

EUROPEAN CENTRAL BANK

TARGET2 & TARGET2-Securities

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TARGET2

- 1. Concept for the next generation of RTGS
- 2. Main achievements on users' side
- 3. A catalyst for change in the European landscape

- 1. Why T2S and why the Eurosystem?
- 2. Governance of UR phase
- 3. T2S Timeframe

Back to TARGET1...

- Decentralised system built under tight time constraints for being ready on 2 January 1999.
- Became one of the biggest systems in the world, very high market share in euro large value payments.
- More than 300,000 transactions settled each day on average for a value of more than 2,000 billion €.
- Connecting more than 1,000 direct participants and 50,000 bank addresses .

Rationale to move towards TARGET2...

- Enhanced and harmonised level of service, offered at a single price structure.
- Adaptability to more demanding user requirements and future developments.
- Cost effectiveness.
- Readiness for future enlargement of the euro area.

Decision to move to TARGET2...

- Decision of the Governing Council to set the foundation for the next generation of TARGET (*Oct. 2002*)
- Public consultation of European banks (Dec. 2002-Apr.2003)
- Offer by 3 Eurosystem Central Banks (DE, FR, IT) to build a shared platform (*Oct. 2003*)
- Decision by all Euro Area Central Banks to join the shared platform (*Dec. 2004*)

Project organisation

- TARGET2 is a project of the Eurosystem where the technical platform is provided and operated by the 3CB.
- Operational, legal and technical frameworks are prepared at Eurosystem level to ensure the maximum harmonisation.
- Credit institutions and ancillary systems are involved in the project developments.
- National Central Banks remain responsible for the relationship with their national banking communities.

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Overview of TARGET2's achievements...

- Same core services provided to all participants at a single price structure.
- Full technical consolidation allowing users to rationalise their payment activities in €
- Advanced liquidity saving features.
- Enhanced robustness and resilience based on 2 regions / 4 sites concept.

TARGET22. Main achievements on users' side

TARGET2 single price for core services

Option A:	
Monthly fee:	

Monthly fee: 100 € Transaction fee (flat): 0.80 €

Option B:						
Monthly fee:			1250 €			
Transaction fee (digressive):						
from	1	to	10,000	0.60€		
from	10,001	to	25,000	0.50€		
from	25,001	to	50,000	0.40 €		
from	50,001	to .	100,000	0.20€		
above			100,000	0.125€		

Rationalisation of users' payment activities in \in

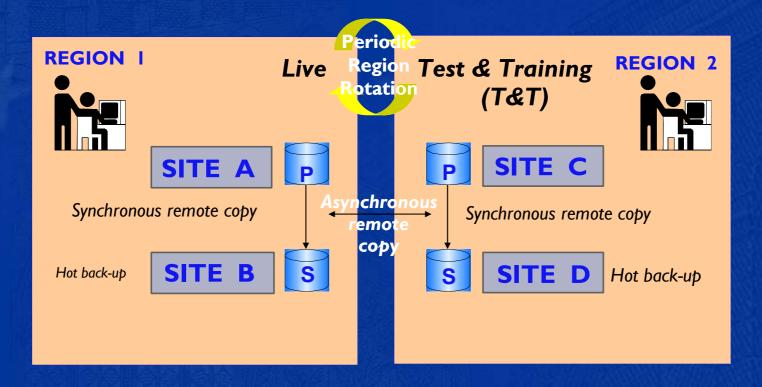
- Settlement of all participants' positions from a single RTGS account, including ancillary system settlements.
- Single pricing scheme with no difference between domestic and cross-border.
- Harmonisation of technical interfaces and operational procedures.

Advanced liquidity saving features

- Intraday pooling of liquidity
- Consolidated account information
- Priorisation of payments
- Timed payments
- Liquidity reservation facilities
- Sender limits (bi/multilateral)
- Gridlock mechanisms

TARGET22. Main achievements on users' side

Enhanced resilience



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TARGET2 3. A catalyst for change in the European landscape

TARGET2 benefits



Expected changes

- Single price structure
- Same core services
- Lower prices
- Advanced features
- Better integration of liquidity mng^t
- Reduces national specificities
- Favours cross-border activities
- Harmonisation of business practices,









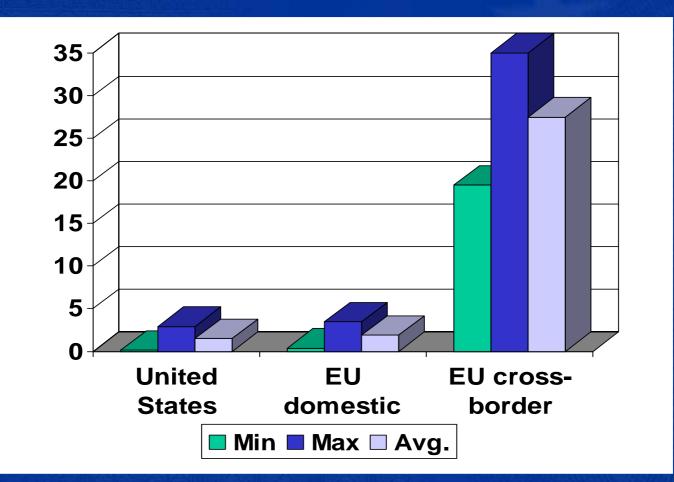
Make sure you are ready on time for TARGET2 !!!

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Domestic and cross-border settlement costs in EU and US

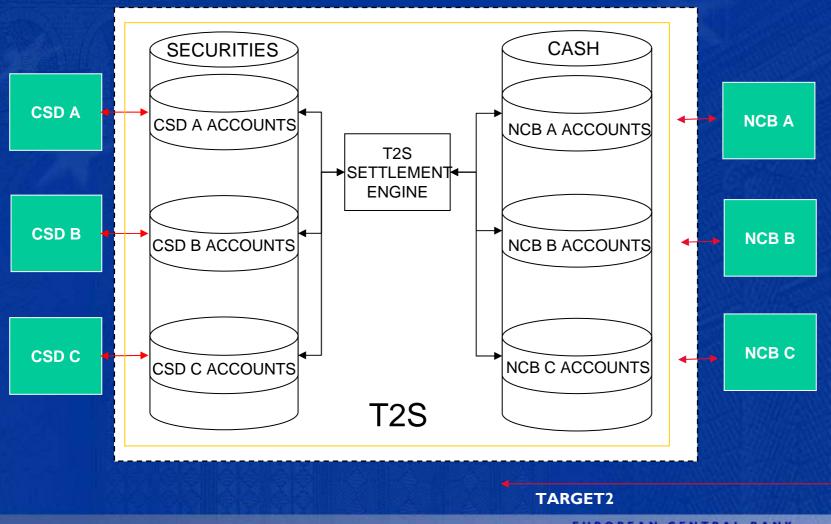


Settlement Costs

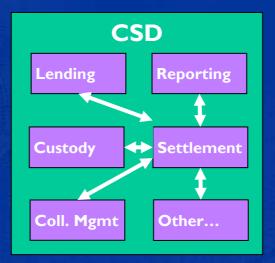
Source: Oxera, LSE, CEPS

- Eight years after the introduction of the euro, the market has delivered little
- The ECB/Eurosystem is committed to efficient and integrated financial markets in the EU (Lisbon agenda)
- Neutrality of the ECB/Eurosystem:
 - between market participants
 - between financial centres
 - cost recovery principle
- TARGET and TARGET2 experience in successfully creating and implementing Europe-wide infrastructures

The concept: securities and cash accounts in one platform



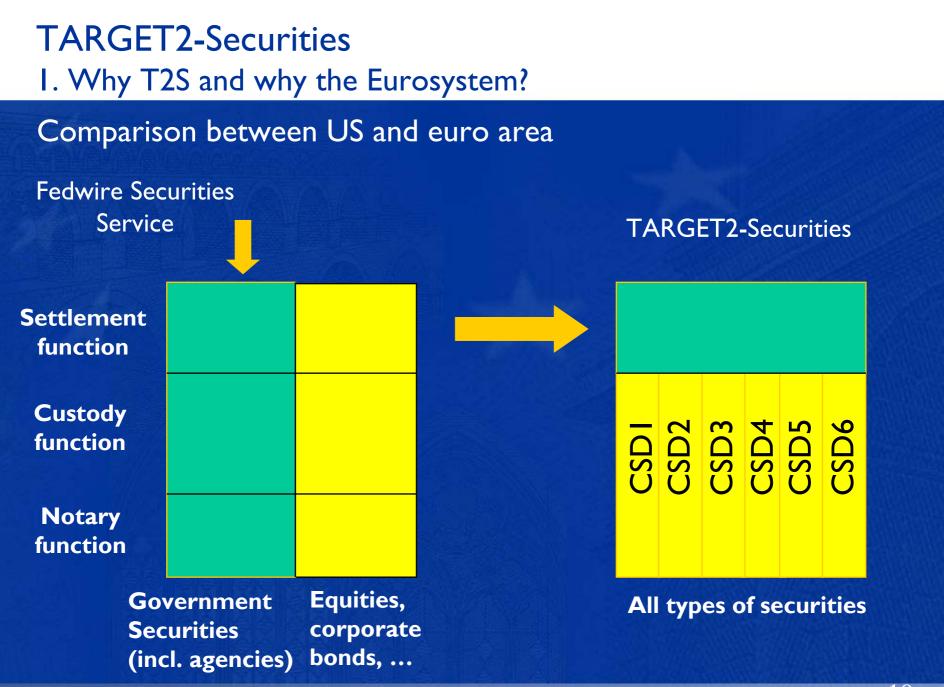
T2S does <u>not</u> segregate custody and settlement...





T2S world





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TARGET2-Securities 2. Governance of UR Phase

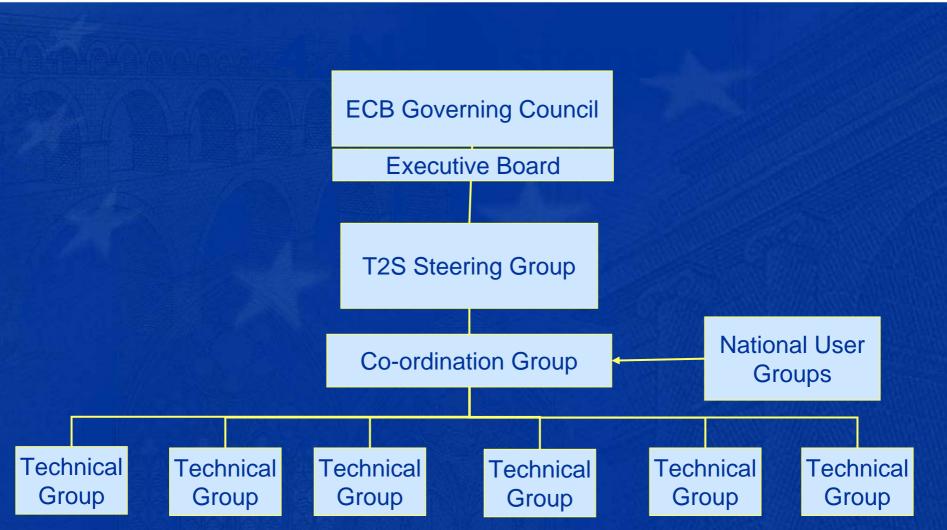
The Principles

I. Balance between wide representation and efficiency

2. Maintain high level of openness and transparency

3. Reflect financing and risk-taking in decision-making

TARGET2-Securities 2. Governance of UR Phase

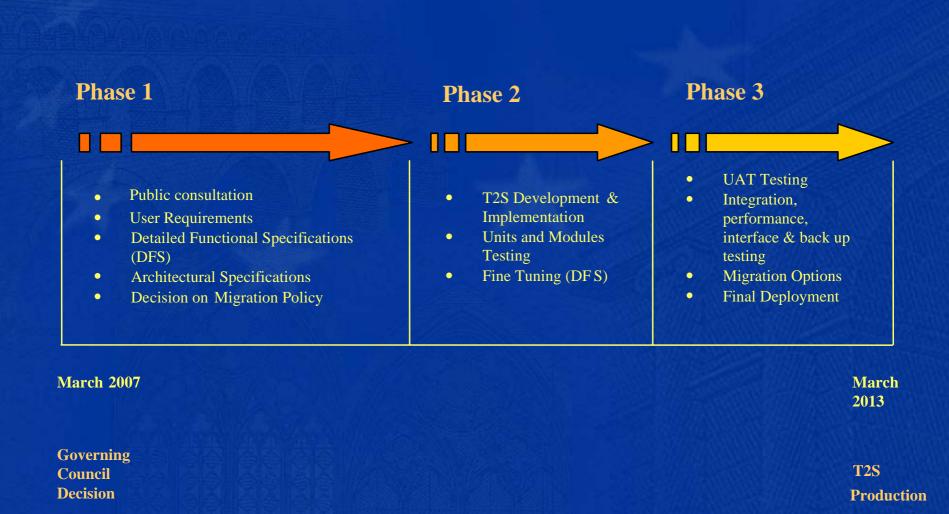


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Conclusions

Complementarity between the initiatives of the Commission and those of the ECB/Eurosystem

Complementarity between T2, T2-S and CCBM2

At the ECB, we take the Lisbon Agenda seriously