



# SWIFTNET PHASE 2 & TARGET2

## What is the relation between TARGET2 & SWIFTNet Phase2?

TARGET2 will be using the SWIFT services (FIN, InterAct, FileAct and Browse) for enabling standardised communication between the Single Shared Platform and its participants. Consequently, each direct participant will have to put an up to date infrastructure in place to interface with the SWIFT network.

In the last year's Sibos conference, SWIFT announced it will schedule the first part of the mandatory second phase of its SWIFTNet migration project (the so-called SWIFTNet phase 2) for 2007. Considering that the user test activities for TARGET2 are scheduled from May 2007 onwards, it means that during this year, TARGET users will not only need to prepare their TARGET2 participation but also to get ready for the SWIFTNet phase 2 project.

## Is there a dependency between these two projects?

It is important to stress that there is no technical interdependency between both projects. TARGET2 can go-live without SWIFTNet phase 2 and/or the other way around<sup>1</sup>. The common denominator is the time schedule. Both projects will bring changes to the infrastructure in place for connecting to the SWIFT network, which translates into possible conflicting use of the same resources.

Moreover, the first part of the SWIFTNet phase 2 migration is a pure technical upgrade, which should not impact the functionality of TARGET2. The technical tests required for SWIFTNet phase 2 could even be carried out in early 2007 therefore with a very low risk of negative impact on the TARGET2 testing activities. The second part of SWIFTNet phase 2 is the activation of Relationship Management Application (RMA), which is scheduled for 2008.

As a consequence of this planning collision, the current TARGET1 community might have to perform the SWIFTNet phase 2 migration also for its current TARGET1 connection. This is particularly relevant for communities of the second and third migration groups, because they can only abandon their TARGET1 connection in 2008, after the deadlines set by SWIFT for the phase 2 migration.

## What is the Eurosystem's recommendation?

There is no technical dependency between both projects. However, due to the overlap in time each future user is requested to plan both migrations carefully and prudently. When combining the SWIFTNet phase 2 plan with the TARGET2 migration strategy it seems recommendable to perform the first part of the SWIFTNet phase 2 migration before the TARGET2 migration.

<sup>1</sup> The usage of the MAC bypass option that can avoid exchanging bilateral keys with all other TARGET2 users, in case preferred by the user, is valid in either case.