BANQUE CENTRALE DU LUXEMBOURG

EUROSYSTÈME

Target Consolidation Training

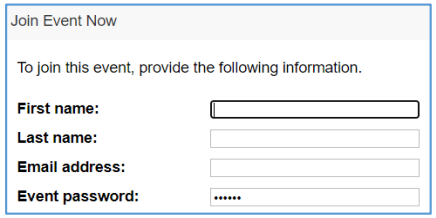
Virtual Info session n°15 on Co-management for co-managees

2021-11-25

9h30 – 12h

WEBEX EVENT

Event rules



- 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

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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	Additionnal 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

0. Welcome
1. Introduction – basic concepts
2. Project Milestones
3. Reporting

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1. Introduction

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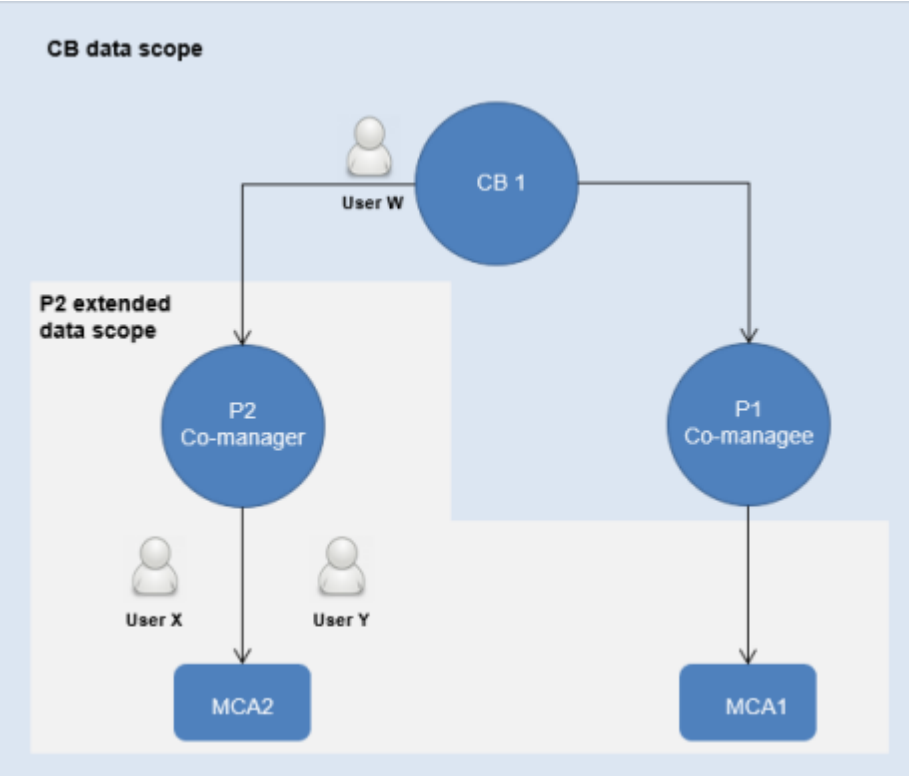
Introduction
Co-management basic concepts

- ✓ Co-management is a CLM functionality
- ✓ It allows a participant to delegate the management of its MCA to another party.
- ✓ This set-up is possible in cross-border
- ✓ The privileges/roles assigned to CLM Co-manager users are also applicable for the co-managed account without limitations.
- ✓ Given that all banks must maintain their reserves on CLM as from November 2022, co-management is a solution for those banks that do not wish to establish an ESMIG connection with SWIFT or SIA

Explainer on co-management (ECB website)

https://www.ecb.europa.eu/paym/target/consolidation/profuse/shared/pdf/2021-06-14_explainer_on_co-management.pdf

Introduction
Co-management basic concepts



All CLM roles and related privileges, assigned to users X and Y of P2 will be extended to MCA1.

This is true for both A2A and U2A activities

E.g. if user X of P2 has a role including the privileges to view account balances, instruct liquidity transfers, manage reservations, etc. in CLM, X can do so for both MCA2 and MCA1.

Introduction
Co-management scenarios

Scenario 1 – Full co-management
(Co-managee has no ESMIG connection)

90% of cases

- ✓ A branch can be co-managed by its head office (locally or cross-border) and fully rely on its head office for connectivity aspects and MCA management, resulting in a reduction of the project efforts and costs for the branch.

- ✓ Similarly, a bank may also ask another non affiliated bank to become its co-manager, if the latter is a CLM Account Holder with an ESMIG connection. In Luxembourg, BIL and BCEE provide these services. Other banks might also provide this service across Europe.

This scenario is relevant for co-managees that:

- ➢ mainly use their MCA to maintain minimum reserves (co-management is not incompatible with the usage of monetary policy operations, but ad hoc procedures shall be agreed between the co-managee and its co-manager);
- ➢ do not hold TIPS, T2S, RTGS DCAs as co-management is only applicable to CLM.

Introduction
Co-management scenarios

Scenario 2 – Shared IT infrastructure (Co-managee has access to a A2A connection to ESMIG)

This scenario may apply in case of a banking group sharing its IT infrastructure.

In this scenario, one entity in the group (Head of office or other) signs an ESMIG contract and centralizes the connectivity aspects (e.g. by receiving and processing in its centralized system the ISO messages for all the affiliated entities).

The branch would here benefit from the ESMIG connection to manage itself its MCA, but furthermore appoint a co-manager, so that as a back up solution the co-manager could also instruct liquidity transfers from the branch MCA.

However, note this implies an operational risk of double / contradictory instructions as two entities can here handle one same MCA (see slide 6).
This risk should be mitigated by bank's internal operational procedures.

Introduction
Co-management scenarios

Scenario 3 – Monitoring and back-up (Co-managee has a connection to ESMIG)

The co-managee and the co-manager have each their own ESMIG connection (U2A or/and A2A).

The co-managee manage its MCA on its own with its connection.

The co-manager can monitor the co-managee's MCA and possibly intervene on the co-manage MCA as a back-up thanks to the co-management set-up

Introduction
Co-manager activities

What could a co-manager do for you (examples) ?

CRDM	CLM
Message subscription: camt.054	Initiation of liquidity transfer orders debiting MCA
Report Configuration: camt.053 (account statement)	Set-up of overnight deposits debiting MCA and crediting the linked overnight deposit account
Standing Order Liquidity Transfer Order debiting the co-managed MCA	Initiation of overnight deposit reverse orders debiting the linked overnight deposit account and crediting the MCA
Floor/ceiling Rule-Based Liquidity Transfer Orders debiting the co-managed MCA	Task management
Standing Orders for Reservation on the co-managed MCA	Submit query requests to CLM to request information about the co-managed account(s): e.g. Account statement query, Audit trail for CLM query, Available liquidity CLM query
Linking the co-managed MCA to account monitoring groups	
Modifying the co-managed MCA data according to the access rights (CBs can modify all attributes; Payment Banks can modify floor/ceiling data).	

Introduction
A2A vs U2A co-manager

Dependency: the co-management service level depends on the type of ESMIG connection (U2A /A2A) of the co-manager

e.g. CLM Bank to customer statement (camt.053)

A2A co-managers can subscribe to Camt.053 on the co-managed MCA, receive it, and forward it (outside TARGET) to the co-managee in ISO20022 format, or convert it in another pre-agreed format (PDF, MT messages, XLS, etc)

U2A co-managers can only download a PDF statement of account manually and forward it (outside TARGET) to the co-managee.

In general, a U2A actor cannot exchange T2 ISO 20022 messages for themselves (only manual actions are possible for him), hence cannot offer it to its co-managees either.

Introduction
Co-managee obligations

Responsibilities of the co-managee

As a general rule, a MCA holder remains fully responsible of its account, even though a delegation of the operational tasks has been made to a co-manager.

This responsibility supposes that a co-managed bank keeps the control of its account, which requires that a MCA account holder:

- has a timely and accurate visibility on the accounts balances and movements. To do so, a co-managed bank must at least receive and reconcile its statements on a daily basis

- can place / remove funds on / from its MCA. Bringing funds on a MCA is rather a cash corresponding activity whereas de-funding the MCA requires having an access to the MCA and can thus only be done by the MCA holder or its co-manager

Introduction
Co-management agreements

Is it mandatory to sign a contract between co-managee and co-manager ?

The BCL will neither require nor check any contract or agreement related to the co-management. Nevertheless the BCL recommends:

- In case of co-management between two banks who are not parent, to sign a contract detailing the co-management processes, duties, et eventual pricing.

- In case of co-management within a banking group, to define at least a Service Level Agreement (SLA) Bank between parties, detailing the processes and duties.

Introduction
Co-management agreements

Co-managee contractual relationship with the BCL ?

1/ REGISTRATION FORM

All MCA holders, including co-managees must complete a registration form (Test+prod)
The co-managee must provide information related to its co-manager in the form:

- Co-manager BIC
- Co-manager Technical address (and associated network services)
- Co-management tick box
- Co-manager Administrator User (Optional, if requested by co-manager)

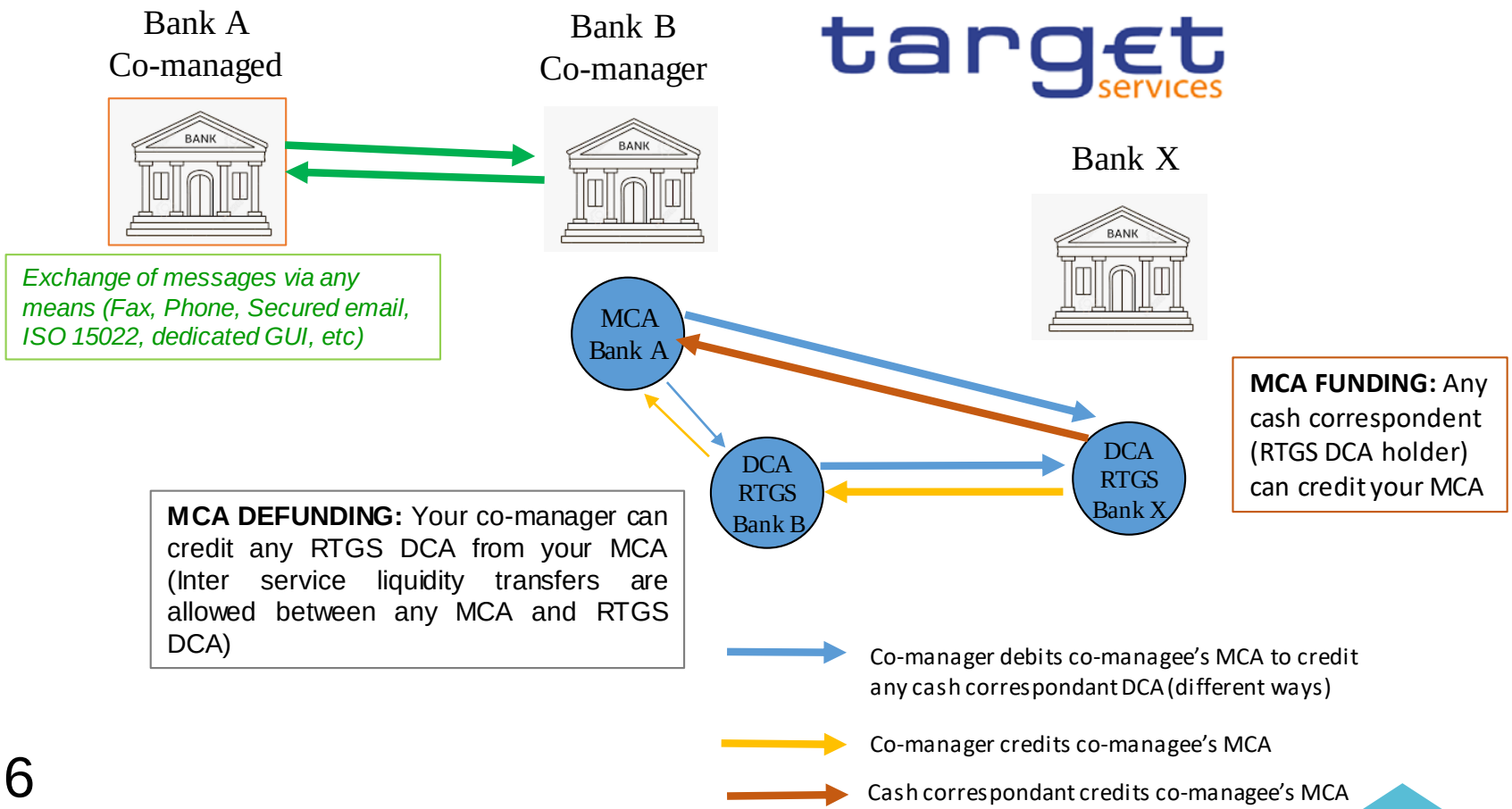
Read training session 1 – registration forms for more details.

2/ NEW TARGET TERMS AND CONDITIONS

Non negociable legal document to be signed by all MCA/DCA holders accross Europe

Introduction
Cash correspondant activity

Your cash correspondent activity is <u>indirectly</u> linked to your co-management agreements.
The BCL only monitors that all MCAs are managed by someone, your cash correspondant activities must be agreed with your cash correspondant, who may not necessarily be your co-manager.



2. Project milestones

Planning
Project milestones

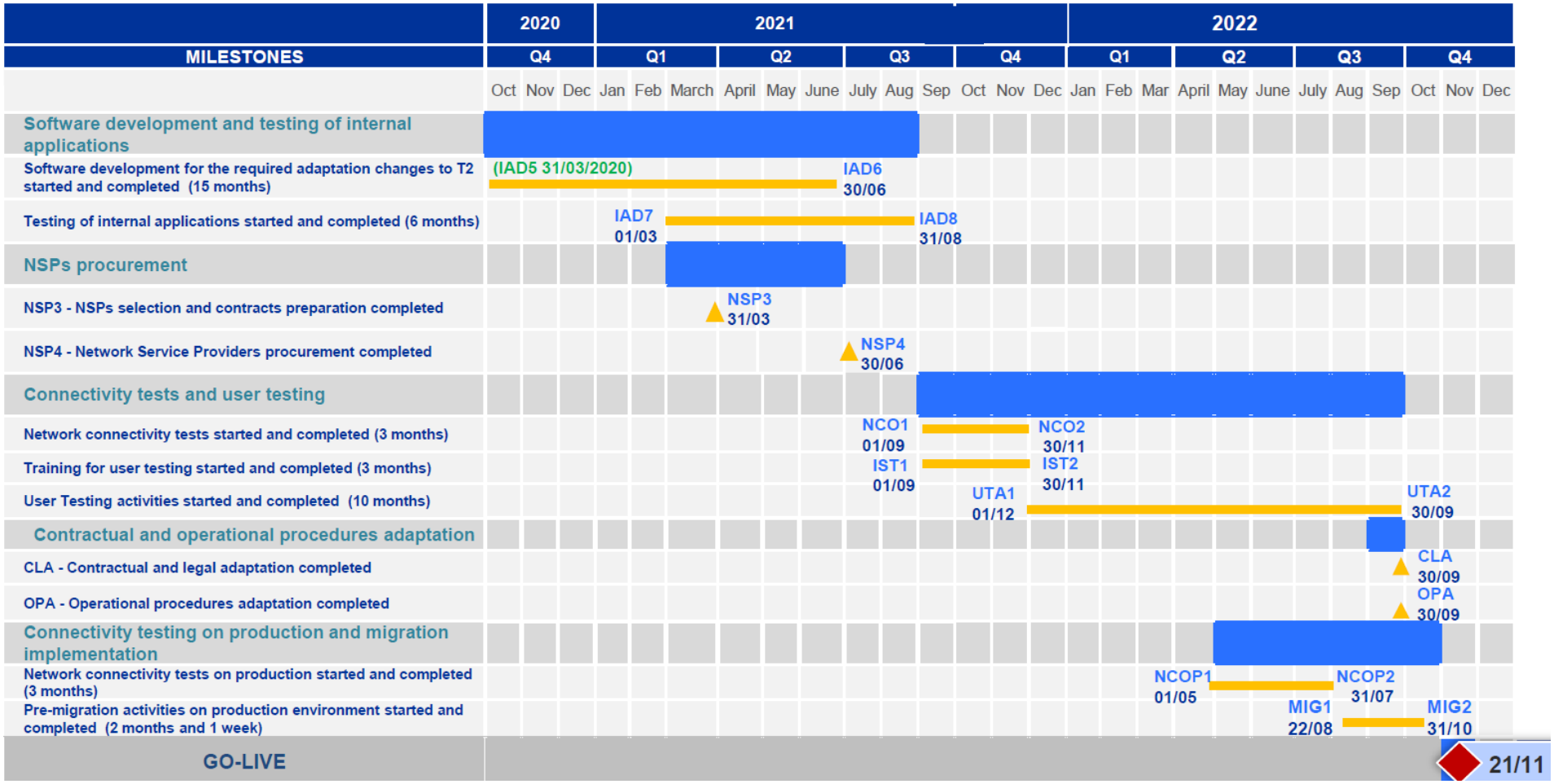
Next steps*

- ✓ Fill in your test registration form and send it to the BCL via Efile or Sofie (Please contact opref@bcl.lu in case of questions) by end of 2021
- ✓ Perform testing with your co-manager in 2022 (to be agreed bilaterally
- ✓ Fill in your Production registration form and send it (signed) to the BCL via Efile or Sofie by Q3 2022
- ✓ Sign the T2 terms and conditions by Q3 2022

The co-management functionality will be available for all CLM account holders: any CLM account can be co-managed

*For co-managees with no ESMIG connection, others should follow normal schedule detailed in training session 13

Planning
Project milestones



3. Reporting

Reporting and events ECB framework

BCL reporting

Quarterly readiness survey on EPSILON/BCL web questionnaire

Aggregated status of LU community shared with the ECB

BCL events and meetings

User groups for ESMIG Users

Dedicated info sessions for co-managees