**GUIDELINE (EU) [YYYY/XX] OF THE EUROPEAN CENTRAL BANK**

**of 22 September 2017**

**amending Guideline ECB/2012/27 on a Trans-European Automated**

**Real-time Gross settlement Express Transfer system (TARGET2)**

**(ECB/2017/28)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first and fourth indents of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular Article 3.1 and Articles 17, 18 and 22 thereof,

Whereas:

(1)     On 9 June 2016 the Governing Council approved the harmonisation of the remuneration of the guarantee funds of financial market infrastructures held with the Eurosystem.

(2)     Upon completion of the TARGET2-Securities (T2S) migration plan in September 2017, the integrated model used in the relevant settlement procedures for ancillary systems will no longer be offered.

(3)     In order to support the emergence of a pan-European solution for instant payments, TARGET2 is enhanced with a new ancillary system settlement procedure (settlement procedure 6 real-time).

(4)     It is necessary to clarify certain aspects of Guideline ECB/2012/27 of the European Central Bank[1].

(5)     Therefore Guideline ECB/2012/27 should be amended accordingly,

HAS ADOPTED THIS GUIDELINE:

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[1]     Guideline ECB/2012/27 of the European Central Bank of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (OJ L 30, 30.1.2013, p. 1).

*Article 1*

**Amendments**

Guideline ECB/2012/27 is amended as follows:

1.      Article 2 is amended as follows:

(a)     point (31) is replaced by the following:

'(31)   "ancillary system" means a system managed by an entity established in the EEA that is subject to supervision and/or oversight by a competent authority and complies with the oversight requirements for the location of infrastructures offering services in euro, as amended from time to time and published on the ECB's website (*), in which payments and/or financial instruments are exchanged and/or cleared or recorded with (a) the monetary obligations settled in TARGET2 and/or (b) funds held in TARGET2, in accordance with this Guideline and a bilateral arrangement between the ancillary system and the relevant Eurosystem CB;

*        The Eurosystem's current policy for the location of infrastructure is set out in the following statements, which are available on the ECB's website at www.ecb.europa.eu: (a) the policy statement on euro payment and settlement systems located outside the euro area of 3 November 1998; (b) the Eurosystem's policy line with regard to consolidation in central counterparty clearing of 27 September 2001; (c) the Eurosystem policy principles on the location and operation of infrastructures settling in euro-denominated payment transactions of 19 July 2007; (d) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions: specification of "legally and operationally located in the euro area" of 20 November 2008; (e) the Eurosystem oversight policy framework of July 2011, subject to the judgment of 4 March 2015 *United Kingdom* v *European Central Bank,* T-496/11, ECLI:EU:T:2015:496.';

(b)     the following point (74) is added:

'(74)   "Guarantee Funds" means funds provided by an ancillary system's participants, to be used in the event of the failure, for whatever reason, of one or more participants to meet their payment obligations in the ancillary system.';

2.      Article 11 is amended as follows:

(a)     the title is replaced by the following:

'Remuneration of Guarantee Funds';

(b)     paragraph 1 is deleted;

(c)     paragraph 2 is replaced by the following:

'2.      Guarantee Funds shall be remunerated at the deposit facility rate.';

3.      Article 17 is amended as follows:

(a)      the following paragraph 3a is inserted:

'3a.      A Eurosystem CB that has suspended the participation of a participant in its TARGET2 component system pursuant to paragraph 1(a) shall only process payments from that participant on the instructions of its representatives, including those appointed by a competent authority or a court, such as the participant's insolvency administrator, or pursuant to an enforceable decision of a competent authority or a court providing instructions as to how the payments are to be processed.';

(b)      paragraph 4 is replaced by the following:

'4.      The Eurosystem CB's obligations set out in paragraphs 1 to 3a shall also apply in the event of suspension or termination of the use of the ASI by ancillary systems.';

4.      Annexes II, IIa and V are amended in accordance with Annex I to this Guideline;

5.      Annex IV is replaced by Annex II to this Guideline.

*Article 2*

**Taking effect and implementation**

This Guideline shall take effect on the day of its notification to the national central banks of the Member States whose currency is the euro.

The national central banks of the Member States whose currency is the euro shall take the necessary measures to comply with this Guideline and apply them from 13 November 2017. They shall notify the ECB of the texts and means relating to those measures by 20 October 2017 at the latest.

*Article 3*

**Addressees**

This Guideline is addressed to all Eurosystem central banks.

Done at Frankfurt am Main, 22 September 2017.

*For the Governing Council of the ECB*

*The President of the ECB*

Mario DRAGHI

Annex I

Annexes II, IIa and V to Guideline ECB/2012/27 are amended as follows:

1.    Annex II is amended as follows:

    (a)    in Article 1, the definition of 'ancillary system' is replaced by the following:

    '"ancillary system" means a system managed by an entity established in the European Economic Area (EEA) that is subject to supervision and/or oversight by a competent authority and complies with the oversight requirements for the location of infrastructures offering services in euro, as amended from time to time and published on the ECB's website (\*\*), in which payments and/or financial instruments are exchanged and/or cleared or recorded with (a) the monetary obligations settled in TARGET2 and/or (b) funds held in TARGET2, in accordance with Guideline ECB/2012/27 of the European Central Bank (\*\*\*) and a bilateral arrangement between the ancillary system and the relevant Eurosystem CB;

    \*\*    The Eurosystem's current policy for the location of infrastructure is set out in the following statements, which are available on the ECB's website at www.ecb.europa.eu: (a) the policy statement on euro payment and settlement systems located outside the euro area of 3 November 1998; (b) the Eurosystem's policy line with regard to consolidation in central counterparty clearing of 27 September 2001; (c) the Eurosystem policy principles on the location and operation of infrastructures settling in euro-denominated payment transactions of 19 July 2007; (d) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions: specification of "legally and operationally located in the euro area" of 20 November 2008; (e) the Eurosystem oversight policy framework of July 2011, subject to the judgment of 4 March 2015 *United Kingdom* v *European Central Bank*, T-496/11, ECLI:EU:T:2015:496.

    \*\*\*    Guideline ECB/2012/27 of the European Central Bank of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (OJ L 30, 30.1.2013, p.1).';

    (b)    Article 34 is amended as follows:

        (i)    paragraph 6 is replaced by the following:

        '6.    If a PM account holder is suspended from TARGET2-[insert CB/country reference] on grounds other than those specified in paragraph (1)(a), all of its incoming payments and outgoing payment orders shall be stored and only entered into the entry disposition after they have been explicitly accepted by the suspended PM account holder's CB.';

        (ii)    the following paragraph 7 is added:

        '7.    If a PM account holder is suspended from TARGET2-[insert CB/country reference] on the grounds specified in paragraph (1)(a), any outgoing payment orders from that PM account holder shall only be processed on the instructions

of its representatives, including those appointed by a competent authority or a court, such as the PM account holder's insolvency administrator, or pursuant to an enforceable decision of a competent authority or a court providing instructions as to how the payments are to be processed. All incoming payments shall be processed in accordance with paragraph (6).';

(c)     Article 38 is amended as follows:

(i)     paragraph 2 is replaced by the following:

'2.     By derogation from paragraph 1, the participant agrees that the [insert name of CB] may disclose payment, technical or organisational information regarding the participant, participants from the same group or the participant's customers obtained in the course of the operation of TARGET2-[insert CB/country reference] to (a) other CBs or third parties that are involved in the operation of TARGET2-[insert CB/country reference], to the extent that this is necessary for the efficient functioning of TARGET2 or the monitoring of the participant's or its group's exposure; (b) other CBs in order to carry out the analyses necessary for market operations, monetary policy functions, financial stability or financial integration; or (c) supervisory and oversight authorities of Member States and the Union, including CBs, to the extent that this is necessary for the performance of their public tasks, and provided in all such cases that the disclosure is not in conflict with the applicable law. The [insert name of CB] shall not be liable for the financial and commercial consequences of such disclosure.';

(ii)     paragraph 3 is replaced by the following:

'3.     By derogation from paragraph 1 and provided that this does not make it possible, whether directly or indirectly, to identify the participant or the participant's customers, the [insert name of CB] may use, disclose or publish payment information regarding the participant or the participant's customers for statistical, historical, scientific or other purposes in the exercise of its public functions or of functions of other public entities to which the information is disclosed.';

(d)     in Appendix I, paragraph 8(8)(c) is replaced by the following:

'(c)     from the PM account to the technical account managed by the ancillary system using settlement procedure 6 real-time; and';

(e)     Appendix IV is amended as follows:

(i)     paragraph 6(a) is replaced by the following:

'(a)     If it deems it necessary to do so, the [insert name of CB] shall initiate the contingency processing of payment orders using the Contingency Module of the SSP or other means. In such cases, only a minimum service level shall be

provided to participants. The [insert name of CB] shall inform its participants of the start of contingency processing by means of any available means of communication.';

(ii)     paragraph (8)(b) is replaced by the following:

'(b)     In the event of a failure of the [insert name of CB], some or all of its technical functions in relation to TARGET2-[insert CB/country reference] may be performed by other Eurosystem CBs or the SSP.';

(f)     in Appendix V, the table in paragraph 3 is replaced by the following:

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| Time | Description |
| --- | --- |
| 6.45-7.00 | Business window to prepare daytime operations (*) |
| 7.00-18.00 | Daytime processing |
| 17.00 | Cut-off time for customer payments, i.e. payments where the originator and/or the beneficiary of a payment is not a direct or indirect participant as identified in the system by the use of an MT 103 or MT 103+ message |
| 18.00 | Cut-off time for interbank payments, i.e. payments other than customer payments |
| 18.00-18.45 (**) | End-of-day processing |
| 18.15 (**) | General cut-off time for the use of standing facilities |
| (Shortly after) 18.30 (***) | Data for the update of accounting systems are available to CBs |
| 18.45-19.30 (***) | Start-of-day processing (new business day) |
| 19.00 (***)-19.30 (**) | Provision of liquidity on the PM account |
| 19.30 (***) | "Start-of-procedure" message and settlement of the standing orders to transfer liquidity from the PM accounts to the sub-accounts/technical account (ancillary system-related settlement) |
| 19.30 (***)-22.00 | Execution of additional liquidity transfers via the ICM for settlement procedure 6 real time; execution of additional liquidity transfers via the ICM before the ancillary system sends the "start of cycle" messages for settlement procedure 6 interfaced; settlement period of night-time ancillary system operations (only for ancillary system settlement procedure 6 real-time and settlement procedure 6 interfaced) |
| 22.00-1.00 | Technical maintenance period |
| 1.00-7.00 | Settlement procedure of night-time ancillary system operations (only for ancillary system settlement procedure 6 real-time and settlement procedure 6 interfaced) |

(*)    "Daytime operations" means daytime processing and end-of-day processing.

(**)   Ends 15 minutes later on the last day of the Eurosystem reserve maintenance period.

(***)  Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.'


(g)    In Appendix VI, paragraph 14 is replaced by the following:

'14.    In the case of direct participants, the following invoicing rules apply. The direct participant (the AL group or CAI group manager in the event that the AL or CAI modes are

used) shall receive the relevant invoices for the previous month specifying the fees to be paid, no later than on the ninth business day of the following month. Payment shall be made at the latest on the 14th working day of that month to the account specified by the [insert name of CB] and shall be debited from that participant's PM account.'

2. Annex IIa is amended as follows:

(a) Article 24 is amended as follows:

(i) paragraph 6 is replaced by the following:

'6. If a DCA holder is suspended from TARGET2-[insert CB/country reference] on grounds other than those specified in paragraph (1)(a), all of its incoming and outgoing payment orders shall only be presented for settlement after they have been explicitly accepted by the suspended DCA holder's CB.';

(ii) the following paragraph 7 is added:

'7. If a DCA holder is suspended from TARGET2-[insert CB/country reference] on the grounds specified in paragraph (1)(a), any outgoing payment orders from that DCA holder shall only be processed on the instructions of its representatives, including those appointed by a competent authority or a court, such as the DCA holder's insolvency administrator, or pursuant to an enforceable decision of a competent authority or a court providing instructions as to how the payments are to be processed. All incoming payments shall be processed in accordance with paragraph (6).';

(b) Article 27 is amended as follows:

(i) paragraph 2 is replaced by the following:

'2. By derogation from paragraph 1, the DCA holder agrees that the [insert name of CB] may disclose payment order, technical or organisational information regarding the DCA holder, other DCAs held by DCA holders of the same group, or the DCA holder's customers obtained in the course of the operation of TARGET2-[insert CB/country reference] to (a) other CBs or third parties that are involved in the operation of TARGET2-[insert CB/country reference], to the extent that this is necessary for the efficient functioning of TARGET2, or the monitoring of the DCA holder's or its group's exposure; (b) other CBs in order to carry out the analyses necessary for market operations, monetary policy functions, financial stability or financial integration; or (c) supervisory and oversight authorities of Member States and the Union, including CBs, to the extent that this is necessary for the performance of their public tasks, and provided in all such cases that the disclosure is not in conflict with the applicable law. The [insert name of CB] shall not be liable for the financial and commercial consequences of such disclosure.';

(ii) paragraph 3 is replaced by the following:

'3.  By derogation from paragraph 1 and provided that this does not make it possible, whether directly or indirectly, to identify the DCA holder or the DCA holder's customers, the [insert name of CB] may use, disclose or publish payment information regarding the DCA holder or the DCA holder's customers for statistical, historical, scientific or other purposes in the exercise of its public functions or of functions of other public entities to which the information is disclosed.'

3.  Annex V is amended as follows:

(i)  In Appendix IA, paragraph 8(8)(c) is replaced by the following:

'(c)  from the PM account to the technical account managed by an ancillary system using settlement procedure 6 real-time.'

(ii)  In Appendix IIA, paragraph 4 is replaced by the following:

'4.  In the case of direct participants, the following invoicing rules apply. The direct participant shall receive the invoice for the previous month specifying the fees to be paid, no later than on the ninth business day of the following month. Payment shall be made at the latest on the 14th working day of that month to the account specified by the [insert name of CB] and shall be debited from that participant's PM account.'

Annex II

Annex IV to Guideline ECB/2012/27 is replaced by the following:

'*Annex IV*

**SETTLEMENT PROCEDURES FOR ANCILLARY SYSTEMS**

1.  **Definitions**

    For the purposes of this Annex and further to the definitions in Article 2:

    (1)  "credit instruction" means a payment instruction submitted by an ancillary system and addressed to the ASCB to debit one of the accounts kept and/or managed by the ancillary system in the PM, and to credit a settlement bank's PM account or sub-account by the amount specified therein,

    (2)  "debit instruction" means a payment instruction addressed to the SCB and submitted by an ancillary system to debit a settlement bank's PM account or sub-account by the amount specified therein, on the basis of a debit mandate, and to credit either one of the ancillary system's accounts in the PM or another settlement bank's PM account or sub-account,

    (3)  "payment instruction" or "ancillary system payment instruction" means a credit instruction or a debit instruction,

    (4)  "ancillary system central bank (ASCB)" means the Eurosystem CB with which the relevant ancillary system has a bilateral arrangement for the settlement of ancillary system payment instructions in the PM,

    (5)  "settlement central bank (SCB)" means a Eurosystem CB holding a settlement bank's PM account,

    (6)  "settlement bank" means a participant whose PM account or sub-account is used to settle ancillary system payment instructions,

    (7)  "Information and Control Module (ICM)" means the SSP module that allows PM account holders to obtain on-line information and gives them the possibility to submit liquidity transfer orders, manage liquidity and initiate payment orders in contingency situations,

    (8)  "ICM broadcast message" means information made simultaneously available to all or a selected group of PM account holders via the ICM,

    (9)  "debit mandate" means an authorisation by a settlement bank in the form provided by the Eurosystem CBs in the static data forms addressed to both its ancillary system and its SCB, entitling the ancillary system to submit debit instructions, and instructing the SCB to debit the settlement bank's PM account or sub-account as a result of debit instructions,

(10) "short" means owing money during the settlement of ancillary system payment instructions,

(11) "long" means being owed money during the settlement of ancillary system payment instructions,

(12) "cross-system settlement" means the real-time settlement of debit instructions under which payments are executed from a settlement bank of one ancillary system using settlement procedure 6 to a settlement bank of another ancillary system using settlement procedure 6,

(13) "Static Data (Management) Module" means the SSP module in which static data are collected and recorded,

(14) "technical account" means a specific account held in the PM by an ancillary system or held by the ASCB on an ancillary system's behalf in its TARGET2 component system for use by the ancillary system.

2. **Role of SCBs**

Each Eurosystem CB shall act as the SCB in relation to any settlement bank for which it holds a PM account.

3. **Management of relationship between CBs, ancillary systems and settlement banks**

(1) The ASCBs shall ensure that the ancillary systems with which they have bilateral arrangements provide a list of settlement banks containing the settlement banks' PM account details, which the ASCB shall store in the Static Data (Management) Module of the SSP. Any ancillary system may access the list of its respective settlement banks via the ICM.

(2) The ASCBs shall ensure that the ancillary systems with which they have bilateral arrangements inform them without delay of any changes with regard to the list of settlement banks. The ASCBs shall inform the relevant SCB regarding any such changes via an ICM broadcast message.

(3) The ASCBs shall ensure that the ancillary systems with which they have bilateral arrangements collect the debit mandates and other relevant documents from their settlement banks and submit them to the ASCB. Such documents shall be provided in English and/or the ASCB's relevant national language(s). If the ASCB's national language(s) is/are not identical to the SCB's national language(s), the necessary documents shall be provided in English only or both in English and in the ASCB's relevant national language(s). In the case of ancillary systems that settle via TARGET2-ECB, the documents shall be provided in English.

(4) If a settlement bank is a participant in the relevant ASCB's TARGET2 component system, the ASCB shall verify the validity of the debit mandate given by the settlement bank and make any necessary entries in the Static Data (Management) Module. If a settlement bank is not a participant in the relevant ASCB's TARGET2 component

system, the ASCB shall forward the debit mandate (or an electronic copy thereof, if so agreed between the ASCB and SCB) to the relevant SCBs for verification of its validity. The SCBs shall perform such verification and shall inform the relevant ASCB of the outcome of verification within five business days after receipt of such request. After verification, the ASCB shall update the list of settlement banks in the ICM.

(5)     The verification undertaken by the ASCB shall be without prejudice to the ancillary system's responsibility to restrict payment instructions to the list of settlement banks referred to in subparagraph 1.

(6)     Unless they are one and the same, the ASCBs and SCBs shall exchange information regarding any significant event during the settlement process.

(7)     The ASCBs shall ensure that the ancillary systems with which they have bilateral arrangements provide the name and the BIC of the ancillary system with which they intend to execute cross-system settlement and the date from which cross-system settlement with a particular ancillary system should begin or stop. This information shall be recorded in the Static Data (Management) Module.

**4.     Initiation of payment instructions via the ASI**

(1)     All payment instructions submitted by an ancillary system via the ASI shall be in the form of XML messages.

(2)     All payment instructions submitted by an ancillary system via the ASI shall be considered as "highly urgent" and shall be settled in accordance with Annex II.

(3)     A payment instruction shall be deemed accepted if:

(a)     the payment instruction complies with the rules established by the TARGET2 network service provider;

(b)     the payment instruction complies with the formatting rules and conditions of the ASCB's TARGET2 component system;

(c)     the settlement bank is on the list of settlement banks referred to in paragraph 3(1);

(d)     in the case of a cross-system settlement, the relevant ancillary system is on the list of ancillary systems with which cross-system settlement may be executed;

(e)     in the event that a settlement bank's participation in TARGET2 has been suspended, the explicit consent of the SCB of the suspended settlement bank has been obtained.

**5.     Entry of payment instructions into the system and their irrevocability**

(1)     Credit instructions shall be deemed to be entered in the relevant TARGET2 component system at the moment that they are accepted by the ASCB and shall be irrevocable from that moment. Debit instructions shall be deemed to be entered in the

relevant TARGET2 component system at the moment that they are accepted by the SCB and shall be irrevocable from that moment.

(2)     The application of subparagraph 1 shall not have any effect on any rules of ancillary systems which stipulate a moment of entry into the ancillary system and/or irrevocability of transfer orders submitted to such ancillary system at a point in time earlier than the moment of entry of the respective payment instruction in the relevant TARGET2 component system.

**6.     Settlement procedures**

(1)     If an ancillary system requests the use of a settlement procedure, the ASCB concerned shall offer one or more of the settlement procedures specified below.

(a)     settlement procedure 2          (real-time settlement),

(b)     settlement procedure 3          (bilateral settlement),

(c)      settlement procedure 4          (standard multilateral settlement),

(d)     settlement procedure 5          (simultaneous multilateral settlement),

(e)     settlement procedure 6          (dedicated liquidity, real-time and cross-system settlement).

(2)     Settlement procedure 1 (liquidity transfer) is no longer offered.

(3)     The SCBs shall support the settlement of ancillary system payment instructions in accordance with the choice of settlement procedures referred to in subparagraph 1 by, inter alia, settling payment instructions on the settlement banks' PM accounts or sub-accounts.

(4)     Further details relating to the settlement procedures referred to in subparagraph 1 are contained in paragraphs 10 to 14.

**7.     No obligation to open PM account**

Ancillary systems shall not be obliged to become direct participants in a TARGET2 component system or to maintain a PM account while using the ASI.

**8.     Accounts to support settlement procedures**

(1)     In addition to PM accounts, the following types of accounts may be opened in the PM and used by ASCBs, ancillary systems and settlement banks for the settlement procedures referred to in paragraph 6(1):

(a)     technical accounts;

(b)     guarantee fund accounts;

(c)     sub-accounts.

(2)     When an ASCB offers settlement procedure 4, 5 or 6 for interfaced models, it shall open a technical account in its TARGET2 component system for the ancillary systems

concerned. Such accounts may be offered by the ASCB as an option for settlement procedures 2 and 3. Separate technical accounts shall be opened in respect of settlement procedures 4 and 5. For settlement procedure 3, 4, 5 or 6 for interfaced models, the balance on technical accounts shall be zero or positive at the end of the relevant ancillary system's settlement process and the end-of-day balance shall be zero. Technical accounts are identified by either the BIC of the ancillary system or the relevant ASCB's BIC.

(3)     When offering settlement procedure 6 real-time an ASCB shall open technical accounts in its TARGET2 component system. Technical accounts for settlement procedure 6 real-time may only have a zero or positive balance during the day and may maintain a positive balance overnight. Any overnight balance on the account shall be subject to the same remuneration rules that apply to Guarantee Funds under Article 11 of this Guideline.

(4)     When offering settlement procedure 4 or 5, an ASCB may open a guarantee fund account in its TARGET2 component system for ancillary systems. The balances of these accounts shall be used to settle the ancillary system's payment instructions in the event that there is no available liquidity on the settlement bank's PM account. Guarantee fund account holders may be ASCBs, ancillary systems or guarantors. Guarantee fund accounts are identified by the relevant account holder's BIC.

(5)     When settlement procedure 6 is offered by an ASCB for interfaced models, SCBs shall open one or more sub-accounts in their TARGET2 component systems for settlement banks, to be used for dedicating liquidity and, if relevant, cross-system settlement. Sub-accounts shall be identified by the BIC of the PM account to which they relate, in combination with an account number that is specific to the relevant sub-account. The account number is composed of the country code plus up to 32 characters (depending on the relevant national bank account structure).

(6)     The accounts referred to in subparagraph 1(a) to (c) shall not be published in the TARGET2 directory. If so requested by the PM account holder, the relevant statements of accounts (MT 940 and MT 950) for all such accounts may be provided to the account holder at the end of every business day.

(7)     The detailed rules on the opening of the account types mentioned in this paragraph and on their application while supporting the settlement procedures may be further specified in bilateral arrangements between the ancillary systems and ASCBs.

9.    **Settlement procedure 1 — Liquidity transfer**

This procedure is no longer offered.

10.    **Settlement procedure 2 — Real-time settlement**

(1)     When offering settlement procedure 2, the ASCBs and SCBs shall support the settlement of the cash leg of ancillary system transactions by settling payment

instructions submitted by the ancillary system on an individualised basis, rather than in batches. If a payment instruction to debit a short settlement bank's PM account is queued in line with Annex II, the SCB concerned shall inform the settlement bank via an ICM broadcast message.

(2)     Settlement procedure 2 may also be offered to the ancillary system for the settlement of multilateral balances and in such cases the ASCB shall open a technical account for such ancillary system. Furthermore, the ASCB shall not offer the ancillary system the service of properly managing the sequence of incoming and outgoing payments as may be required for such multilateral settlement. The ancillary system itself shall assume responsibility for the necessary sequencing.

(3)     The ASCB may offer the settlement of payment instructions within certain time limits to be defined by the ancillary system, as referred to in paragraph 15(2) and (3).

(4)     The settlement banks and ancillary systems shall have access to information via the ICM. The ancillary systems shall be notified on completion or failure of the settlement by a message on the ICM. If they so request, settlement banks accessing TARGET2 via the TARGET2 network service provider shall be notified of successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

## 11.     Settlement procedure 3 — Bilateral settlement

(1)     When offering settlement procedure 3, the ASCBs and SCBs shall support settlement of the cash leg of ancillary system transactions by settling payment instructions which the ancillary system submits in batch mode. If a payment instruction to debit a short settlement bank's PM account is queued in line with Annex II, the SCB concerned shall inform the settlement bank via an ICM broadcast message.

(2)     Settlement procedure 3 may also be offered to the ancillary system for the settlement of multilateral balances. Paragraph 10(2) shall apply *mutatis mutandis*, subject to the modifications that:

(a)     payment instructions: (i) to debit the short settlement banks' PM accounts and credit the ancillary system's technical account; and (ii) to debit the ancillary system's technical account and credit the long settlement banks' PM accounts are submitted in separate files; and

(b)     the long settlement banks' PM accounts shall be credited only after all short settlement banks' PM accounts are debited.

(3)     If multilateral settlement fails (for example, because not all collections from short settlement banks' accounts are successful), the ancillary system shall submit payment instructions in order to reverse already settled debit transactions.

(4)     The ASCBs may offer:

(a)     the settlement of payment instructions within certain time limits defined by the ancillary system, as referred to in paragraph 15(3); and/or

(b)     the "information period" functionality, as referred to in paragraph 15(1).

(5)     The settlement banks and ancillary systems shall have access to information via the ICM. The ancillary systems shall be notified on completion or failure of the settlement based on the selected option – single or global notification. If they so request, settlement banks shall be notified of successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

## 12.     Settlement procedure 4 — Standard multilateral settlement

(1)     When offering settlement procedure 4, the ASCBs and SCBs shall support the settlement of multilateral cash balances of ancillary system transactions by settling payment instructions submitted by the ancillary system in batch mode. The ASCBs shall open a specific technical account for such an ancillary system.

(2)     The ASCBs and SCBs shall ensure the required sequencing of payment instructions. They shall only book credits if all debits have been collected successfully. Payment instructions: (a) to debit short settlement banks' accounts and credit the ancillary system's technical account; and (b) to credit long settlement banks' accounts and debit the ancillary system's technical account are submitted in a single file.

(3)     Payment instructions to debit the short settlement banks' PM account and to credit the ancillary system's technical account will be settled first; only upon settlement of all such payment instructions (including possible funding of the technical account by a guarantee fund mechanism) will the PM accounts of the long settlement banks be credited.

(4)     If a payment instruction to debit a short settlement bank's PM account is queued in line with Annex II, the SCBs shall inform such settlement bank via an ICM broadcast message.

(5)     If a short settlement bank has insufficient funds on its PM account, a guarantee fund mechanism shall be activated by the ASCB if that is provided for in the bilateral arrangement between the ASCB and the ancillary system.

(6)     If no guarantee fund mechanism is provided for and the entire settlement fails, then the ASCBs and SCBs shall be deemed to have been instructed to return all payment instructions in the file and shall reverse payment instructions which have already been settled.

(7)     The ASCBs shall inform settlement banks of a settlement failure via an ICM broadcast message.

(8)     The ASCBs may offer:

(a)    the settlement of payment instructions within certain time limits defined by the ancillary system, as referred to in paragraph 15(3);

(b)    the "information period" functionality, as referred to in paragraph 15(1);

(c)    a guarantee fund mechanism, as referred to in paragraph 15(4).

(9)    The settlement banks and ancillary systems shall have access to information via the ICM. Ancillary systems shall be notified on completion or failure of the settlement. If they so request, settlement banks shall be notified of successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

13.    **Settlement procedure 5 — Simultaneous multilateral settlement**

(1)    When offering settlement procedure 5, the ASCBs and SCBs shall support the settlement of multilateral cash balances of ancillary system transactions by settling payment instructions submitted by the ancillary system. In order to settle relevant payment instructions Algorithm 4 shall be used (see Appendix I to Annex II). Unlike settlement procedure 4, settlement procedure 5 operates on an "all-or-nothing" basis. In this procedure the debiting of short settlement banks' PM accounts and the crediting of long settlement banks' PM accounts shall be done simultaneously (rather than sequentially, as in settlement procedure 4). Paragraph 12 shall apply *mutatis mutandis* subject to the following modification. If one or more of the payment instructions cannot be settled, all payment instructions shall be queued, and Algorithm 4, as described in paragraph 16(1), shall be repeated in order to settle the ancillary system's payment instructions in the queue.

(2)    The ASCBs may offer:

(a)    the settlement of payment instructions within certain time limits defined by the ancillary system, as referred to in paragraph 15(3);

(b)    the "information period" functionality, as referred to in paragraph 15(1);

(c)    a guarantee fund mechanism, as referred to in paragraph 15(4).

(3)    The settlement banks and ancillary systems shall have access to information via the ICM. The ancillary systems shall be notified on completion or failure of the settlement. If they so request, settlement banks shall be notified of successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

(4)    If a payment instruction to debit a short settlement bank's PM account is queued in line with Annex II, the SCB concerned shall inform the settlement banks via an ICM broadcast message.

**14.** **Settlement procedure 6 — dedicated liquidity, real-time and cross-system settlement**

(1)     Settlement procedure 6 can be used for both the interfaced and the real-time model, as described in subparagraphs 4 to 12 and 13 to 16 below respectively. In the case of the real-time model, the relevant ancillary system has to use a technical account to collect the necessary liquidity set aside by its settlement banks for funding their positions. In the case of the interfaced model, the settlement bank has to open at least one sub-account relating to a specific ancillary system.

(2)     If they so request, the settlement banks shall be notified via a SWIFT MT 900 or MT 910 message and PM account holders using internet-based access shall be informed by a message on the ICM of the crediting and debiting of their PM accounts and, if applicable, of their sub-accounts.

(3)     When offering cross-system settlement under settlement procedure 6, the ASCBs and SCBs shall support cross-system settlement payments, if they are initiated by the relevant ancillary systems. For settlement procedure 6 interfaced, an ancillary system can only initiate cross-system settlement during its processing cycle, and settlement procedure 6 has to be running in the ancillary system receiving the payment instruction. For settlement procedure 6 real-time, an ancillary system can initiate cross-system settlement at any time during the TARGET2 daytime processing and settlement of night-time ancillary system operations. The possibility to execute cross-system settlement between two individual ancillary systems shall be recorded in the Static Data (Management) Module.

(A)     *Interfaced model*

(4)     When offering settlement procedure 6 interfaced, the ASCBs and SCBs shall support the settlement of bilateral and/or multilateral cash balances of ancillary system transactions by:

(a)     enabling a settlement bank to pre-fund its prospective settlement obligation through liquidity transfers from its PM account into its sub-account ("dedicated liquidity") prior to the ancillary system processing; and

(b)     settling the ancillary system's payment instructions subsequent to the completion of the ancillary system processing: in relation to short settlement banks by debiting their sub-accounts (within the limits of the funds provided on such accounts) and crediting the ancillary system's technical account and in relation to long settlement banks by crediting their sub-accounts and debiting the ancillary system's technical account.

(5)     When offering settlement procedure 6 interfaced:

(a)     the SCBs shall open at least one sub-account in relation to a single ancillary system for each settlement bank; and

(b)    the ASCB shall open a technical account for the ancillary system for: (i) crediting funds collected from the sub-accounts of the short settlement banks; and (ii) debiting funds when making credits to the dedicated sub-accounts of the long settlement banks.

(6)    Settlement procedure 6 interfaced shall be offered at any time during the TARGET2 daytime processing and settlement of night-time ancillary system operations. The new business day shall start immediately on fulfilment of the minimum reserve requirements; any debit or credit made on the relevant accounts thereafter shall be for value of the new business day.

(7)    Under settlement procedure 6 interfaced, the ASCBs and SCBs shall offer the following types of liquidity transfer service into and from the sub-account:

(a)    standing orders which settlement banks may submit or modify at any time during a business day via the ICM (when it is available). Standing orders submitted after the sending of the "start-of- procedure" message on a given business day shall be valid only for the next business day. If there are several standing orders to credit different sub-accounts and/or the technical account of the ancillary system, they shall be settled in the order of their amount, starting with the highest. During night-time ancillary system operations, if there are standing orders for which there are insufficient funds on the PM account, such orders shall be settled following a pro rata reduction of all orders;

(b)    current orders, which may only be submitted either by a settlement bank (via the ICM) or the relevant ancillary system via an XML message during the running of settlement procedure 6 interfaced (identified by the time span from the "start-of-procedure" to the "end-of-procedure" message) and which shall be settled only as long as the ancillary system processing cycle has not yet started. If there is a current order submitted by the ancillary system for which there are insufficient funds on the PM account, such order shall be partially settled;

(c)    SWIFT orders that go via an MT 202 message or by automatic mapping to an MT202 from the screens for PM account holders using internet-based access, which may only be submitted during the running of settlement procedure 6 interfaced and only during daytime processing. Such orders shall be settled immediately.

(8)    Settlement procedure 6 interfaced shall start by means of a "start-of-procedure" message and finish by means of an "end-of-procedure" message, which shall be sent by the ancillary system (or ASCB on its behalf). "Start-of-procedure" messages shall trigger the settlement of standing orders for the transfer of liquidity into the sub-accounts. The "end-of-procedure" message leads to an automatic retransfer of liquidity from the sub-account to the PM account.

(9) Under settlement procedure 6 interfaced, dedicated liquidity on the sub-accounts shall be frozen as long as the ancillary system processing cycle is running (starting with a "start-of-cycle" message and ending with an "end-of-cycle" message, both to be sent by the ancillary system) and released thereafter. The frozen balance can be changed during the processing cycle as a result of cross-system settlement payments or if a settlement bank transfers liquidity from its PM account. The ASCB shall notify the ancillary system of the reduction or increase of liquidity on the sub-account as a result of cross-system settlement payments. If the ancillary system so requests, the ASCB shall also notify it of the increased liquidity on the sub-account as a result of liquidity transfer by the settlement bank.

(10) Within each ancillary system processing cycle under settlement procedure 6 interfaced, payment instructions shall be settled out of dedicated liquidity whereby Algorithm 5 (as referred to in Appendix I to Annex II) shall be used as a rule.

(11) Within each ancillary system processing cycle under settlement procedure 6 interfaced, a settlement bank's dedicated liquidity can be increased by crediting certain incoming payments directly to its sub-accounts, i.e. coupons and redemption payments. In such cases, the liquidity first has to be credited on the technical account, then debited from such account before crediting the liquidity on the sub-account (or on the PM account).

(12) Cross-system settlement between two interfaced ancillary systems can only be initiated by an ancillary system (or its ASCB on its behalf) whose participant's sub-account is debited. The payment instruction is settled by debiting the amount indicated in the payment instruction from the sub-account of a participant of the ancillary system initiating the payment instruction and crediting the sub-account of a participant of another ancillary system.

The ancillary system initiating the payment instruction and the other ancillary system shall be notified on completion of the settlement. If they so request, settlement banks shall be notified of successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

(B) *Real-time model*

(13) When offering settlement procedure 6 real-time, the ASCBs and SCBs shall support such settlement.

(14) Under settlement procedure 6 real-time, the ASCBs and SCBs shall offer the following types of liquidity transfer service into and from a technical account:

(a) standing orders (for night-time ancillary system operations), which settlement banks may submit or modify at any time during a business day via the ICM (when it is available). Standing orders submitted after start-of-day processing shall be valid only for the next business day. If there are several standing

orders, they shall be settled in the order of their amount, starting with the highest. During night-time ancillary system operations, if there are standing orders for which there are insufficient funds on the PM account, such orders shall be settled following a pro rata reduction of all orders;

(b) current orders to credit the technical account, which may only be submitted either by a settlement bank (via the ICM) or by the relevant ancillary system on its behalf (via an XML message). If there is a current order submitted by the relevant ancillary system on behalf of the settlement bank for which there are insufficient funds on the PM account, such order shall be partially settled;

(c) current orders to debit the technical account, which may only be submitted by the relevant ancillary system (via an XML message);

(d) SWIFT orders that go via an MT 202 message, which may only be submitted by a settlement bank during daytime processing. Such orders shall be settled immediately.

(15) The "start-of-procedure" and "end-of-procedure" will take place automatically upon completion of the "Start-of-day processing" and start of "End-of-day processing" respectively.

(16) Cross-system settlement between two ancillary systems using the real-time model will take place without intervention by the ancillary system whose technical account will be credited. The payment instruction is settled by debiting the amount indicated in the payment instruction from the technical account used by the ancillary system initiating the payment instruction and crediting the technical account used by another ancillary system. The payment instruction cannot be initiated by the ancillary system whose technical account will be credited.

The ancillary system initiating the payment instruction and the other ancillary system shall be notified on completion of the settlement. If they so request, settlement banks shall be notified of successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

**15. Optional connected mechanisms**

(1) The optional connected mechanism "information period" may be offered by the ASCBs for settlement procedures 3, 4 and 5. If the ancillary system (or its ASCB on its behalf) has specified an optional "information period" time, the settlement bank shall receive an ICM broadcast message indicating the time until which the settlement bank may request a reversal of the relevant payment instruction. Such request shall be taken into account by the SCB only if it is communicated via and approved by the ancillary system. The settlement shall start if the SCB does not receive such request until the "information period" time has elapsed. Upon receipt by the SCB of such request within the "information period":

(a)     when settlement procedure 3 is used for bilateral settlement, the relevant payment instruction shall be reversed; and

(b)     when settlement procedure 3 is used for the settlement of multilateral balances, or if in settlement procedure 4 the entire settlement fails, all payment instructions in the file shall be reversed and all settlement banks and the ancillary system shall be informed via an ICM broadcast message.

(2)     If an ancillary system sends the settlement instructions before the scheduled settlement time ("from"), the instructions are stored until the scheduled time is reached. In this case, the payment instructions are only submitted to the entry disposition when the "from" time is reached. This optional mechanism can be used in settlement procedure 2.

(3)     The settlement period ("till") makes it possible to allocate a limited period of time for ancillary system settlement in order not to prevent or delay the settlement of other ancillary system-related or TARGET2 transactions. If any payment instruction is not settled until the "till" time is reached or within the defined settlement period, these payment instructions are either returned or, in the case of settlement procedures 4 and 5, the guarantee fund mechanism may be activated. The settlement period ("till") can be specified for settlement procedures 2 to 5.

(4)     The guarantee fund mechanism may be used if a settlement bank's liquidity is insufficient to cover its obligations stemming from ancillary system settlement. In order to allow the settlement of all payment instructions involved in an ancillary system settlement, this mechanism is used to provide the complementary liquidity needed. This mechanism may be used for settlement procedures 4 and 5. If the guarantee fund mechanism is to be used, it is necessary to maintain a special guarantee fund account where "emergency liquidity" is available or made available on demand.

**16.     Algorithms used**

(1)     Algorithm 4 supports settlement procedure 5. To facilitate settlement and to reduce the liquidity needed, all ancillary system payment instructions are included (regardless of their priority). Ancillary system payment instructions to be settled following settlement procedure 5 bypass the entry disposition and are kept in the PM separately until the end of the current optimisation process. Several ancillary systems using settlement procedure 5 will be included in the same run of Algorithm 4 if they intend to settle at the same time.

(2)     In settlement procedure 6 interfaced, the settlement bank can dedicate a liquidity amount to settle balances coming from a specific ancillary system. Dedication is brought about by setting aside the necessary liquidity on a specific sub-account (interfaced model). Algorithm 5 is used both for night-time ancillary system operations and daytime processing. The settlement process takes place by means of debiting the short settlement banks' sub-accounts in favour of the ancillary system technical

account and then debiting the ancillary system technical account in favour of the long settlement banks' sub-accounts. In the case of credit balances the booking can take place directly —— if indicated by the ancillary system within the relevant transaction —— on the settlement bank's PM account. If the settlement of one or more debit instructions is unsuccessful, i.e. as the result of an ancillary system's error, the payment concerned is queued on the sub-account. Settlement procedure 6 interfaced can make use of Algorithm 5 running on sub-accounts. Furthermore, Algorithm 5 does not have to take account of any limits or reservations. For every settlement bank the total position is calculated and, if all total positions are covered, all transactions will be settled. Transactions which are not covered are put back into the queue.

**17. Effect of suspension or termination**

If suspension or termination of the use of the ASI by an ancillary system takes effect during the settlement cycle of ancillary system payment instructions, the ASCB shall be deemed to be authorised to complete the settlement cycle on behalf of the ancillary system.

**18. Fee schedule and invoicing**

(1) An ancillary system using the ASI or the Participant Interface, irrespective of the number of any accounts it may hold with the ASCB and/or the SCB, shall be subject to a fee schedule consisting of the following elements.

(a) A fixed monthly fee of EUR 1 000 to be charged to each ancillary system ("Fixed Fee I").

(b) A second monthly fixed fee of between EUR 417 and EUR 8 334, in proportion to the underlying gross value of the ancillary system's euro cash settlement transactions ("Fixed Fee II"):

| Band | From (EUR million/day) | To (EUR million/day) | Annual fee | Monthly fee |
|---|---|---|---|---|
| 1 | 0 | below 1 000 | EUR 5 000 | EUR 417 |
| 2 | 1 000 | below 2 500 | EUR 10 000 | EUR 833 |
| 3 | 2 500 | below 5 000 | EUR 20 000 | EUR 1 667 |
| 4 | 5 000 | below 10 000 | EUR 30 000 | EUR 2 500 |
| 5 | 10 000 | below 50 000 | EUR 40 000 | EUR 3 333 |
| 6 | 50 000 | below 500 000 | EUR 50 000 | EUR 4 167 |
| 7 | 500 000 and above | — | EUR 100 000 | EUR 8 334 |

The gross value of the ancillary system's euro cash settlement transactions shall be calculated by the ASCB once a year on the basis of such gross value during the previous year and the calculated gross value shall be applied for calculating the fee from 1 January of each calendar year. The gross value shall exclude transactions settled on DCAs.

(c)    A transaction fee calculated on the same basis as the schedule established for PM account holders in Appendix VI to Annex II. The ancillary system may choose one of the two options: either to pay a flat EUR 0,80 fee per payment instruction (Option A) or to pay a fee calculated on a degressive basis (Option B), subject to the following modifications:

(i)    for Option B, the limits of the bands relating to volume of payment instructions are divided by two; and

(ii)    a monthly fixed fee of EUR 150 (under Option A) or EUR 1 875 (under Option B) shall be charged in addition to Fixed Fee I and Fixed Fee II.

(d)    In addition to the fees set out in (a) to (c), an ancillary system using the ASI or the Participant Interface shall also be subject to the following fees:

(i)    if the ancillary system makes use of the TARGET2 value-added services for T2S, the monthly fee for the use of the value added services shall be EUR 50 for those systems that have chosen option A and EUR 625 for those systems that have chosen option B. This fee shall be charged for each account held by the ancillary system that uses the services;

(ii)    if the ancillary system holds a Main PM account linked to one or more DCAs, the monthly fee shall be EUR 250 for each linked DCA; and

(iii)    the ancillary system as Main PM account holder shall be charged the following fees for T2S services connected with the linked DCA(s). These items shall be billed separately:

| Tariff items | Price | Explanation |
|---|---|---|
| Settlement services | | |
| DCA to DCA liquidity transfer orders | 9 euro cent | per transfer |
| Intra-balance movement (i.e. blocking, unblocking, reservation of liquidity, etc.) | 6 euro cent | per transaction |
| Information services | | |
| A2A reports | 0,4 euro cent | Per business item in any A2A report generated |

| | | |
|---|---|---|
| A2A queries | 0,7 euro cent | Per queried business item in any A2A query generated |
| U2A queries | 10 euro cent | Per executed search function |
| U2A queries downloaded | 0,7 euro cent | Per queried business item in any U2A query generated and downloaded |
| Messages bundled into a file | 0,4 euro cent | Per message in a file |
| Transmissions | 1,2 euro cent | Per transmission |

(2)     Any fee payable in relation to a payment instruction submitted or payment received by an ancillary system, via either the Participant Interface or the ASI, shall be exclusively charged to this ancillary system. The Governing Council may establish more detailed rules for the determination of billable transactions settled via the ASI.

(3)     Each ancillary system shall receive an invoice from its ASCB for the previous month based on the fees referred to in subparagraph 1, no later than the ninth business day of the following month. Payments shall be made no later than the 14th business day of this month to the account specified by the ASCB or shall be debited from an account specified by the ancillary system.

(4)     For the purposes of this paragraph, each ancillary system that has been designated under Directive 98/26/EC shall be treated separately, even if two or more of them are operated by the same legal entity. The same rule shall apply to the ancillary systems that have not been designated under Directive 98/26/EC, in which case the ancillary systems shall be identified by reference to the following criteria: (a) a formal arrangement, based on a contractual or legislative instrument, e.g. an agreement among the participants and the system operator; (b) with multiple membership; (c) with common rules and standardised arrangements; and (d) for the clearing, netting and/or settlement of payments and/or securities between the participants.'