible. **{T2S.06.114} {T2S.06.241}**;

UDFS:

1.6.2.1.3 Liquidity Transfer Process

p.548 l. 17-20

Internal Liquidity Transfers
T2S Actors can transfer cash between two T2S Dedicated Cash Accounts via Immediate Liquidity Transfers. Internal Liquidity Transfers are only possible if the accounts involved belong to the same payment bank or the T2S Dedicated Cash Accounts are linked to the same RTGS account <u>or if one or both of the involved accounts is a T2S Central Bank account. This rule is not applicable if one of the involved accounts is a Dedicated Transit Account i.e. if one of the involved accounts is a Dedicated Transit Account Internal Liquidity Transfers are always possible.</u>

p.550 l. 19-21

Internal Liquidity Transfers are possible between T2S Dedicated Cash Accounts:
- linked to the same RTGS account or
- belonging to the same payment bank
<u>- if one or both of the involved accounts is a T2S Central Bank account</u>
<u>This rule is not applicable if one of the involved accounts is a Dedicated Transit Account i.e. if one of the involved accounts is a Dedicated Transit Account Internal Liquidity Transfers are always possible.</u>

4.1 Index of Business Rules and Error Codes

<u>Update of Business Rule LLCI008</u>
 "Internal Liquidity Transfers are possible between T2S Dedicated Cash Accounts
 • linked to the same RTGS account or
 • belonging to the same payment bank <u>or</u>
 • <u>if both accounts are T2S Central Bank accounts or</u>
 • <u>if one of the accounts is a T2S Central Bank account</u>
 If this is not the case the Internal Liquidity Transfer will be rejected.
 This rule is not applicable if one of the involved accounts is a Dedicated Transit Account

UHB

6.4.2.93 Immediate Liquidity Transfer Order – New Screen

<u>Update of Business Rule Description of LLCI008</u>
 Internal Liquidity Transfers are possible between T2S Dedicated Cash Accounts
 • linked to the same RTGS account or
 • belonging to the same payment bank <u>or</u>
 • <u>if both accounts are T2S Central Bank accounts or</u>
 • <u>if one of the accounts is a T2S Central Bank account</u>
 If this is not the case the Internal Liquidity Transfer will be rejected.
 This rule is not applicable if one of the involved accounts is a Dedicated Transit Account

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High level description of Impact:

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Outcome/Decisions:

* CRG meeting of 17-18 September 2015: The CRG agreed to put the Change Request on hold and agreed to include it in the list of Change Requests for Release 1.2. The CRG considered the Change Request very important for the migration of wave 3 participants. The Change Request was modified to only include item 1 (of the original Change Request) and add the changes required to the User Requirements Document and further details on the request.

* CRG teleconference of 1 October 2015: The CRG recommended to launch the detailed assessment on the Change Request.

* Advisory Group's advice on 8 October 2015: Following a written procedure, the AG was in favour of launching the detailed assessment on the Change Request.

* CSG resolution on 9 October 2015: Following a written procedure, the CSG was in favour of launching the detailed assessment on the Change Request.

* OMG on 16 October 2015: During a written procedure from 2 October 2015 to 16 October 2015, the Operations

Managers Group did not identify any operational impact of the Change Request.

* CRG meeting of 15 December 2015: The CRG agreed to add a clarification in the proposed wording of the Change Request. The CRG agreed to conclude on its final recommendation on the Change Request during the CRG teleconference of 18 December 2015.

* CRG teleconference of 18 December 2015: The CRG recommended the approval of the Change Request and its addition to Release 1.2.

* PMG meeting on 13 January 2016: During a written procedure from 30 December 2015 to 13 January 2016, the Project Managers Group was in favour of adding the Change Request to Release 1.2.

* OMG on 13 January 2016: During a written procedure from 30 December 2015 to 13 January 2016, the Operations Managers Group did not identify any operational impact. The OMG also was in favour of adding the Change Request to Release 1.2.

* Advisory Group's advice on 21 January 2016: The AG was in favour of approving the Change Request and including it in Release 1.2.

* CSD Steering Group's resolution on 22 January 2016: The CSG took the resolution to approve the Change Request and to include it in Release 1.2.

EUROSYSTEM ANALYSIS – GENERAL INFORMATION				

	Static data management		**Interface**	
Impact On T2S		Party data management		Communication
		Securities data management		Outbound processing
		T2S Dedicated Cash account data management		Inbound processing
		Securities account data management		
		Rules and parameters data management		
	Settlement		**Liquidity management**	
		Standardisation and preparation to settlement		Outbound Information Management
		Night-time Settlement		NCB Business Procedures
		Daytime Recycling and optimisation	X	Liquidity Operations
		Daytime Validation, provisioning & booking	**LCMM**	
		Auto-collateralisation		Instructions validation
				Status management
	Operational services			Instruction matching
		Data Migration		Instructions maintenance
		Scheduling	**Statistics, queries reports and archive**	
		Billing		Report management
		Operational monitoring		Query management
			X	Statistical information
				Legal archiving
		All modules (Infrastructure request)		
		No modules (infrastructure request)		
		Business operational activities		
		Technical operational activities		

Impact on major documentation			
Document	**Chapter**	**Change**	
Impacted GFS chapter	3.6.1 General Introduction 3.6.3.3. Description of the functions of the module		
Impacted UDFS chapter	1.6.2.1.3 Liquidity Transfer Process 4.1 Index of Business Rules and Error Codes		
Additional deliveries for Message Specification			
UHB	6.4.2.92 Immediate Liquidity Transfer Order - New Screen	Update of Business Rule LLCI008	
External training materials	Basic Training Module – Workshop 1: Liquidity Transfers Functional Advanced Module Training Session- Workshop 3: Application Process Liquidity Management	Slide 6 Slide 22	
Other documentations			
Links with other requests			
Links	Reference		Title

OVERVIEW OF THE IMPACT OF THE REQUEST ON THE T2S SYSTEM AND ON THE PROJECT
Summary of functional, development, infrastructure and migration impacts   6
Business Rule LLCI008 in LQMG will be enhanced.
Summary of project risk
No.
Security analysis
No potentially adverse effect was identified during the security assessment.

DG-MIP/MIM   **ECB-PUBLIC**

11 December 2015

COST ASSESSMENT ON CHANGE REQUESTS

T2S-555-URD – Internal liquidity transfers between Central Bank Cash Account(s) and Payment Bank DCA(s) in T2S		
Project phase costs (total)	30,625.89	Euro
Running costs (annual average over cost recovery period)	2,671.90	Euro