



# TARGET2 related issues

The final version of the User Detailed Functional Specifications (- UDFS - published on 30 November 2005), the first progress report (published on 8 February 2005) and the second progress report on TARGET2 (published on 21 October 2005), are available on the TARGET2 website and the websites of the National Central Banks (NCBs). In addition to the topics covered in the mentioned publications, the Eurosystem would like to inform the TARGET user community about the following TARGET2 issues:

## Migration of multi-country banks

The Eurosystem's envisaged testing strategy will give due consideration to the specific situation faced by the multi-country players. In particular, testing slots will be offered (with the assistance of all involved Central Banks) so that they can from an early stage organise multilateral tests between their different locations and simulate the different scenarios they will be confronted with (e.g. group 1 migrated ; groups 1 & 2 migrated; groups 1 & 2 & 3 migrated).

## Directory

With respect to the routing of payments during the phased migration, TARGET1 users will only have to rely on the TARGET1 directory for routing their payments, regardless of whether the receiving institution is still in TARGET1 or already migrated to TARGET2. Along the same principle, TARGET2 users will only have to rely on the TARGET2 directory. Only few restrictions will apply for payment flows from TARGET2 to TARGET1 (as stated in the UDFS).

## National Migration Profiles

The National Migration Profiles (NMP) presently available reflect the situation on the first day a Central Bank joins the SSP. The NMP will be subsequently enhanced so that it includes information on the account usage and on the transition period of four years<sup>1</sup>.

## Legal aspects

The Eurosystem is currently discussing the legal aspects concerning participation (legal entities who are allowed to participate as direct / indirect participants), and the liquidity pooling functionality.

## Ancillary systems (AS)

The basic functionality of the AS settlement models is finalised and the night-time settlement has been presented and discussed with representatives of central banks, commercial banks and ancillary systems in July 2005 (the envisaged solution is described in the second progress report). It may be that the Eurosystem decides to further restrict the functionality offered during the night-time window by operational procedures. Some policy related issues with respect to the integrated model are still under discussion.

## SWIFTNet phase 2 & TARGET2

Since SWIFT has announced to schedule the mandatory second phase of its SWIFTNet migration project (the so-called SWIFTNet phase 2) for 2007, TARGET users will have to prepare their TARGET2 participation as well as the SWIFTNet phase 2 project. Though there is no technical dependency between both projects, each future user is requested to plan both migrations carefully due to the overlap in time. Soon, more details on this issue are to be found on the TARGET2 website and the websites of National Central Banks.

## Other issues

The Eurosystem is currently examining the scope of the TARGET2 risk management, i.e. whether the TARGET risk management framework could also be applied for participants' components and, if yes, to what extent.

<sup>1</sup> Transactions between market participants and transactions stemming from the settlement of ancillary systems, as well as payments related to open market operations should ultimately be settled in the Payments Module (PM) of the Single Shared Platform (SSP). However, for those types of transactions the domestic set-up in some countries may not allow for an immediate shift of these operations to the SSP at the start of its operations. As a result, the Eurosystem agreed on a maximum transition period of four years (from the moment the relevant NCB joins the SSP) for settling these payments in the PM of the SSP.