

Deutsche Bundesbank

TARGET2 release 13.0

**Enhanced
Contingency Solution
(ECONS)**

21 December 2018

Overview

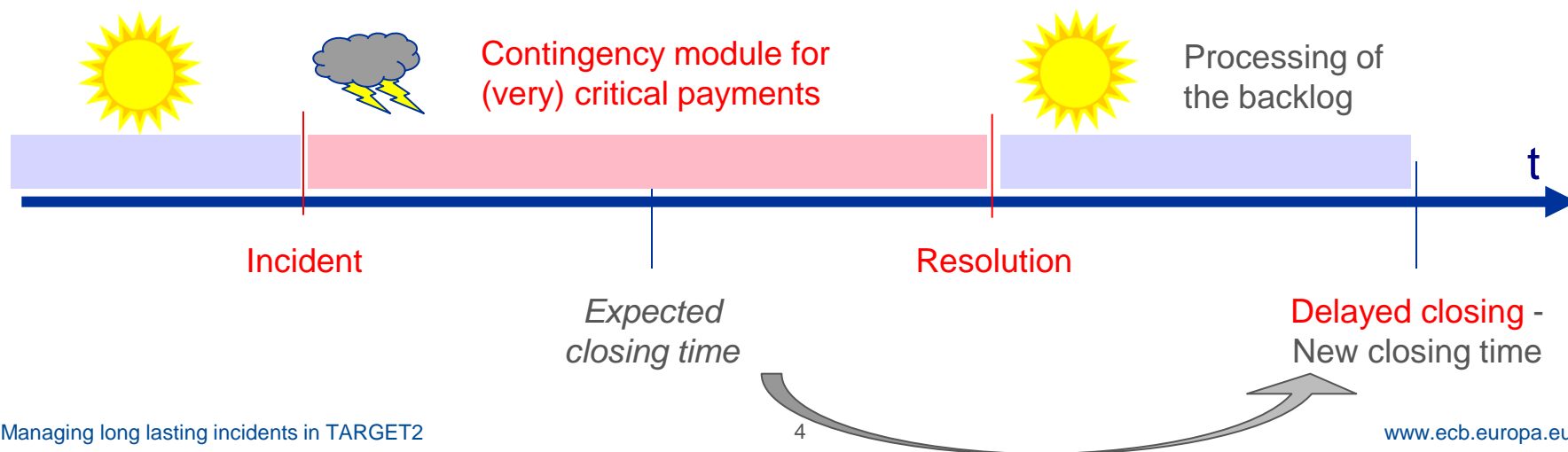
- 1 Background
- 2 General considerations, definitions and assumptions
- 3 Enhanced Contingency Solution (ECONS I)

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Current situation

- **Assumption:** possible to resume full TARGET2 single shared platform (SSP) processing capabilities on the day of the disruption
- Recovery Time Objective (RTO) ≤ 2 hours
- Recovery by 22:15 would still ensure a start of the day trade phase at 07:00 on the following business day
- Response to disruptive events severely affecting TARGET2 availability
 - consists of using the contingency module (for very critical and critical payments)
 - possibly combined with a delayed closing



Limitation of current arrangements

- Contingency Module: ability to perform contingency payments only on the same business day
- A very late closing (technically feasible) may create severe disruptions to Central Banks, banks and markets, in particular if it goes beyond midnight
- No effective response to new challenging scenarios going along with the changed threat landscape (e.g. cyber attack resulting in the corruption of data)
- Not appropriate to meet new oversight requirements (e.g. CPMI-IOSCO guidance on cyber resilience for FMIs)

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General considerations, definitions and assumptions

- **Scope**

- Work based on the existing technical and operational set-up
- Solution should be future-oriented (i.e. serve as a basis for further development in the T2/T2S consolidation environment)

- **Long lasting incident**

- No scenario-based approach
- Definition: “an event preventing the timely start of the day trade phase of the following business day”

- **Impact**

- TARGET2 SSP is considered unusable by the TARGET2 Crisis Managers
- It can be reasonably assumed that normal operations cannot be resumed and the day trade phase of the following business day cannot start in a timely manner
- Maximum duration: five business days
- Network service provider is not impacted/is available

General considerations, definitions and assumptions

- Oversight requirements

- resumption requirement specified in the Principles for Financial Market Infrastructure (Key consideration 17.6)
- Guidance on cyber resilience (section 6.2.3) specifies an additional requirement. Accordingly, an FMI
 - “...should also plan for scenarios in which the [two-hour recovery time] objective is not achieved.”
 - “...should analyse critical functions, transactions and interdependencies to prioritise resumption and recovery actions, which may, ..., facilitate the processing of critical transactions.” This includes planning for situations where “...systems may be unavailable for significant periods”.

General considerations, definitions and assumptions

- Critical transactions

- Definition:

- Clean payments

- Concept of very critical and critical payments (as defined in the Information Guide For TARGET2 users) remains unchanged

- Challenge: to set-up objective criteria for categorising interbank and customer payments

- Response (to this challenge): Banks are best positioned to assess criticality of payments

- Ancillary systems:

- importance/criticality increases the longer TARGET2 is unusable

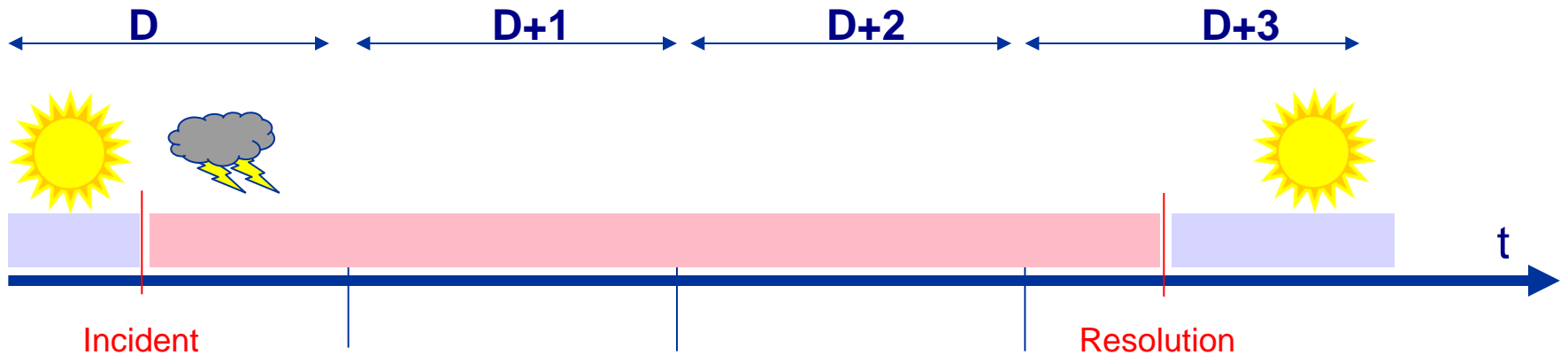
- generally to be supported

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Objective

- To increase the preparedness of TARGET2 to cope with a long lasting incident



ECONS I – Main Features (1/3)

- ECONS I
 - will offer limited services (in comparison with TARGET2)
 - significantly strengthen the Eurosystem's capability to cope with long lasting TARGET2 incidents (in comparison with the current situation)
- Capacity
 - Up to 40,000 transactions per day
 - Clean payments
 - Ancillary systems
 - ASI procedure resembling procedure ASI4
 - No night-time settlement

ECONS I – Main Features (2/3)

- Non-Functional features
 - Will be built based on the existing Contingency Module (cost effectiveness)
 - TARGET2 operating day with the exception of night-time settlement
 - Can remain operational for more than one day
 - Operating day can be properly closed
 - TARGET2 main accounts mirrored
 - Reconciliation after recovery

ECONS I – Main Features (3/3)

- Functional features
 - Starting balance zero (collateral needs to be mobilised as it is the case today with the contingency module)
 - Connectivity: banks access to ECONS I via the GUI (U2A mode)
 - this requires
 - inclusion of TARGET2 participants in a new SWIFT closed user group dedicated to ECONS I
 - adding RBAC role for ECONS I
 - work on these topics is in progress and details will be provided in due course.
 - Mechanism to allow CBs to monitor/prioritise payments flow
 - Transfer of the balances to the PM at the end of the contingency session (after closure of the contingency case)
 - Information about the daily ECONS I account balances can be obtained by participants
 - via the current “Get Transaction U2A” process enhanced with an “export function” allowing users to download the query results

Next steps

- ECONS I will be implemented with the TARGET2 SSP release 13.0 in November 2019. Users will be invited to test ECONS I in test environment prior to its go-live.
- ECONS II – ECONS I solution will be developed further in the context of the T2/T2S consolidation project expected to go-live in November 2021.