

General Information (Origin of Request)		
<input type="checkbox"/> User Requirements (URD) <input checked="" type="checkbox"/> Other User Functional or Technical Documentation (SYS)		
Request raised by: 4CB	Institute: 4CB	Date raised: 16/04/2015
Request title: Internal liquidity transfers between RTGS Dedicated Transit Account and DCA in T2S		Request ref. no: T2S 0516 SYS
Request type: Common		Urgency: Fast-track
1. Legal/business importance parameter: Low	2. Market implementation efforts parameter: Low	
3. Operational/Technical risk parameter: Low	4. Financial impact parameter: No cost impact	
Requestor Category: 4CB		Status: Authorised at Steering level

Reason for change and expected benefits/business motivation:

With the go live of T2S TARGET2 liquidity is not only held inside T2 anymore but also on the dedicated cash accounts (DCAs) in T2S. From an accounting perspective both systems are connected via two Dedicated Transit Accounts, the T2S transit account in T2 and the RTGS (T2) transit account in T2S, both opened in the books of the ECB. As the two systems will operate independently from each other a permanent consistency between both accounts has to be ensured.

T2S Outbound Liquidity Transfers allow moving cash from the T2S Dedicated Cash Account of a participant (DCA in T2S) to an RTGS account (RTGSA in RTGS). This transfer is based on the execution of two "legs":

- A "T2S leg", debiting the participants DCA and crediting the RTGS Transit Account in T2S of the corresponding currency.
- An "RTGS leg", debiting the T2S transit account in RTGS and crediting the RTGSA.

In exceptional conditions, it could happen that the "RTGS leg" of the transfer cannot be executed, while the "T2S leg" was successfully executed. It is foreseen that such situation is managed manually, involving contacts between operating teams of T2S and of the respective RTGS to secure the resolution process.

In case the completion of the "RTGS leg" cannot be reached, the DCA debited by the "T2S leg" must be refunded.

However, a business rule in T2S only authorizes the execution of internal liquidity transfers between DCAs linked to the same RTGS account or belonging to the same payment bank. A side effect of this rule is that no internal liquidity transfer is possible between a Dedicated Transit Account (belonging to ECB and linked to T2S transit account within the RTGS) and a T2S DCA of a participant.

As a consequence, in the aforementioned exceptional conditions, the refunding of the DCA cannot be performed by debiting the RTGS Dedicated Transit Account, which can lead to accounting issues due to uneven balances between RTGS and T2S Transit Accounts.

The business rule therefore needs to be modified in a way to exclude RTGS Transit Accounts from the restriction and to allow therefore internal liquidity transfers involving these accounts.

Description of requested change:

The business rule LLCI008 has to be modified in order to authorize LTs from a Dedicated Transit Account (to be triggered by the ECB as owner of the account) to the DCA of a participant.

Currently the business rule LLCI008 is foreseen for DCA within the internal specification but does not explicitly exclude Dedicated Transit Accounts. Therefore the business rule should be adjusted and extended that this business rule is not applicable in case one of the involved accounts is a Dedicated Transit Account. This is necessary to allow rebooking e. g. in case of restart after disaster.

Submitted annexes / related documents:

Proposed wording for the SYS Change request:

UDFS:

UDFS v 2.0, Section "4.1 Index of Business Rules and Error Codes", page 1392

BR NAME	DESCRIPTION	INBOUND MESSAGE	REPLY MESSAGE	CODE USE	REASON CODE	ERROR TEXT
LLCI008	Internal Liquidity Transfers are possible between T2S Dedicated Cash Accounts • linked to the same RTGS account or • belonging to the same payment bank. If this is not the case the Internal Liquidity Transfer will be rejected. <u>This rule is not applicable if one of the involved accounts is a Dedicated Transit Account.</u>	camt.050	camt.025		L012	Source and Target Account of Internal LT not linked to same RTGS Account or do not belong to same payment bank.

UHB:

UHB v 2.0, Section "6.4.2.92 Immediate Liquidity Transfer Order – New Screen" (References for Error Messages), page 2235

LLCI008	<ul style="list-style-type: none"> External RTGS Account Number field T2S Dedicated Cash Account Number field (Credit) T2S Dedicated Cash Account Number field (Debit) Submit button 	Source and Target Account of Internal LT not linked to same RTGS Account or do not belong to same payment bank.	Internal Liquidity Transfers are possible between T2S Dedicated Cash Accounts • linked to the same RTGS account or • belonging to the same payment bank. If this is not the case the Internal Liquidity Transfer will be rejected. <u>This rule is not applicable if one of the involved accounts is a Dedicated Transit Account.</u>
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High level description of Impact:

Outcome/Decisions:

- * CRG meeting of 28 April 2015: The CRG recommended the approval of the Change Request.
- * OMG on 11 May 2015: During a written procedure from 4 to 11 May 2015, the Operations Managers Group did not identify any operational impact of the Change Request.
- * Advisory Group's advice on 10 June 2015: Following a written procedure, the AG was in favour of the Change Request.
- * CSG meeting on 11 June 2015: The CSG adopted the resolution to approve the Change Request.