

14 February 2003

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Letter

To: Mr. Godeffroy, ECB, Dr. Friederich, Deutsche Bundesbank
From: Zentraler Kreditausschuss
Date: 11 February 2003
Subject: **Comments on the “TARGET2: Principles and Structure” public consultation**

The leading banking industry associations in Germany, which constitute the Zentraler Kreditausschuss, wish to communicate to you in this letter their comments on the “TARGET2: Principles and Structure” public consultation.

In our letter of 30 September 2002 we expressed our wish for a uniform system, i.e. a uniform platform, in order to achieve economies of scale and improved cost efficiency. We noted with regret that this idea was not considered in the European Central Bank’s position paper.

At this juncture we favour a comparison of the existing systems with regard to the requirements of all users of TARGET2, taking account of functional aspects. It should include a price comparison of these systems. The most efficient system should be ascertained on the basis of the benchmarks established and should be used in the ongoing development of the TARGET system. On this point, we support the pricing described in your paper, which is based on the principle of “same service, same price”. The basis for the prices should be the most efficient system, as determined by the comparison, and thus the system with the best price/performance ratio.

If this cannot be carried out, a combination of the best components from all the existing systems, as determined by the comparison (in terms of functionality, system stability, price etc.), to make a new system seems to make sense.

The two models described are characterised by joint financing by all participants as well as by a binding introduction date, from which time the other systems have to be given up.

A political consensus must not be detrimental to economically sensible action. Therefore, we favour establishing the final platform from the start and thus making no review possible after three years. Users must be given security, through a previously agreed migration timetable, in terms of both planning and investment.

If these two preferred procedures cannot be complied with, the currently existing systems should be allowed to compete freely. Each system has then the possibility of developing into the shared platform with the agreed core functions.

With regard to the technical standards of TARGET2, we conveyed to you our initial ideas from a German perspective in our letter dated 30 September 2002. In October last year, the TARGET User Working Group made available the enclosed document “TARGET2 User Requirements, Prepared by the Target Working Group, October 2002”, which lists in detail the standards to be met by the basic functions of TARGET2.

Irrespective of the discussion about a technical platform, the international consensus already achieved by TARGET users should be fully complied with.

We hope that our comments on “TARGET2: Principles and Structure” as well as the requirements of the TARGET Working Group in respect of a future, efficient TARGET2 will be taken into consideration.