TARGET Newsletter

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The objective of the TARGET Newsletter is to inform the user community and the general public about relevant issues surrounding the TARGET2 system in operation.[1] The Newsletter contains articles of special interest, and provides insights and opinions from relevant system participants.

Introduction

The fourth issue of the TARGET Newsletter was published on 31 March 2011. In 2011 the TARGET2 system has performed smoothly, with the TARGET2 Single Shared Platform (SSP) achieving 99.89% availability. TARGET2 settled a daily average of 348,505 transactions with an average daily value of €2,385 billion. With a market share of 59% in terms of volume and 91% in terms of value, TARGET2 maintained its dominant position in the market for large-value payments in euro. The stability of TARGET2's market share confirms the strong interest of banks in settlement in central bank money. In total, 24 central banks of the EU and their respective user communities are connected to TARGET2, including the 18 euro area central banks (including the ECB)[2] and six central banks from non-euro area countries.[3]

The Eurosystem has completed the implementation of system release 5.0 which went live on 21 November 2011. System release 5.0 comprised a limited number of enhancements to the TARGET2 system and the technical implementation of a network which links the participating central banks and gives them direct access to the main TARGET2 services in the event of a global or regional SWIFT outage. In agreement with the user community, the minor enhancements to TARGET2 foreseen for release 6.0 will not be implemented until November 2013, i.e. together with the enhancements foreseen for release 7.0.

About the TARGET Newsletter

This issue of the TARGET Newsletter contains one special interest article, "Interaction between TARGET2 and T2S" and an article on the function of "The TARGET2 settlement manager". The latter provides an insight into one of the key roles in TARGET2 and is the first of a series of articles of this kind that will be published in every second issue of the TARGET Newsletter. There are also two boxes: one providing a list

1 In the following paragraphs, the references made to the first-generation TARGET system (which was in operation from January 1999 to May 2008) are also applicable to its second-generation successor, TARGET2 (which has been in operation since November 2007). Indeed, the second-generation system continues to provide euro RTGS services, but with significant improvements. This is the reason for both the first and second-generation systems being referred to as "TARGET" in many instances in this newsletter, i.e. with no distinction made between TARGET and TARGET2.

2 The central banks of Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Slovenia, Spain and the Netherlands, as well as those of Malta and Cyprus, which joined the euro area in January 2008, Slovakia, which joined the euro area in January 2009, and Estonia, which adopted the euro on 1 January 2011.

3 The central banks of Denmark, Latvia, Lithuania, Poland, Bulgaria and Romania. (Romania joined TARGET2 on 4 July 2011).

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of items recently published on the TARGET2 website; and one providing information on the main TARGET2 indicators in 2011, together with two charts depicting TARGET2 traffic trends in detail. The final part of the newsletter includes a calendar of events and details of where to find further information on TARGET2.

The sixth issue of the TARGET2 Newsletter is scheduled for publication in the third quarter of 2012.

Recently published on the TARGET2 website

http://www.ecb.europa.eu

- 20/02/2012 - Content of the SSP Release 7.0 (November 2013)
- 20/02/2012 - Additional settlement cycles for STEP2-T
- 14/02/2012 - Quarterly update of the TARGET2 performance indicators
- 23/01/2012 - Minutes Joint meeting November 2011 of the TWG and the WGT2
- 13/01/2012 - Launch of the renewed TARGET2 website
- 05/01/2012 - List of TARGET2 participants
- 02/01/2012 - New AS profile for Cyprus Clearing House
- 02/01/2012 - Revised table with settlement times of ancillary systems
- 01/12/2011 - At the end of transition period some additional ancillary systems are now settling on the SSP
- 18/11/2011 - Final release content and timing of the SSP release 6.0
- 16/11/2011 - Information Guide for TARGET2 Users (version 5.0)
- 11/11/2011 - Go-live of SSP release 5.0 on 21 November 2011 in production
- 11/11/2011 - Updated list of pending bugs with SSP release 5.0
- 09/11/2011 - Quarterly update of the TARGET2 performance indicators
- 08/11/2011 - New AS profile for STEP2-T including the settlement cycle for the Irish domestic traffic
- 01/11/2011 - Joint meeting of the TWG and the WGT2 (September 2011)
- 31/10/2011 - Delivery of UDFS v. 5.01 for the SSP release 5.0
- 26/10/2011 - Testing activities for SSP release 5.0: patch installation and schema files
- 17/10/2011 - Eurosystem sessions at Sibos – TARGET2
- 04/10/2011 - Addendum to the SSP release 6.0 – 2nd user consultation
- 04/10/2011 - List of TARGET2 participants
- 01/10/2011 - ICM Handbook I v. 5.0 for SSP release 5.0
- 30/09/2011 - Updated AS profile for LCH.CLEARNET in FR
- 12/09/2011 - Communication to the user community on SSP release 6.0 – 2nd user consultation and main milestones
- 09/09/2011 - Communication on testing activities for SSP release 5.0: Start of User testing
- 27/07/2011 - TARGET2 incident on 25 July 2011
- 27/07/2011 - Quarterly update of the TARGET2 performance indicators
- 06/07/2011 - TARGET2/Alliance WebStation/Java – Compatibility Matrix for Release 5.0
- 21/06/2011 - The connection of Banca Națională a României and its national user community to TARGET2, confirmation of go-live date on 4 July 2011
- 20/06/2011 - Joint meeting of the TWG and the WGT2 (May 2011)
- 10/06/2011 - Guide to TARGET2 testing v. 2.0 and annex
- 19/05/2011 - TARGET Annual Report 2010
- 17/05/2011 - Quarterly update of the TARGET2 performance indicators
- 21/04/2011 - Communication on testing activities for SSP release version 5.0

Special interest article

Interaction between TARGET2 and T2S

How the liquidity management of banks will evolve

TARGET2 serves the monetary policy needs of the euro area and allows its participants to settle, inter alia, payments related to monetary policy operations, money market transactions and payments for the settlement of other payment systems, central counterparties and securities settlement systems. Hence, TARGET2 is considered the core system for managing and holding central bank liquidity.

With the advent of T2S, the future single technical platform for securities settlement operated by the Eurosystem, the position of TARGET2 as a liquidity hub will become even more prominent. For the settlement of the cash leg of securities transactions in T2S, dedicated cash accounts (DCAs) will be opened in the books of national central banks (NCBs). To provide the necessary central bank liquidity for settlement, funds will be transferred from TARGET2 accounts (RGTS accounts) to the DCAs (integrated model).

During the day, a bank will be able to transfer cash between DCAs and TARGET2 accounts and make use of auto-collateralisation in T2S, whereas, towards the end of the day, TARGET2 will be the single system for pooling euro liquidity, as all liquidity on DCAs will be brought back to zero (i.e. liquidity will be sent back to TARGET2 and auto-collateralisation received will be reimbursed). As a result, all euro central bank liquidity will be in TARGET2, thereby allowing the TARGET2 users to centrally manage their liquidity positions by investing surpluses or levelling out liquidity needs in the money market.

With its single shared platform offering harmonised services and a single pricing structure across Europe, TARGET2 has greatly contributed to the integration of the euro area money market, while its sound structure has offered participants resiliency gains. The interconnection with T2S will extend these services. Besides bringing benefits in terms of liquidity efficiency, it will enhance the integration of the European post-trading infrastructures, improve levels of resilience and contribute to financial stability. In order to prepare for the introduction of T2S, the Eurosystem has reviewed the implications that T2S may have and intends to upgrade TARGET2 in several stages to ensure a smooth evolution of TARGET2, seamless interoperability and the highest level of service for its users.

The system-to-system connection

The system-to-system connection is aimed at ensuring interoperability between T2S and TARGET2. The interconnection will take the form of a new interface (T2SI), taking on board the specificities of T2S. It will technically connect the DCAs and TARGET2 accounts and will comply with the latest messaging standards (which were not available when TARGET2 was built).

The connection between T2S and TARGET2 will be designed using the logic of ancillary system interface (ASI) models. It could be referred to as a "quasi ASI model 7" specifically designed for T2S. By "quasi model" we mean that the mechanisms used for ancillary system processing and monitoring in TARGET2 should also be applied to the connection of T2S, wherever this is possible and relevant. However, a major difference from the existing ASI models one to six is that the new interface will exclusively process ISO 20022 compliant messages.

The T2S interface will include the following functionalities which are primarily of interest to central banks, but are shared here in the interest of transparency:

• Acknowledgements of liquidity transfers
Liquidity transfers between TARGET2 and T2S will have to be positively acknowledged by the receiving system before they can be considered final. This functionality will allow the Eurosystem and the participating banks to monitor the status of liquidity transfers and, in particular, to deal with missing and negative acknowledgments in a timely manner.

• Static data consistency check
This functionality will enable the consistency of static data between TARGET2 and T2S to be checked. This is required, in particular, for the correct execution of liquidity transfers (e.g. RTGS account identification). If errors are spotted, the static data can be updated, thus forestalling negative acknowledgement of liquidity transfers.

• BIC directory
The BIC directory managed in TARGET2 will also be made available to T2S to create synergies.

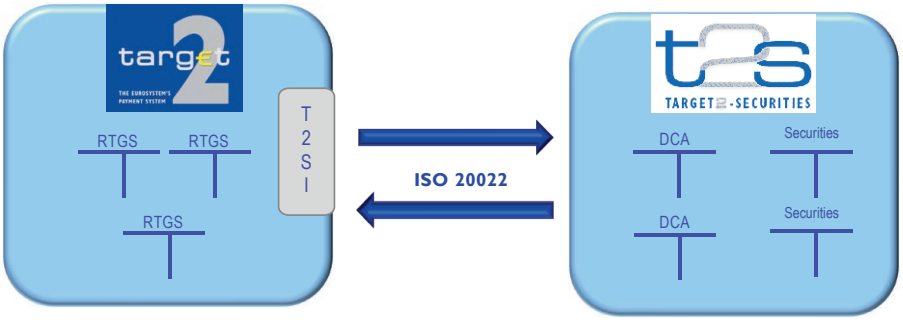
• New billing rule for T2S liquidity transfers
In order to bill all transaction fees related to liquidity transfers settled within the new settlement model to the TARGET2 account holders, the TARGET2 billing application will be updated with a new billing rule.

• Access to T2S screens via the ICM
The NCBs and the ECB will have the possibility of accessing the T2S graphical user interface (GUI) for the management of the DCAs through the TARGET2 information and control module (ICM). With this functionality, the Eurosystem operators will have access to those T2S screens relevant to them.

• New rules for the TARGET2 end-of-day procedure
Towards the end of the day, TARGET2 will ensure that all euro DCAs in T2S have been brought back to a zero balance before initiating the end-of-day procedures in TARGET2. To ensure that the regular interbank cut-off time of 18.00 CET is not impacted in the event of problems with the return of liquidity, incident management procedures will be developed.

The use of ISO 20022

The system-to-system connectivity between TARGET2 and T2S will use the ISO 20022 standard, as foreseen in the T2S specifications. In line with these specifications, all messages exchanged between the SSP and the T2S platform will use the business application header (BAH), while the BAH will not be used between the SSP and TARGET2 participants.



TARGET2 will fully support ISO 20022 for T2S-related business by the time T2S is operational. However, as the current version of TARGET2 does not use the ISO 20022 standard, new investments will be needed to bridge the gap. The adaptations necessary to make the system compliant with ISO 20022 in view of the introduction of T2S have been taken on board and form

an integral part of the overall TARGET2 strategy towards the implementation of ISO 20022. This strategy also encompasses two subsequent, additional steps, namely the implementation of ISO 20022 for customer payments, and possible broader compliance involving further transactions (see Box 1 in the TARGET Annual Report 2010).

The first T2S-related developments concerning the implementation of ISO 20022-based services will include the following:

• Implementation of the camt5 standard and new messages
The SSP of TARGET2 will be upgraded to the new cash management standard (camt5). In line with current practice, which is that only the latest two versions of the camt standards are supported on the SSP, the use of camt3 messages will be discontinued. In accordance with the SWIFT decision, camt5 messages will not use the BAH.

So far in TARGET2 a number of proprietary standards have been used where no equivalent camt message existed. Once camt5 is implemented, messages based on ISO 20022 standards will be available for standing orders, as well as return and deletion messages. Furthermore, the use of the debit notification message will be introduced. It should be noted that these four messages will be used exclusively in the context of the cash business related to T2S. The ancillary systems connected via the TARGET2 ASI will continue to use the proprietary standards. The four new camt messages will only be extended to the rest of the ancillary system business at a later stage and in line with the TARGET2 strategy for ISO 20022.

• Standing orders
Participants will be able to create, view, amend and delete standing orders for the transfer of liquidity from TARGET2 to T2S via the ICM both in user-to-application (U2A) and in application-to-application (A2A) mode. If the A2A mode is used, TARGET2 participants will only be able to use the new camt5 messages; the use of proprietary camt4 messages will not be possible.

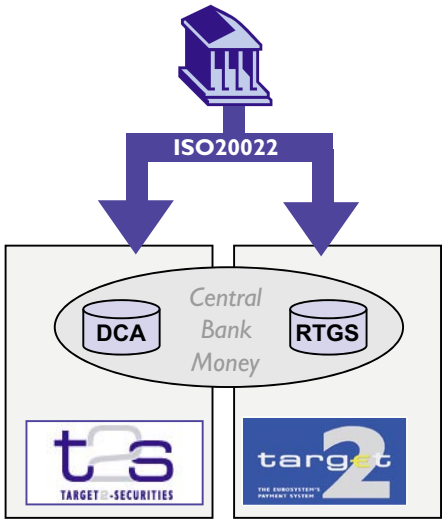
After the execution of a standing order, and in line with current TARGET2 practice, participants may opt to receive a debit notification. When the night-time settlement starts, TARGET2 will execute all standing orders, i.e. those related to T2S and those related to ancillary systems. If the liquidity in a participant's account is not sufficient to execute all standing orders, the pro-rata rule already in place will apply. No distinction will be made between the T2S and non-T2S standing orders.

• Liquidity transfers
A user can initiate liquidity transfers from TARGET2 to T2S in A2A and in U2A mode.

In A2A mode, participants would initiate their liquidity transfers from TARGET2 to T2S via a specific camt5 message and will receive a confirmation from T2S when the DCA has been credited, or a negative acknowledgment if the liquidity transfer could not be executed. It should be noted that it will no longer be possible to initiate "push" liquidity transfers from TARGET2 to T2S in A2A mode using camt4 messages. Participants will therefore have to migrate to camt5 for this or make use of an optional service[4] based on the current MT202 message standard (see value-added services). Similarly, the initiation of "pull" liquidity transfers from T2S to TARGET2 in A2A mode is not foreseen among the core services. This can, however, be achieved by submitting a LiquidityCreditTransfer to T2S or by subscribing to an optional service[5] in TARGET2 (see value-added services).

4 This optional service is presently being considered for TARGET2. A final decision on its development will be taken only after consulting the users.
5 This optional service is presently being considered for TARGET2. A final decision on its development will be taken only after consulting the users.

In U2A mode, participants will be able to initiate their "push" liquidity transfers from TARGET2 to T2S via a dedicated ICM page. Participants will be able to either i) select a DCA from the list of DCAs linked to its RTGS account or ii) to enter the account number of any other DCA. In this context it should be mentioned that the initiation of a "pull" liquidity transfer from T2S to TARGET2 in U2A mode is not foreseen among the core services of TARGET2. This can, however, be achieved by accessing the T2S GUI or by subscribing to an optional service[6] in TARGET2 (see value-added services).



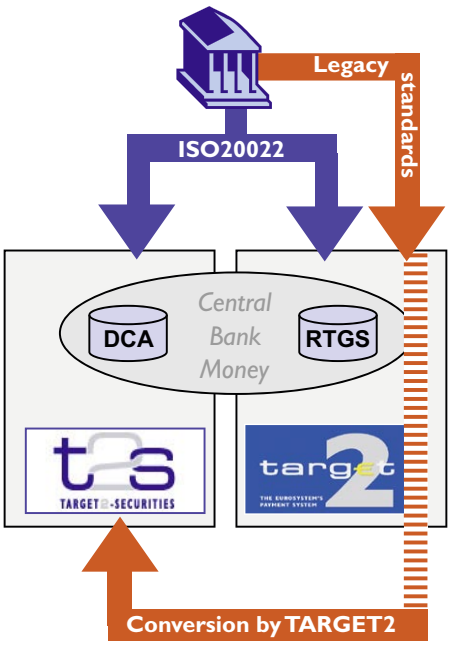
In accordance with an agreement reached with TARGET2 participants, it will be possible for a third party to submit current orders on behalf of the RTGS account holder to transfer liquidity from TARGET2 to T2S. The service will allow a CSD to act on behalf of a settlement bank, in particular during the night to adjust the liquidity in the DCA in case of need, provided that the settlement bank has given a mandate to the CSD.

With the above mentioned ISO 20022-based services, the banks that are ready to use ISO 20022 compliant messages at the time of the go-live of T2S will be able to process cash-related T2S business using ISO 20022. However, in response to demand from banks, TARGET2 would also be able to assist those banks that are not ready to process ISO 20022 compliant messages (see value-added services).

Value-added services

With the new value-added services currently under consideration, TARGET2 would be able to support banks that are not ready to process ISO 20022 compliant messages by the time T2S goes live by helping with the processing of T2S-related cash messages using legacy standards.

These services would be offered on an optional basis to TARGET2 participants to help those banks that had not yet implemented the set of ISO 20022 standards needed to interact with T2S (i.e. camt5). The new services would allow these banks to properly manage their cash across both TARGET2 and T2S by making use of the standards and interfaces already available in TARGET2. Where necessary, TARGET2 would act as a "converter" for messages exchanged between banks using legacy standards and T2S.



It should be noted that these value-added services will be developed by the Eurosystem only if there is sufficient interest from the users. This will depend on the outcome of the second user consultation planned for the spring of 2012. The fees related to the services will be also indicated at that time.

The new services would cover the most important cash management functionalities for DCAs as indicated below.

6 This optional service is presently being considered for TARGET2. A final decision on its development will be taken only after consulting the users.

• Liquidity transfers
This service would encompass several options, as follows:

First, liquidity transfers between TARGET2 and T2S would be able to be initiated by a bank using legacy standards. TARGET2 participants using this service would be able to initiate "pull" liquidity transfers from T2S to TARGET2 and "push" liquidity transfers from TARGET2 to T2S using MT202 messages. When using MT202, participants would have to use a specific platform BIC to submit their liquidity transfer. The messages would be remitted in SWIFTNet FIN Y-Copy mode.

Second, liquidity transfers would also be able to be initiated via the ICM of TARGET2. Besides the above mentioned standard functionality for making "push" liquidity transfers via the ICM from TARGET2 to T2S, participants using the value-added services would also be able to initiate "pull" liquidity transfers from T2S to TARGET2 via the ICM in U2A mode. Participants would have to select a DCA from a list of DCAs linked to their RTGS account. It would not be possible to "pull" liquidity from a DCA that is not linked to the RTGS account.

Third, "pull" liquidity transfers from T2S to TARGET2 would also be able to be initiated in A2A mode. TARGET2 participants using this service would be able to initiate such liquidity transfers in A2A mode using the camt5 standard.

Generally, "push" liquidity transfers from TARGET2 to T2S should be possible to any existing DCA and should not be restricted to DCAs linked to the sending RTGS account. However, with "pull" liquidity transfers from T2S to TARGET2, it is only possible to debit a DCA that is linked to the RTGS account concerned.

• Intraday balance reporting
TARGET2 participants using this service would be able to monitor their DCA balances intraday together with their TARGET2 accounts. This service would be available in U2A and A2A mode. In U2A mode, participants would see all the balances of all the DCAs linked to their RTGS account (as defined in the T2S static data). In A2A mode, participants would have to send queries using camt5. They would be able to query the balances of all the DCAs linked to their RTGS account (as defined in the T2S static data). Participants that do not wish to subscribe to the value-added services would still be able to view the balances of their DCAs via the T2S GUI in U2A or A2A mode.

• End-of-day statements
TARGET2 participants subscribing to the service would be able to receive end-of-day statements for their DCAs in the form of either MT950 or MT940 messages. This service would apply to all DCAs linked to the participant's RTGS account (as defined in the T2S static data).

Overall, the value-added services proposed by TARGET2 are not aimed at covering the whole range of cash management services offered by T2S for DCAs. The following features would not be covered, but can, however, be accessed via T2S (in either U2A or A2A mode): liquidity forecasts, management of limits, debit/credit notifications for DCAs, queries on transactions booked on DCAs, queries on T2S status, floor and ceiling notifications on DCAs.

Cooperation with users

To ensure the proper functioning of TARGET2 and T2S services in the future, dedicated task forces have been set up both at the Eurosystem level and with industry representatives. These task forces complement the communication with broader audiences and have a mandate to identify and address various types of interaction, whether at the functional, operational or technical level. The above-mentioned proposed services are an outcome of these valuable task force discussions.

Future steps

After the functional area has been addressed, the focus of the task forces will move to other aspects of the interconnection with a view to the development and testing of operational procedures in normal and abnormal circumstances. In addition to the work of the task forces and other discussion groups, the Eurosystem will regularly report on the achievements reached.

Annex

This table provides an overview of the services provided by TARGET2 related to T2S business and indicates the technical means by which they are made available on either a standard or optional basis.

	FIN MT messages	*ICM/U2A*	*A2A camt4*	*A2A camt5*
Liquidity transfer "push"	☼	O	◊	O
Liquidity transfer "pull"	☼	☼	◊	☼
Standing order liquidity transfer	◊	O	◊	O
Current order liquidity transfer by third party	◊	◊	◊	O
Debit notification on RTGS	☼	◊	◊	O
Information on incoming liquidity transfer from T2S	☼	◊	◊	O
DCA intraday balance	◊	☼	◊	☼
DCA account statement	☼	◊	◊	☼
Access to T2S GUI via TARGET2 ICM for central banks		O		
Access to T2S GUI via TARGET2 ICM for participants	n/a	☼	n/a	n/a

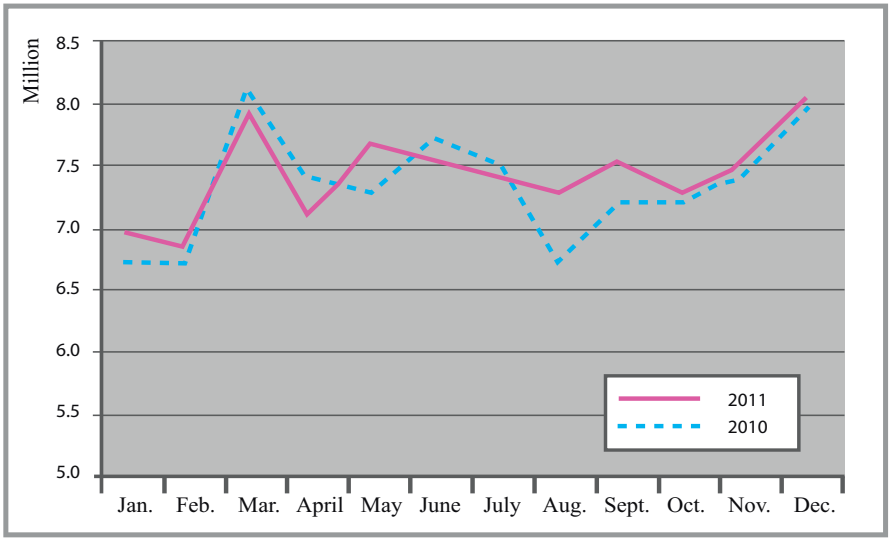
O: Service available as part of the TARGET2 core services
☼: Service available as value-added service in TARGET2
◊: Service not available in TARGET2
n/a: Service not applicable

Main TARGET2 indicators in 2011

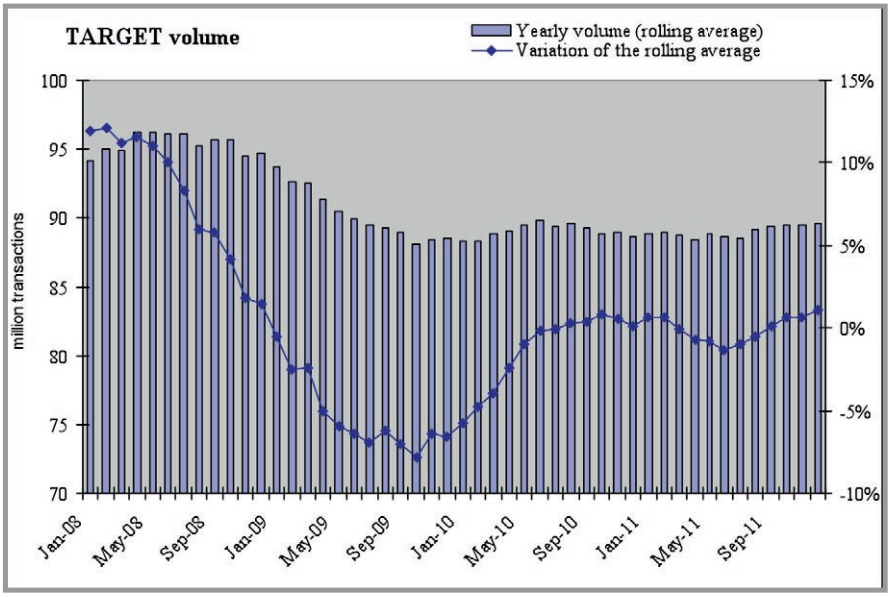
- In 2011 TARGET2 processed a daily average of 348,505 payments, representing an average daily value of almost €2.4 trillion.
- The average value of a TARGET2 transaction was €6.8 million.
- 67% of TARGET2 payments had a value of less than €50,000.
- The peak day was 31 January 2011, with 524,856 payments.
- TARGET2's share of total large-value payment system traffic in euro was 91% in value terms and 59% in volume terms.
- The availability of the system was 99.89%.
- 99.85% of TARGET2 payments were processed in less than five minutes.

TARGET2 traffic

Volume exchanged on a monthly basis



Cumulative volumes



TARGET insight

The TARGET2 settlement manager

By Tillmann Frommhold, Chairman of the TARGET2 Settlement Managers Sub-Group

Introduction

When the original TARGET (the one without the "2") was set up in the 1990s as the payment infrastructure to support the single monetary policy and to provide for an integrated money market in the euro area, it was built on the basis of pre-existing RTGS systems or, in a few countries, new RTGS systems put in place shortly before or at the time the euro was introduced in January 1999. The nature of TARGET as a system of systems interconnected via an "interlinking network" added some new aspects to the work of the respective RTGS operators. While still being responsible for the settlement of payments within the national RTGS system, a cross-border element was added both in terms of payment flows and in terms of communication and coordination. When setting up the procedures for TARGET, the person responsible for the day-to-day operation of the national RTGS system and its representation at the TARGET operational level was given the title of "TARGET settlement manager" to reflect this enhanced responsibility.

Although TARGET2, which went live in 2007, uses a common technical platform instead of interconnecting systems, business responsibility and the contact with users remain at the national level. Accordingly, the need for coordination with other central banks at the operational level has remained and the former "TARGET settlement manager" has become the "TARGET2 settlement manager".

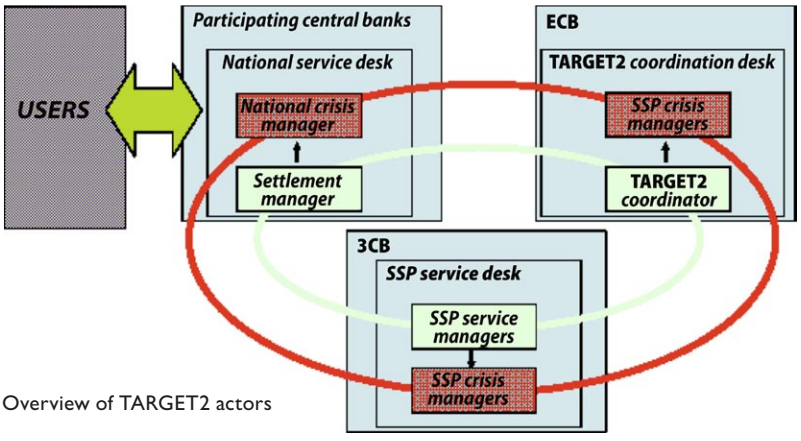
The intention of this article is to provide the reader with some insight into the role and the day-to-day work of a TARGET2 settlement manager by looking at the various tasks they perform and how they cooperate with each other at the overall TARGET2 level. Finally, like a bonus track of "outtakes" on a movie DVD, we have added a few humorous anecdotes from more than 12 years of TARGET and TARGET2 settlement manager experience.

I would like to thank all the settlement managers from the national central banks (NCBs) who contributed to this article by providing their input, examples, statements and anecdotes. I do not have the space here to name them all, but I can inform you that it is very likely that the settlement manager of your NCB was among them.

I hope you will enjoy this article – both the parts dealing with the business side and the "bonus material".

The role and responsibilities of a TARGET2 settlement manager

In the information guide for TARGET2 users, the term "settlement manager" is used for a person representing the national service desk vis-à-vis the other central banks, including the ECB, and the service provider (i.e. the Deutsche Bundesbank, the Banque de France and the Banca d'Italia – collectively known as "3CB"). The diagram below, taken from the information guide, illustrates very well the interaction between, among others, the users, the national service desk, the settlement manager and, as an escalation level in the event of problems, the crisis managers.



Overview of TARGET2 actors

This diagram leads us to the following questions:
- What is the difference between the national service desk and the TARGET2 settlement manager?
- How can the role of a TARGET2 settlement manager best be described?
- Does each national service desk have only one TARGET2 settlement manager or can it have more?
- What makes the job of a TARGET2 settlement manager so interesting?
- What is the difference between a crisis manager and a settlement manager?
- What are the functions of the SSP crisis managers and service managers?
- What are the roles of the TARGET2 coordinator and the ECB crisis manager?

Below you will find answers to each of these questions.

What is the difference between the national service desk and the TARGET2 settlement manager?
The TARGET2 settlement manager function is a key element of the national service desk function. The main task of the settlement manager is to represent the business interests of the central bank and its user community at the overall TARGET2 level with regard to day-to-day operations, procedures and coordination needs. The organisational set-up differs slightly from NCB to NCB. However, in most NCBs the settlement manager is both the visible face of TARGET2 to the users (e.g. in the TARGET2 National User Group) and the representative of the national operational level vis-à-vis the system provider (3CB) and the system owner (the Eurosystem).

How can the role of a TARGET2 settlement manager best be described?
As mentioned before, it is sometimes quite difficult and even artificial to make a clear distinction between the functions of the TARGET2 settlement manager and the national service desk. This can be illustrated by the following fictitious job advert for a TARGET2 settlement manager.

Job advertisement: TARGET2 Settlement Manager

Sector: financial services, central banking
Location: a European capital
Date posted: xx/xx/20xx

In this role you will manage the team responsible for the business monitoring of the national TARGET2 component. This includes the monitoring and management of daily operations, coordination of testing activities, preparation and monitoring of business continuity and contingency testing activities. You will work closely with the community of users from your country participating in TARGET2 and provide support to them with managing their daily operations. You will listen to their needs and help them to become acquainted with new features of and changes to the system. Your tasks will also entail contacts with your counterparts at all TARGET2 levels: settlement managers from other central banks, the service provider (3CB) and the ECB in its role as TARGET2 coordinator. This includes participation in regular meetings and teleconferences at European level.

Proven operational experience in the field of payment systems, preferably a large-value RTGS system, is required. We are looking for a person with confirmed supervisory experience, strong risk awareness and customer orientation. You are expected to be highly motivated, to like taking responsibility, manage a team workload and strive for continuous improvement.

The successful candidate for this position will have to work in shifts and on public holidays. Occasional weekend work and business trips also form part of the job profile. You will have to be ready to accept longer working hours in the event of operational difficulties leading to a delay in the closing time of TARGET2.

Does each national service desk have only one TARGET2 settlement manager or can it have more?
The definition in the operational documentation refers to a function, not to an individual person. This function may be performed by different persons at different times, particularly in view of the long operating hours of TARGET2. In some (typically smaller) central banks all members of the

national service desk are authorised to act as the settlement manager, while in other (typically larger) central banks, owing to a higher specialisation of tasks, only some of the members may be authorised to act as the TARGET2 settlement manager.

What makes the job of a TARGET2 settlement manager so interesting?
As can be seen in the fictitious job advert above, the work of a TARGET2 settlement manager is particularly challenging, but also attractive, owing to the range of tasks involved. Besides a sound knowledge of the business aspects, you need to know your national user community and understand their interests very well. In addition to performing the standard tasks of an RTGS operator, you need to have a sense of what is best for the system as a whole. You are in regular contact with your counterparts from other countries in teleconferences and meetings, so you need to have a clear idea of what your decision-making powers are and when you need to escalate decisions to a higher level.

Although the task includes some routine work, you always have to be prepared to leave other non-operational tasks aside in the event of incidents, either on the central system side, in the network or at customer level. You also have to be fully aware of all the contingency measures that can be taken, depending on the specific circumstances.

Last, but not least, in times of financial crisis, for example, additional monitoring and reporting tasks over and above the standard routines have to be performed and analysed.

What is the difference between a crisis manager and a settlement manager?
Normal operations are performed by the settlement manager. Crisis managers are not involved in normal day-to-day business, but serve as escalation level. They have the enhanced decision-making powers specifically required in major contingency situations, as defined in the procedures, or in the event of situations not (fully) covered by existing procedures.

What are the functions of the SSP crisis managers and service managers?
The SSP crisis managers and service managers are the equivalent at the system provider (3CB) level of the crisis manager and settlement manager at NCB level. They are in direct contact with the system administrators and have some overall system responsibilities (e.g. technical monitoring, setting central parameters, like operating time changes, the static data set-up of central banks, ability to act on behalf of a central bank not able to access the system).

What are the roles of the TARGET2 coordinator and the ECB crisis manager?
The functions of the TARGET2 coordinator and the ECB crisis manager also mirror at ECB level those of a settlement manager and the crisis manager at NCB level. They are also responsible for chairing the various teleconferences and meetings and for coordinating the activities of the various groups. In addition to the TARGET2 coordinator function, which focuses on the system as a whole, a settlement manager function also exists at the ECB to represent the interests of the ECB as a service provider for its specific customers.

Future issues of the TARGET2 Newsletter may contain further descriptions of some of the other roles mentioned in passing above.

Cooperation between settlement managers

• Daily operations

As explained above, the settlement managers and the national service desks are responsible for all contacts and provision of business support to their participants, monitoring of their traffic, the provision of intraday liquidity and the handling of local contingency arrangements and communication tools, insofar as they do not require the involvement of the crisis managers.

The settlement managers of the various countries are in regular contact via short operational teleconferences three times each day using a dedicated, secure telecommunications facility. The same facility is also used at any time of the day if an incident has been identified and further action to deal with the incident and/or to communicate with users is required. Other examples of regular operational contacts are investigations and static data changes with a cross-border dimension (e.g. related to remote access to an ancillary system).

• Regular meetings

The Settlement Managers Sub-Group (SMSG) typically meets once a quarter, although the summer meeting is usually replaced by a teleconference. SMSG meetings became more frequent during the lead-up to and following the go-live of TARGET2, and, since 2009, the current frequency has become the standard, with a formal mandate to also review the SSP service level. The SMSG is sub-structure of the Working Group on TARGET2 (WGT2), which reports to the Payment and Settlement Systems Committee (PSSC).

Besides reviewing the service level of the SSP and of TARGET2 as a whole, the SMSG regularly looks at any incidents which occurred during the previous quarter with the aim of identifying possible lessons to be learnt. In this context, events which are not considered an incident, but which have an impact on TARGET2 operations are also reviewed. The review may identify a need for an update of the respective technical or operational documentation. Comments on operational aspects stemming from the national TARGET user groups are shared and discussed with the aim of finding a common solution. A regular item on the agenda is planning and participation in business continuity and contingency testing activities, as is the operational preparation for the go-live of the annual TARGET2 release, covering aspects like the migration weekend activities and the precautionary measures to be taken for the first day of operations. The following figure is a graphical depiction of typical words used in the agendas of SMSG meetings.

While most meetings take place in Frankfurt at the ECB's premises, from time to time there are also meetings hosted by various NCBs. The following picture was, for example, taken during an SMSG meeting in April 2010 in Paris, with a distinctly more attractive architectural background than the rather functional buildings that currently house the ECB.

Photographer: Jean Derennes, Banque de France.

Settlement managers' "bonus track"

As promised at the beginning, I would like to close this article with an "in the making of" bonus feature. Why? First, having read the article up to this point, the reader deserves a reward and, second, reducing individuals or a group of people to a description of their tasks and functions alone gives a rather partial and incomplete picture. Last, but not least, to paraphrase the well-known adage, "a laugh a day keeps the doctor away".

My first example goes back to the very first days of TARGET, in early January 1999. In one of the first operational teleconferences, when no routine had yet been developed and all participants were still feeling the thrill of the early days, information was collected from the participants. At some point a member of the group raised the question: "And what about Norway?" A brief silence followed. Then suddenly the following reply came from another participant: "No way!"[7]

My second tale also relates to the old TARGET days, when the different RTGS systems were interconnected. The common protocol understood by all the systems was "interlinking", based on proprietary SWIFT messages. One of these was the "interlinking free format message" (IFFM). This allowed free format information to be sent to another central bank or to all other central banks. It was used, for example, to confirm the operational readiness of each system to the other central banks. However, over time, people began to get bored of constantly sending the same text in the

7 In case you are not aware: Norway has never been a country participating in TARGET.

morning saying "our system is up and running". So, several settlement managers developed real creativity in reformulating their messages and including topical references. Sporting events, for example, were an excellent opportunity to give some light relief to the settlement managers in other countries. Quotations from classical literature and even self-composed poems and pictures (constructed from letters) appeared. There was even a competition with an award for the best IFFM of the year (as chosen by the members of the SMSG). I have dug a bit in the archives and, as you can see from these two examples of highly decorative IFFMs of the year, the Christmas period provided an excellent opportunity for the settlement managers' inner creativity to shine through:

The winner of the IFFM award 2004

```
:77E:
:20:xxx
:21:NEW
:999:.                                  WE WISH YOU ALL
.          / IX I          /IX I        A HAPPY NEW YEAR
.         /  IX  I        / IX  I
.        /   IX   I      /  IX   I      HELLENIC TARGET TEAM
.       /    IX    I    /   IX    I
.      /     IX     I  /    IX     I
.     /      IX      I /     IX      I
.    /       IX       I      IX       I
.   /        IX       /      IX        I
.  /         IX      /--------IX---------I
. /----------IX---------I     X
.  X-------------------------------------X
.   X                                   X
.    XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
-}
```

And the winner in 2005:

```
:77E:
:20:xxx
:21:PART I
:999:When the last calendarsheets, flitter through the winterstreets
and decemberwind is blowing, then is everybody knowing
Santa Claus is coming soon and brings presents to our room.
The lights are burning in the streets and on our Christmas trees.
In towns it smells very nice, for our bodies it can be a high price.
But this time is wonderful and we should enjoy it to the full.
Day by day is going on and the holy night does come.
You can think, you can remember this is always in december.
Christmas music you can hear and sing, while the church bells ring.
If we had been beloved over the year, we get kisses and can hear
the enjoyment because of the presents, that will give us a high gladness.
The eyes of the children are so bright over the whole yule tide.
After Christmas the year is running and the turn of the year is coming.
A big party and a lot of fun, that means the new year can come.
New Years Eve is the last day in year, this day we will not be here.
Best wishes from the German TARGET Team
-}
```

Finally, a quite recent example from 23 December 2011. The usual daily teleconference towards the end of the business day had started. Following the usual exchange of information, you are expecting the standard sentence to come: "The next scheduled teleconference will take place at …", but instead you suddenly hear some music and then the TARGET2 coordinator starts singing "I wish you a Merry Christmas, I wish you a Merry Christmas, …".

While Christmas 2011 will be long gone by the time you read this article, the rest of the song's lyrics can still be considered valid "… and a happy New Year!" (at least for the remaining part of 2012).

Calendar of events

Next meetings with user representatives

The Eurosystem maintains close relations with TARGET2 users, and regular meetings are held at the national level between the NCBs connected to the system and the respective national user groups. In addition to the cooperation at the national level, joint meetings of the Eurosystem Working Group on TARGET2 and the TARGET Working Group, which comprise representatives of the European banking industry, take place regularly at a pan-European level. There were four joint meetings in 2011; on 15 February, 12 May, 7 September and 24 November. The last joint meeting took place in Frankfurt on 8 February 2012. Summaries of the joint meetings are available on the TARGET2 website. The dates of the joint meetings have been arranged to fit in with the planning of the annual system releases.

The Eurosystem at Sibos 2011

The Sibos 2011 exhibition took place in Toronto from 19 to 23 September last year. As in previous years, the Eurosystem had a stand at Sibos to present itself and the services it provides in the field of market infrastructure to the numerous visitors. In addition to the normal activities at the stand, the Eurosystem organised various presentations on topical issues (mini-sessions) and two large Eurosystem sessions, the first focussing on T2S and the second on TARGET2 and the experience with the integration of retail payments. The information was made available on the respective websites.

With reference to its role as operator, the Eurosystem broadly covered both TARGET2 and T2S. With regard to TARGET2, the recent developments and the future strategy were introduced. The latter is mainly based on the step-by-step implementation of ISO 20022, the future seamless interoperability between TARGET2 and T2S, and the services being considered for OTC derivatives-related payments. In addition, in two special interest mini-sessions, the Eurosystem covered the liquidity and saving features of TARGET2 and the system-to-system connection between TARGET2 and T2S in greater detail.

Further information

More detailed information on TARGET2 can be found in the "Information guide for TARGET2 users" http://www.ecb.europa.eu/paym/t2/shared/pdf/professionals/nov_2011/infoguide_V5_0.pdf and in the most recent TARGET Annual Report, covering the year 2010, which was published on 19 May 2011. All relevant documents and reports can be found on the ECB's website at http://www.ecb.europa.eu, as well as on the websites of the NCBs.[8] For further information, please e-mail target.hotline@ecb.europa.eu

8 http://www.ecb.europa.eu/home/html/links.en.html