Impact of
TARGET2/T2S consolidation
on the RPS

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1 Introduction

As part of the TARGET2/T2S consolidation project, T2, the successor system to TARGET2, will go live in November 2022 and will thus replace TARGET2 at the same time. Core elements of the consolidation project are the introduction of a central liquidity management (CLM) module, the separation of traditional high-value payments from central bank operations and the introduction of the ISO 20022 standard across the board. The migration will take place as a "big bang" and will affect all users of the TARGET2 single shared platform – i.e. not only the payment service providers, but also the ancillary systems that currently carry out their financial settlement via the Ancillary System Interface (ASI).

The Bundesbank operates two such ancillary systems: the RPS SEPA-Clearer (SCL) and the RPS cheque processing service. This document describes the changes arising for the financial settlement in these systems as a result of the consolidation project. Whenever the term "RPS" is used in the following, this always includes both the SEPA-Clearer and the cheque processing service.

The services of the RPS use ASI procedure 6 (settlement on dedicated accounts, known as sub-accounts) for the financial settlement of payment files. In future, this will be referred to as procedure C. Nevertheless, this new name does not change the processes involved in this procedure – settlement operations in the RPS remain unchanged. The only changes to occur concern the way settlement references are recorded in credit and debit notifications as well as on account statements – due, in particular, to the changeover to the new XML message format.

The biggest change for RPS participants is that all accounts used for the RPS financial settlement will be newly set up in T2 (specifically: RTGS) and must be registered as settlement accounts. While the SEPA-Clearer and the cheque processing service currently carry out settlement on sub-accounts of accounts held in the payments module of TARGET2 (PM accounts), in future, settlement will take place on the sub-accounts of dedicated cash accounts (DCAs) in RTGS (RTGS DCAs). Point 2 of this document describes the opening and registering of these new settlement accounts.

If you have any further questions, please contact your customer service team (KBS).

Important note:

The changes outlined in this document are based on current information based on the specifications published by the Eurosystem and apply subject to the testing activities that will be carried out by the SEPA-Clearer and the cheque processing service in the T2 test environment over the coming months. The final procedural rules and specifications for both RPS services will, as usual, be published roughly six months prior to the go-live. There are plans to provide sample messages in advance for the settlement information described under point 3.

2   Opening and registering new settlement accounts

2.1   Opening sub-accounts of the RTGS DCA in T2

Sub-accounts for RPS settlement are opened using the new **T2 registration form**. This is an editable Excel file that includes integrated validation checks. The form can be downloaded and further information found on the Bundesbank's website.[1] Please note, in particular, the **Instructions for completing the T2 registration form**, the **TARGET Services Registration and onboarding guide** and the **information on submitting the form** available on the website.

The account numbers of the RTGS sub-accounts are predefined according to the following **naming convention**:

Account type	CB country code	Currency code	Party BIC	AS code	Sub classification
U	DE	EUR	[BIC-11]	XXX	[Free text – 14]

"U" denotes the **account type** sub-account. "DE" is the **country code** for all accounts held with the Bundesbank. If the account is opened at another national central bank, the country code of the respective country is entered here. "EUR" is always the **currency code** for accounts used for RPS settlement.

The three-character **AS code** denotes the ancillary system for which the sub-account is used for settlement purposes. The RPS codes are as follows:

> **DE1** for the SEPA-Clearer
> **DE2** for the cheque processing service

14 characters of free text are available that can (but do not have to) be allocated by the account holder using permitted characters. The Bundesbank does not provide any specifications for this **free text**, but recommends entering the BIC of the linked RTGS DCAs, provided this is not identical to the party BIC. This may, for example, be the case if several RTGS DCAs are used.

Since the RPS uses AS settlement procedure C, the **sub-accounts must be linked to an RTGS DCA**, to which liquidity is automatically returned following completion of a settlement procedure. The RTGS DCA needs to be for the same party at the same central bank.

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[1] Registration form | Deutsche Bundesbank

In addition, <u>both the sub-account and the linked RTGS DCA</u> must be added to the **settlement bank account group** of the corresponding ancillary system. This takes place on screen 5 of the registration form: "Setting Up Groups".

The group names for the RPS are as follows:

DESMARKDEFFSCL for the SEPA-Clearer
DESMARKDEFFSVD for the cheque processing service

The registration form is to be submitted to the relevant KBS.

2.2   Registering the sub-accounts of the RTGS DCA for RPS settlement

The new sub-accounts and their linked RTGS DCAs must be registered as settlement accounts for the RPS. To this end, the following forms are to be used:

<u>SEPA-Clearer</u>: form **4791**,
if a settlement agent is used: forms **4792 + 4793**

<u>Cheque processing service</u>: form **4780**,
if a settlement agent is used: forms **4062 + 4063**

As is already the case today, two separate sub-accounts will be required in future in the case of participation in both ancillary systems. The forms are to be submitted to the relevant KBS, ideally together with the T2 registration form for live operations, in accordance with point 2.1.

The forms for the SEPA-Clearer and the cheque processing service are currently being updated. We will inform you separately in 2022 about when the up-to-date version will be available on the Bundesbank's website and about the submission date.

Institutions that act as the settlement agent for a number of indirect participants may, after prior arrangement, use a simplified registration procedure. Please get in touch with your contact persons at the Bundesbank about this.

3 Settlement information

3.1 Message formats

A core element of the TARGET2/T2S consolidation project is the changeover to the ISO 20022 standard for messages used by T2. As a result, settlement information will also be provided using the new message formats in future:

Message	Old format	New format
Credit/ debit notifications	MT 900/910	camt.054.001.08
Account statement	MT 940/950	camt.053.001.08

3.2 Ancillary system BICs

Each ancillary system will be set up as an AS party in the common reference data module (CRDM) for TARGET Services. The RPS will use the following BICs for this purpose:

<div align="center">

SEPA-Clearer: **MARKDEFFSCL**

Cheque processing service: **MARKDEFFSVD**

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You can use these BICs to assign booking items to the respective ancillary system. **Please note that these BICs differ from the AS BICs of the RPS currently used in TARGET2.**

3.3 Settlement references

3.3.1 Transferring liquidity from the linked RTGS DCA to the sub-account

For the transfer of the liquidity required at the beginning of a settlement cycle initiated by RPS, the following reference is <u>currently</u> contained in field 21 of MT 900/910 or field 61, sub-field 7 of MT 940/950:

	Format	Content
System	1-character, alphanumeric	"S" (SEPA-Clearer) or "E" (cheque processing)
AS action	2-character, alphanumeric	"C" (current order) + No of cycles
Date	2-character, numeric	"TT" (processing day)
Sequence number	2-character, numeric	Sequence number (positions 23 and 24) of the relevant sub-account
Serial number	9-character, numeric	Unambiguous serial number within the preceding reference information

The <u>new</u> structure of the sub-account ID does not contain a sequence number. **The default characters "00" are therefore entered for these two positions in the reference.**

In future, the reference, unchanged apart from the above, will be specified in the following elements:

MT 900/910 field 21 → **camt.054 <EndtoEndId>** under <TxDtls><Refs>

MT 940/950 field 61, sub-field 7 → **camt.053 <EndtoEndId>** under <TxDtls><Refs>

In addition, field 72 of MT 900/910 currently supports the code word "ASINF" followed by the information given below.

	Format	Content
Current order	3-character, constant	"CUO" (current order)
Processing cycle	2-character, numeric	Phase 90 to 99 (SCL) or Phase 05 to 07 (cheque processing)
Settlement cycle	2-character, alphabetical	First character: "I", "O" or "X" I = Input (submitted bulk) O = Output (delivered bulk) X = Error (settlement of rejected transactions) Second character: A = SCT service of the SCL B = SDD service of the SCL C = SCC service of the SCL E = cheque processing service

In future, this information will be contained in the unstructured remittance information (element **<RmtInf><Ustrd>** under <TxDtls>) of **camt.054**.

Furthermore, the code "LIAS" (Immediate LT – intra-service AS on behalf) in the field <LclInstrm><Prtry> indicates that this is a liquidity transfer initiated by the ancillary system.

At present, the AS BIC and settlement time are also stated in field 61, sub-field 9 on account statements:

MARKDEFFCLC/hhmmss for the SEPA-Clearer or

MARKDEFFEDE/hhmmss for the cheque processing service

In future, the BIC of the ancillary system will be shown in camt.053 in <DbtrAgt> under <TxDtls><RltdAgts>, whereby the new AS party BICs mentioned under point 3.1 will be used. Field <BookgDt><DtTm> shows the settlement time.

3.2.2 Financial settlement of bulks on the sub-account

When the bulks settled in the RPS are currently booked on participants' sub-accounts, the settlement reference is structured as follows:

	Format	Content
System	1-character, alphanumeric	"S" (SEPA-Clearer) or "E" (cheque processing)
AS action	2-character alphabetical	First character: "I", "O" or "X" I = Input (submitted bulk) O = Output (delivered bulk) X = Error (settlement of rejected transactions) Second character: A = SCT service of the SCL B = SDD service of the SCL C = SCC service of the SCL E = cheque processing service
Current date	2-character, numeric	Day of the current month
File ID (internal)	6-character, numeric	Internal file ID
Bulk ID (internal)	3-character, numeric	Bulk number within the file
Serial number	2-character, numeric	Serial number

This reference remains unchanged and will be shown in the following elements in future:

MT 900/910 field 21 → **camt.054 <EndtoEndId>** under <TxDtls><Refs>

MT 940/950 field 61, sub-field 7 → **camt.053 <EndtoEndId>** under <TxDtls><Refs>

Additional information, particularly the bulk ID and the instructing/instructed agent BIC, is currently indicated by the code word "ASINF" in field 72 of MT 900/910. In future, this will be shown in the unstructured remittance information of **camt.054** (element **<RmtInf><Ustdr>** under <TxDtls>).

In the cheque processing service as well as when settling direct debit files in the SEPA-Clearer, partial settlements can occur in rare, exceptional cases, meaning the settlement amount does not correspond to the bulk amount. To indicate such cases, the reference "ASINF" is currently supplemented in the debit or credit notification by the letter "P" (partial). **For technical reasons, the last position in this reference in the remittance information of camt.054 will <u>always</u> contain an entry in future: <u>under normal conditions, i.e. when the total bulk is settled, an "F" (full) will be entered</u>, and in the rare event of a partial settlement, a "P" will continue to be used.** This also applies to the SCT service of the SEPA-Clearer, although partial settlement cannot occur in the settlement of credit transfers and thus an "F" will always be used.

For details on ancillary system BICs and settlement time information in account statements, see section 3.2.1.

4   Testing activities

According to the current schedule, no mandatory customer tests are planned for the RPS.

After the RPS customer test environments have been connected to the T2 customer test environment (UTEST), optional testing activities encompassing financial settlement will be possible.

We will publish a test concept in the first quarter of 2022, setting out the design of these optional tests, how to register for them, and the dates of the test window.

T2 testing requirements in connection with the go-live remain unaffected. Registered contact persons for the consolidation project will be informed separately about these requirements.