



Target Consolidation Training

Virtual Info session n°3 on 'Introduction to Target Consolidation'

2021-11-17

9h30 – 10h30

WEBEX EVENT

Introduction to Target Consolidation



Event rules

Join Event Now

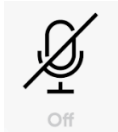
To join this event, provide the following information.

First name:

Last name:

Email address:

Event password:



6. Q&A



- Make sure you respect the naming convention
 - First name = Full name (first name + last name)
 - Last name = Bank name
 - Email = Professional email address
- Camera off by default
- Microphone off by default
- Questions allowed in the chat or by raising hand
 - In case of too many questions, send your question to Target.conso@bcl.lu
- Do not forget to lower hand after having asked a question

Training agenda

TARGET CONSOLIDATION PROJECT BCL Training sessions for future MCA holders in Luxembourg 2021 Program							
	What ?		When ?	How long ?	Who attends ?		
n°	Topic	details	Event Date 2021	Session format	Configuration A A2A + U2A	Configuration B U2A only	Configuration C Co-managed
1	Registration forms	How to fill in the form and send it to the BCL ?	12-oct	1h morning Session	YES	YES	YES
2	Connectivity	Focus on connectivity testing and upcoming milestones	28-sept	1h morning Session	YES	YES	NO
3	Introduction - Basic concepts	Vision 2020, ESMIG, A2A vs U2A, MCA vs DCA	17-nov	1h morning Session	YES	YES	YES
4	Introduction - Business day	New Business day in TARGET services	17-nov	1h morning Session	YES	YES	Optional
5	CRDM Reference data - Basics	Account details and how to create users ? How to assign roles and privileges ?	22-nov	1h morning Session	YES	YES	NO
6	CRDM Reference data - Configuration	How to configure my account ? How to set-up reports and messages ?	22-nov	1h morning Session	YES	YES	NO
7	CLM - Liquidity management	How do I manage my liquidity in CLM?	23-nov	1h morning Session	YES	YES	NO
8	CLM - CB services	Central bank services: Minimum reserves, Standing Facilities, etc	23-nov	1h morning Session	YES	YES	NO
9	CLM - ISO 20022 messages	Focus on CLM ISO 20022 key messages	23-nov	1h morning Session	YES	NO	NO
10	RTGS - Liquidity management	How to manage liquidity on RTGS? Interaction with other services	24-nov	1h morning Session	YES if RTGS	YES if RTGS	NO
11	RTGS - Payments	How do I instruct a payment?	24-nov	1h morning Session	YES if RTGS	YES if RTGS	NO
12	RTGS - ISO 20022 messages	Focus on RTGS ISO20022 key messages	24-nov	1h morning Session	YES if RTGS	NO	NO
13	Testing and migration	Testing and migration in 2022	25-nov	1h morning Session	YES	YES	NO
14	Additional features	Billing, datawarehouse	25-nov	1h morning Session	YES	YES	NO
15	Co-management	Focus on co-manager activities	26-nov	1h morning Session	YES if co-manager	YES if co-manager	Optional
16	Co-management	Focus on co-managees activities	26-nov	1h morning Session	Optional	Optional	YES

Agenda

1. Introduction

- Vision 2020
- Impacted stakeholders
- Key changes

2. T2 new architecture

- Overarching view
- New account structure
- Accounts access

3. Target services and components

- ESMIG
- CLM
- RTGS
- Common Components

4. Planning & Documentation

- Project timeline
- Contractual Documents
- Functional documents



1. Introduction

Vision 2020

Impacted stakeholders

Key changes

Introduction

Vision 2020

Target Consolidation is part of Eurosystem's wider [Vision 2020](#) initiative:

target | TIPS
services

November 2018

live

- Delivery of a new market infrastructure service giving commercial banks the means to offer instant payments to their clients 24/7

target | T2
services

November 2022

- Replacement of the 'Target2' platform

target | ECMS
services

November 2023

- New collateral management system for the Eurosystem credit activities

Introduction

Impacted stakeholders

Europe wide

The 'Target Consolidation' project is taking place across the Eurosystem, with the objective to replace the existing Target2 with a new market infrastructure that leverages the T2S technical and functional aspects.



All LU institutions

This project is **not only** relevant for the current Target2 Direct Participants, as at the end of the project **ALL LU banks** having a current account at the BCL will operate an account in the new T2.

Target Consolidation is therefore a [mandatory project for all the above-mentioned LU financial institutions](#)

Introduction

What changes, in a nutshell

In summary, what are the main changes?

1. Today's Target2 platform (Single Shared Platform) disappears and is replaced with the new Target Services:
 - the new real-time gross settlement (RTGS) to settle Target payments
 - a new Central Liquidity Management (CLM) system, to optimize liquidity management across all TARGET Services
 - a series of 'common components', to manage the support functions
2. The Central Bank Operations (i.e. the operations involving settlement between you and the BCL) will be centralized in the new CLM
3. The accounts structure changes: the accounts opened on BCL systems will be closed and replaced with a series of new accounts on the new CLM and RTGS
4. Target Accounts can be accessed through ESMIG, a new gateway, which requires a contract with a Network Service Provider (exception: co-management)

Introduction

What changes, in a nutshell

Benefits?

- ✓ **Harmonized processes across ESCB countries**
standardization of the Target operations and processes across Europe
- ✓ **Optimized liquidity management**
via CLM, clear allocation of liquidity for the different settlement purposes, while providing a central liquidity overview in a single screen with easy access to more detailed information
- ✓ **Unique interface to access all TARGET Services**
new single gateway making it possible to operate the Target services through ISO 20022 compliant messages (or manually through the graphical user interfaces)
- ✓ **New data warehouse**
participants can now access historic information
- ✓ **Extended opening hours for payments**
allows participants active around the world to better service customers in different time zones for their euro settlement



2. T2 new architecture

Overarching view

New account structure

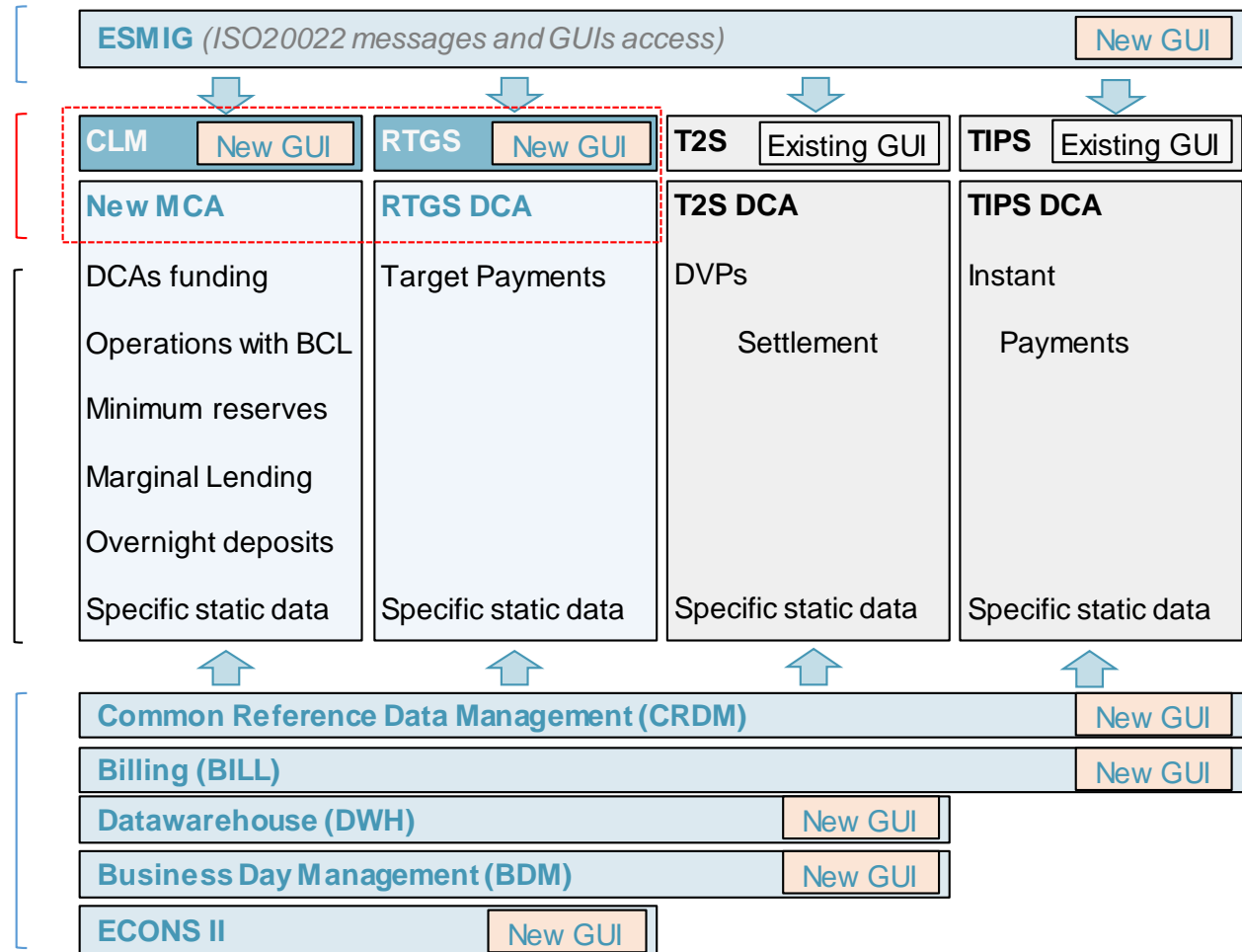
T2 New Architecture Overarching view

New gateway for
all Target Services

New T2
2 settlement components,
2 accounts types

Segregation of activities
across the respective
services

new common
components



GUI = Graphical User Interface

T2 new architecture

Overarching view

In summary, participants' activities are supported by specialized components:

✓ Exchange instructions	ESMIG] COMMON COMPONENTS
✓ Open a GUI			
✓ Manage static data and users	CRDM	
✓ Access historic data	DWH	
✓ Invoice Target Services	BILL	
✓ Run / monitor business day	BDM	
✓ Manage Liquidity	CLM] CORE SYSTEMS
✓ Central Banks Operations (CBO)			
✓ Settle Target payments	RTGS	

T2 new architecture

Overarching view

Key functional changes?

- ❑ **New architecture:** several platforms, multiple user interfaces
- ❑ **Single access via ESMIG:** Eurosystem Single Market Infrastructure Gateway
- ❑ **Two network service providers:** SWIFT and SIA COLT
- ❑ **New ISO standards:** from ISO15022 to ISO20022
- ❑ **Possibility to instruct cash orders via the user interfaces**
- ❑ **New account structure:** current and reserve accounts on BCL systems closed...

T2 new architecture

New account structure

Today

- ✓ All institutions hold a current account on BCL systems (type 041 or 042)
- ✓ All institutions hold a reserve account on BCL systems (type 030)
- ✓ Target 2 Direct participant hold a Target2 account
- ✓ Standing facilities mobilize technical accounts on BCL systems

Tomorrow

- ✓ All institutions hold a **Main Cash Accounts** (MCA) on CLM
- ✓ Target2 Direct participants also hold a **Dedicated Cash Account** (DCA) on RTGS.
- ✓ There are **sub DCAs** on RTGS for Ancillary Systems settlement
- ✓ Minimum Reserves can be held on any Target account (but monitoring is done on CLM)
- ✓ Standing facilities mobilize two CLM accounts : **Overnight Deposit Account** (ODA) and **Marginal Lending Account** (MLA) opened in the participants 'names but belonging to the central bank

T2 new architecture Accounts Access

Getting prepared for Target Consolidation

Acronyms:

MCA: main cash account, on CLM.

ODA*: overnight deposit account, on CLM.

*Exclusively delivered to counterparties eligible for standing facilities.

T2 DCA: dedicated cash account, on RTGS.

CLM: new central liquidity management 'system'.

RTGS: new real time gross settlement 'system'.

NSP: network service provider.

STP: straight through processing.

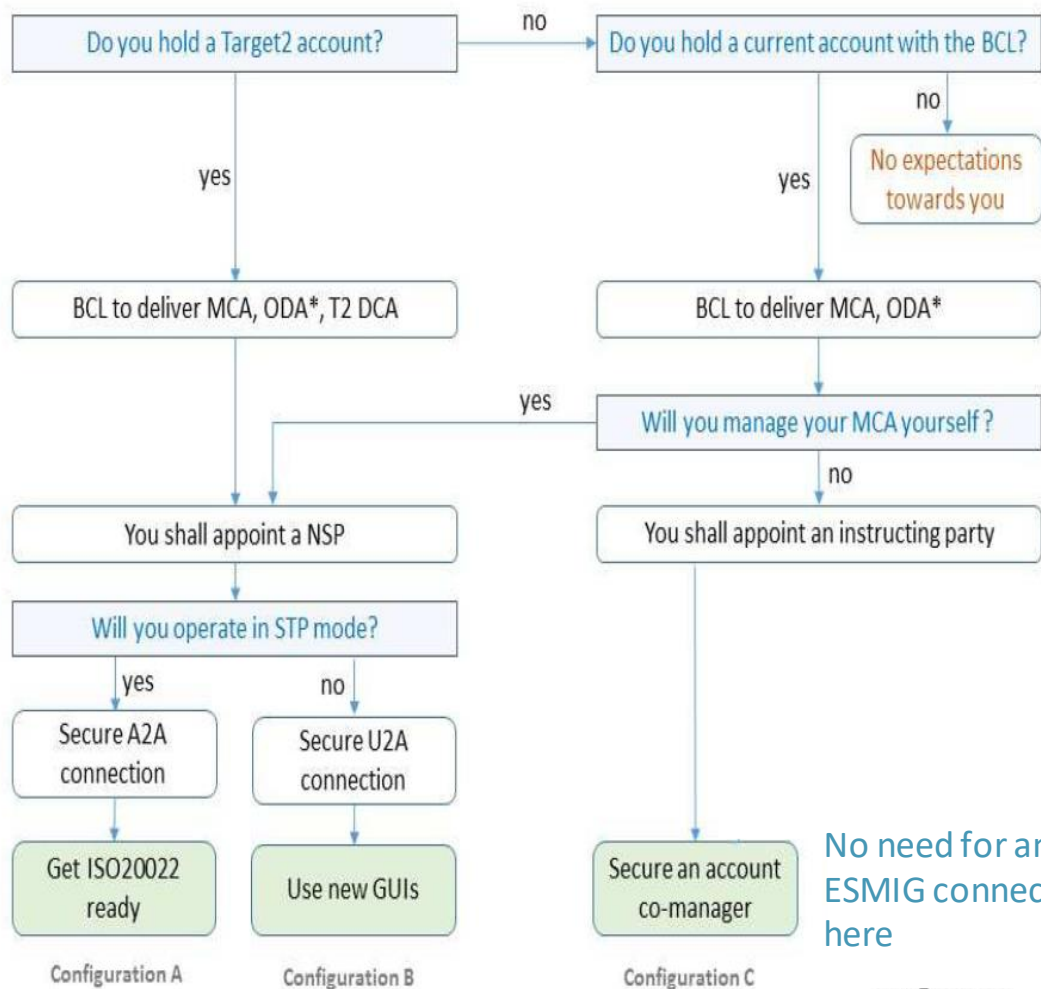
A2A: 'application to application' connection mode.

U2A: 'user to application' connection mode.

GUI: graphical user interface.

Please refer to the Target2 CLM and RTGS specifications documentation to get further insights on these concepts

Three options
to access your
account



No need for an
ESMIG connection
here



3. Target Services and components

ESMIG

CLM

RTGS

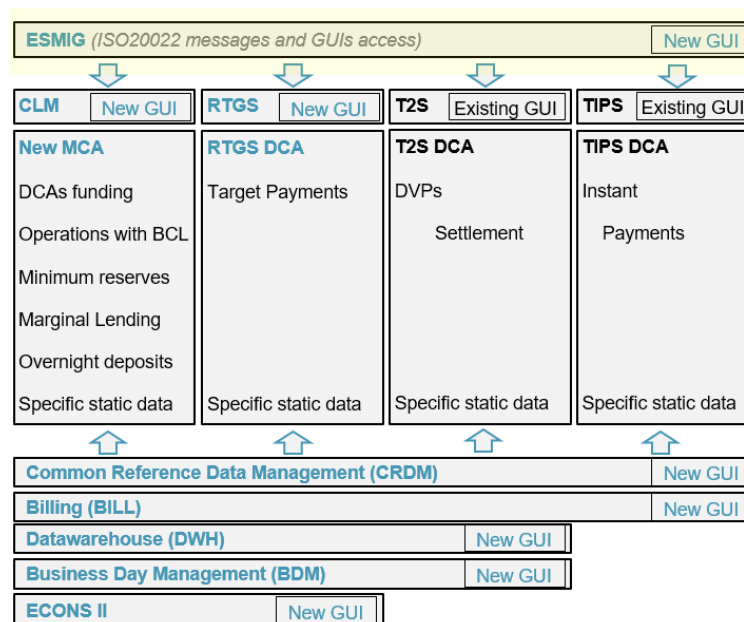
Common Components

Target services and components ESMIG

Guidelines

The new

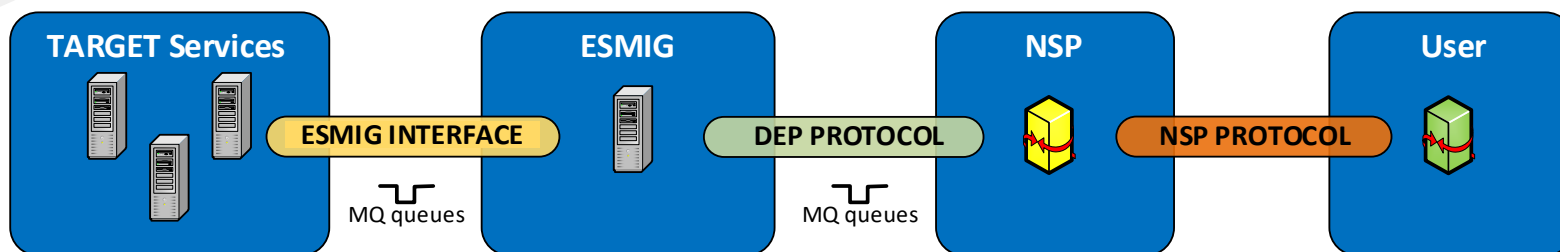
E Eurosystem
S Single
M Market
I Infrastructure
G Gateway



- is the new gateway to access any Target Service and common component
- is necessary for both A2A / U2A activities (i.e. ISO messages / user interfaces)
- exclusively supports ISO20022 messages as per the T2 MyStandards
- Requires a contract with a qualified Network Services Provider, i.e. SWIFT or SIA COLT

Target services and components ESMIG

Layered
protocols



- The communication between you, the user, and your NSP is made in application with the technical and contractual arrangement you have with your NSP
- The NSPs communicate with ESMIG in application of a pre-defined 'Data Exchange Protocol'
- Ad hoc technical interfaces allow transiting the information between ESMIG and the Target Services

Target services and components

ESMIG

Key features

- ESMIG performs the **user authentication**
 - Digital signatures valid? Is the certificate linked to a registered user?
 - What GUIs is the user allowed to access?
- ESMIG performs also the **technical validation** of messages before **routing** them to the Target services
- Transmission channels depending on the size: **file based vs. messages based** ... a message can thus transit through the file channel if exceeding 32 kb
- Two transmission methods: **Real Time vs. Store and Forward**
 - **RT**: used for queries. A response must be sent for each sent request within 60 seconds, else the request is 'timed out'
 - **SNF**: used for settlement messages. The sender can transmit files even when a receiver is unavailable
 - Responses use the same channel as the request. Exception: when the response is for a message sent in RT, if response exceeds 32kb, SNF is used

Target services and components ESMIG

ESMIG Portal

► ... choose a Graphical User Interface to open!

The screenshot displays the Target ESMIG Portal interface. At the top, the 'target' logo is on the left, and 'Welcome Stage: LOCAL | Version 1.0.0' is on the right. Below the header is a banner image with the text 'Services List' and 'Choose an Application and your System User Reference'. The main content area is divided into three sections:

- Choose a Service:** A horizontal list of services with checkboxes and radio buttons. 'T2' is selected with a green checkmark. Other options are 'ECMS', 'T2S', and 'TIPS'.
- Choose Component or Application:** A vertical list of components with checkboxes. 'CLM' is selected with a green checkmark. Other options are 'Billing', 'Business Day Management', 'CRDM', 'Data Migration Tool', and 'Data Warehouse'.
- Choose a System User:** A vertical list of system users with checkboxes. The visible options are '918299', '993393', '993399', and '998899'.

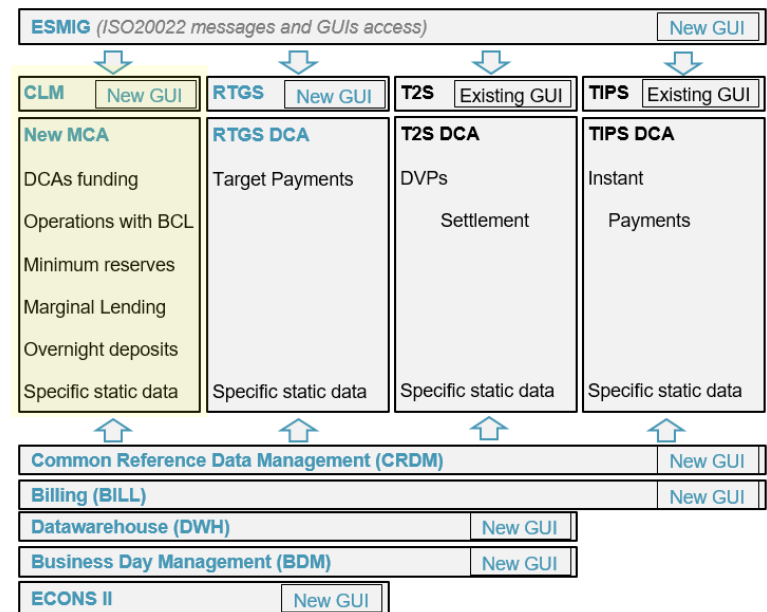
Target services and components CLM

Guidelines

The new component

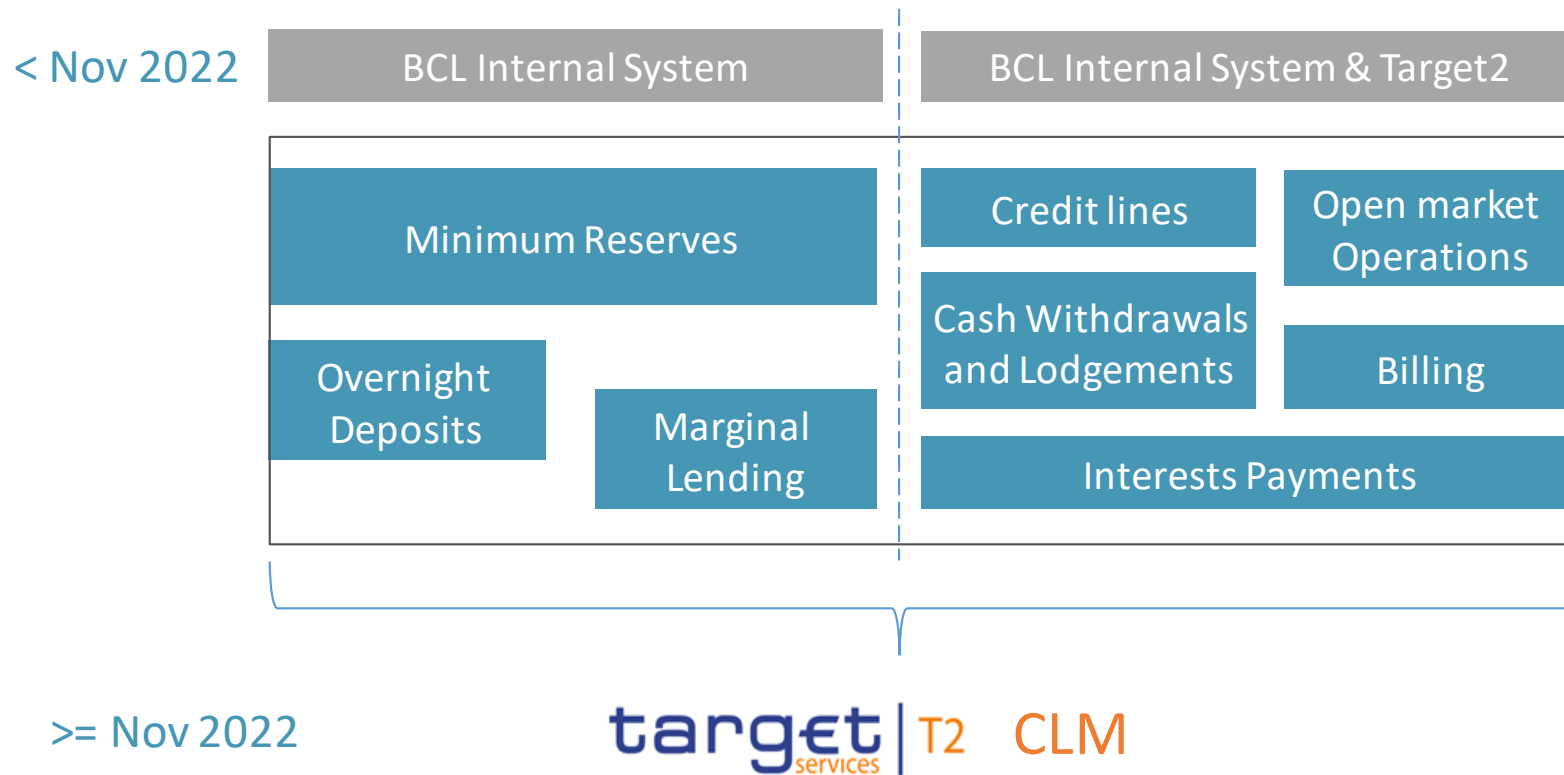
C Central
L Liquidity
M Management

- is the **centralised** mechanism for the monitoring and management of liquidity
- offers efficient **provisioning** for RTGS (payments and AS transfers), T2S, and TIPS DCAs
- is used to settle **Central Bank Operations**



Target services and components CLM

As from Nov 2022, Central Bank operations will be exclusively operated in Target



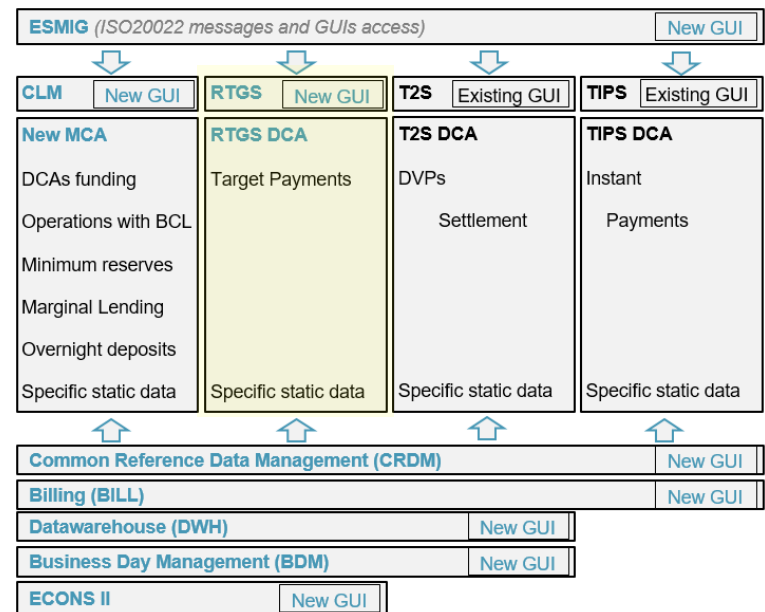
Target services and components RTGS

Guidelines

The new component

R Real
T Trime
G Gross
S Settlement

- Allows settling (high value) **payments** on one or more dedicated cash accounts (DCAs)
- Continues to offers specific procedures for the settlement of **Ancillary Systems transfers**

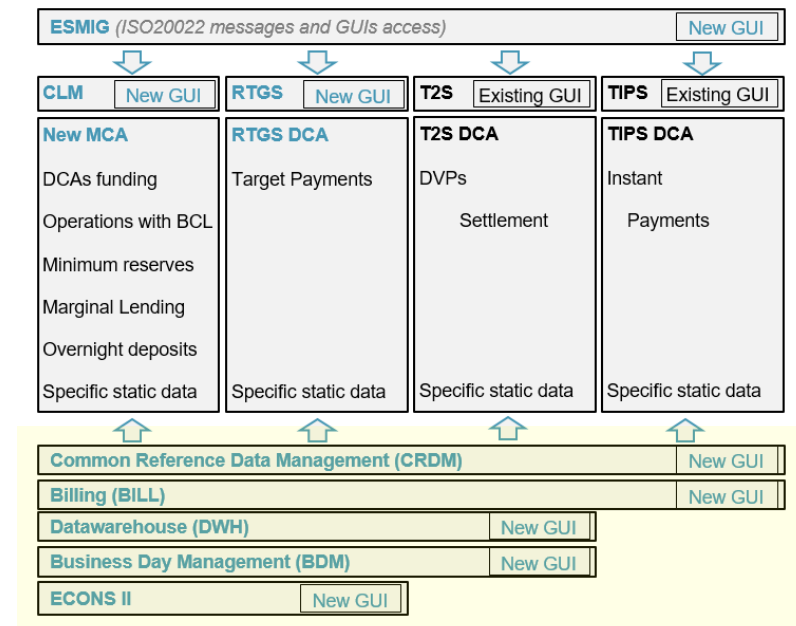


Target services and components

Common Components - overview

The term 'Common Components' englobes a series of support functions that are useful or necessary to the functioning of CLM and RTGS :

- CRDM
- BILL
- DWH
- BDM
- ECONS II



Target services and components

Common Components - CRDM

Guidelines

The new component

C Common
R Reference
D Data
M Management

- Is used by the central bank to **create the participants, accounts and 'Admin Users'**
- Is used by the participants to create their internal **'business users'**
- Is used by their participants to **configure their accounts** (e.g. standing orders, message subscription, report configuration)
- Can be accessed in **U2A** mode and in **A2A** mode for some functions

Target services and components

Common Components - BILL

Guidelines

The new BILLING component

- Collects the usage figures from the various Target Services*
- Calculates the fees incurred for this utilization
- Prepares the monthly invoices (separate invoice for each Target service)
- Generates the debit instructions (pacs.010 direct debit on your CLM MCA)

*note: Target Services pricing guide V1.0 is available under

https://www.ecb.europa.eu/paym/target/consolidation/profuse/shared/pdf/ecb.targetservicespricingguide_v1.0.en.pdf

Target services and components

Common Components - DWH

Guidelines

The **Data Warehouse** (DWH) collects data from CLM, RTGS, T2S, CRDM, ECONS II, Billing and BDM.

- Data are available for a 10 years period
- Participants can access granular data (e.g. account balances, transaction details etc.) for their own party.
- Data are sourced via a series of **pre-defined reports** that can be run in an ad-hoc user interface
- Participants can run the pre-defined reports on an **ad-hoc basis** or can **schedule** their automatic generation.
- Scheduled reports can be downloaded from the GUI or delivered in A2A mode.

Target services and components

Common Components - BDM

Guidelines

The new component

B Business
D Day
M Management

- Coordinates the execution of the business processes of the various Target Services
- Gives the possibility, in U2A and A2A mode, to monitor the business day schedule

Target services and components

Common Components – ECONS II

Guidelines

ECONS II is the new Enhanced Contingency Solution

- Is a fallback settlement solution when the T2 service not usable
- Can be deployed for several business days
- Is only mandatory for the participants currently using ECONS I



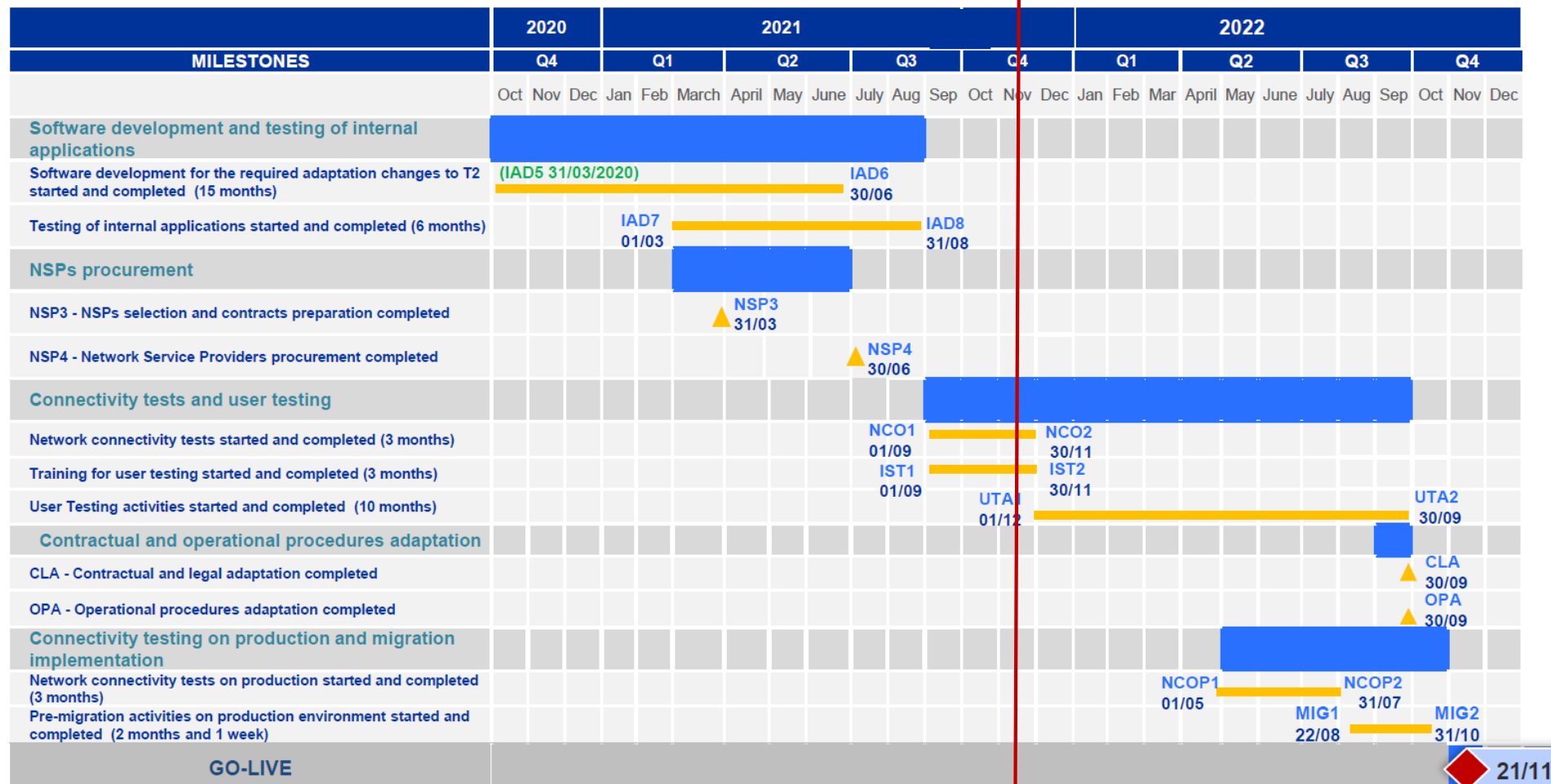
4. Documentation

Project timeline

Contractual documents

Functional documents

Project timeline



Documentation

Contractual documents

Overview

- ✓ **NSP contract:** bilateral contract between you and your NSP
- ✓ **Co-management agreements:**
 - Co-manager is BIL/ BCEE: standard bilateral contract between you and your co-manager
 - Co-manager is another entity: the BCL ignores the nature of your contractual agreements but in any case make sure your respective roles and responsibilities are documented
- ✓ **New registration forms:** key document between **ALL** LU entities and the BCL
- ✓ **Target Services Guidelines:** ECB Document defining the roles and responsibilities of all Target Services participants towards the Eurosystem. It will be transposed into a LU local version in Q3 2022 and sent to you for signature.

Documentation

Specification documents... and others...

Reminder: Target documentation is available on the ECB web site

<https://www.ecb.europa.eu/paym/target/consolidation/profuse/html/index.en.html>

The **UDFS v2.2** describe the functional aspects of the new T2 and the shared components. Links to the T2 MyStandards are embedded.

tip – since the publication of the v2.2 some change requests have been promoted even though not included in the UDFS yet.

Please do not overlook the recent change requests!

You can retrieve them in the Change Requests directory.

If you open the '*this table*' link, look at the CRs flagged for 'UDFS 3.0' and you will see which CRs you shall also consider although not incorporated in UDFS 2.2 yet

The **UHBs** are user guides for the U2A user interfaces

There are **many more relevant documents** that will guide you through specific topics (connectivity, testing, migration & readiness etc.)