



# 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.<sup>1</sup> The Newsletter contains articles of special interest, and provides insights and opinions from relevant system participants.

## Introduction

The sixth issue of the TARGET Newsletter was published in December 2012. Since then the TARGET2 system has continued to run smoothly, with the TARGET2 Single Shared Platform (SSP) achieving 100% availability. In the first half of 2013 TARGET2 settled a daily average of 367,375 transactions, with an average daily value of €1,986 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 among banks in settling in central bank money. In total, 24 central banks in the European Union and their respective user communities are connected to TARGET2, including the 18 central banks in the euro area (including the ECB)<sup>2</sup> and six central banks in non-euro area countries.<sup>3</sup>

System release 7.0, which was implemented on 18 November 2013, can be considered a major one for TARGET2, as it encompassed the changes related to the adaptation to TARGET2 Securities (T2S) and a number of minor improvements to the system. While the minor improvements – chiefly the implementation of a new version of cash management messages – went live on the implementation date, the T2S adaptations will not be activated until the launch of T2S, scheduled for June 2015. The T2S-related changes comprise all adaptations necessary to connect the two platforms, as well as a number of services that TARGET2 will offer to its participants to support their cash activities in T2S.

### About the TARGET Newsletter

This issue of the TARGET Newsletter contains one special interest article, “The TARGET2 Simulator”, as well as an article on the function of the TARGET2 Level2 Secretariat. There are also two boxes presenting a list of items recently published on the TARGET2 website and providing information on the main TARGET2 indicators in the first half of 2013.

<sup>1</sup> 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. without any distinction being made between TARGET and TARGET2.

<sup>2</sup> 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.

<sup>3</sup> The central banks of Denmark, Poland, Latvia, Lithuania, Bulgaria and Romania.



*In addition to the boxes, two charts depict TARGET2 traffic trends in detail. The final part of the Newsletter includes a calendar of events and details of additional sources of information on TARGET2.*

*The next issue of the TARGET2 Newsletter, the eighth, is scheduled for publication in the first half of 2014.*

## Recently published on the TARGET2 website

<http://www.target2.eu>

- 12/11/2013 - Quarterly update of the TARGET2 performance indicators
- 08/11/2013 - Final release of the content and timing of SSP release 8.0
- 08/11/2013 - Qualified configurations for internet access
- 06/11/2013 - Go-live of SSP release 7.0 on 18 November 2013 in production
- 06/11/2013 - Updated AS profile for DIAS Interbanking Systems S.A.
- 30/10/2013 - Updated AS profile for SIPS
- 25/10/2013 - New "DCAs (T2S)" tab on the TARGET2 participation page
- 09/10/2013 - Delivery of UDFS v. 7.02 for SSP release 7.0
- 09/10/2013 - Minutes of the joint meeting of the TWG and the WGT2 in September 2013
- 09/10/2013 - Updated AS profiles for BISERA7-EUR
- 07/10/2013 - List of TARGET2 participants
- 26/09/2013 - Updated AS profiles for EBA Clearing – STEP2 and for EUR-EKS
- 17/09/2013 - TARGET2 leaflet at Sibos
- 16/09/2013 - Communication to the user community on SSP release 8.0 — second user consultation and main milestones
- 06/09/2013 - Communication to users on the discontinuation of the option to access the T2S GUI via TARGET2 ICM
- 02/09/2013 - ICM user handbook for SSP release 7.0
- 27/08/2013 - Communication on testing activities for SSP release 7.0: Start of user testing and updated schema files
- 09/08/2013 - Token user guide (Version 1.0)
- 17/07/2013 - Quarterly update of the TARGET2 performance indicators
- 12/07/2013 - Outcome of the first user consultation on the ISO 20022 strategy for TARGET2
- 12/07/2013 - New AS profile for NASDAQ OMX Stockholm AB and updated country profile for Finland
- 01/07/2013 - List of TARGET2 participants
- 10/06/2013 - Delivery of UDFS v. 7.01 for SSP release 7.0
- 03/05/2013 - Quarterly update of the TARGET2 performance indicators
- 30/04/2013 - Communication on testing activities for SSP release version 7.0
- 05/04/2013 - List of TARGET2 participants
- 25/03/2013 - Minutes of the joint meeting of the TWG and the WGT2 in February 2013

## Special interest article

### The TARGET2 simulator

By Tatu Laine, Kasper Korpinen (Suomen Pankki – Finlands Bank), Sara Testi, Carlos Garcia and Patrick Papsdorf (ECB)

*The TARGET2 simulator is a tool that allows various studies to be conducted on the basis of TARGET2 payments data at Eurosystem level. The Eurosystem, in its function as operator and overseer of TARGET2, has access to this homogeneous platform for running simulations on the system for analytical and oversight purposes. This article describes the simulator, as well as its origins and values, and provides mainly the TARGET2 operations point of view on projects that have been run using the TARGET2 simulator for the benefit of the various stakeholders, which translates into increased operational knowledge and a readiness to meet the needs of the end users in the most efficient way.*

#### **What is a simulator and why use it for payment systems?**

In general, a simulator replicates a real-life process over time. Real-life processes (a payment system can be viewed as one) are often complex and a simulator creates a streamlined (stylised) interpretation of such a process. Simulations show how the output of a process could be affected by:

- changes to the initial state of a process, but without the process itself being changed;
- changes to the process itself without the initial state being changed;
- combining changes in the initial state and changes to the process itself.

To understand the impact on the output, simulation results are typically compared with those of the production system or those of a simulation that has been run without any changes in the initial state or to the process itself. This undisturbed simulation is a so-called benchmark simulation and is necessary to address potential deviations between the simulator and the production system.

Typically, simulators are computer-based systems that can run multiple analyses with lots of data efficiently. Depending on the topic studied, the focus can, for instance, be on finding the optimum solution for a process or studying the impact an extreme simulated scenario may have on the output with given system parameters.

A payment system, particularly a modern one like TARGET2, is complex owing to its network structure, settlement mechanisms and the large volumes of data it contains. Moreover, it is very difficult to model statistically. This makes payment systems excellent objects for simulation-based analysis. Computer simulations are a powerful tool for analysing and understanding payment systems, and they can help to improve the settlement system functionality or identify risks in the payment system network. Running the analysis over time series makes it possible to see how a chosen scenario and its consequences may develop.

A participant's liquidity position (or payment capacity) is the sum of the opening account balance and potential credit lines (= initial state of the process). When the payment system closes, the participant's end-of-day position depends on these two liquidity parameters and the payments the participant was or was not able to send and has received during the day (=output of the process). The TARGET2 payment system simulator aims at replicating the production system's settlement procedures as realistically as possible and uses participants' opening balances, credit lines, bilateral limits, reservations and transaction data as input.

Simulations can be used for several purposes.

- Optimising the parameters of the payment system or usage of the system's features by participants.
- Replicating different internal or external events in order to understand their implications for payment processing and liquidity positions. Such scenarios may be related to simulated events that could cause operational or financial risk.
- Understanding network interdependencies and effects. In particular, this information can give an insight into the payment system's possible channels of contagion and the creation of systemic risk.

It is important to mention that the outcome of simulations should be of interest to a variety of stakeholders, for instance the owner of the payment system, the technical provider, participants in the payment system and the credit provider. It is useful for a variety of functions, such as operations, oversight, and treasury and risk management.

A simulator can also play an important role when developing a new payment system or planning changes to an existing one, as it can facilitate developments and assess the impact of system parameter changes, thus being of help when designing or changing features to optimise a payment system.

### **A brief look at the development of the TARGET2 simulator**

The roots of the TARGET2 simulator go back to Suomen Pankki – Finland's Bank's payment system simulator (BoF-PSS). Back in 1997 it decided to use simulation techniques to analyse the impact of Economic and Monetary Union (EMU) on Finnish payment systems. This work focused on analysing the liquidity of the Finnish large value payment system before and after EMU. The wide external interest in the Suomen Pankki – Finland's Bank's simulation studies and the simulator itself led to the decision to create a public version of the simulator for research purposes.

The first generic BoF-PSS2 was ready for distribution in spring 2004. Use of the simulator was subsequently extended to two main areas: it was used to i) conduct stress tests on participants in the payment system; and ii) develop new features in the payment system.

At the moment, 94 institutions, mainly central banks, have a BoF-PSS2 licence and use the simulator. The latest version of the BoF-PSS2 (3.2.1) was released in 2013 and contains a new network tool that can be used to visualise the dependencies between payment system participants.

The TARGET2 simulator is based on the generic BoF-PSS2 simulator and has been created for the sole use of the central banks of the Eurosystem. The T2 simulator includes the logic of all TARGET2 algorithms and is fed with the real data for TARGET2 participants and transactions. Its development as a standard toolset for TARGET2 operations and oversight was decided back in 2009 by the Governing Council of the ECB. The development, implementation and maintenance of the T2 simulator are a common task of Suomen Pankki – Finland's Bank as the provider of the BoF-PSS2, together with the technical provider of TARGET2, i.e. the Banque de France, the Deutsche Bundesbank and the Banca d'Italia. The T2 simulator was launched in 2012 and has been going through a "ramping-up phase" this year.

### **Access to the TARGET2 simulator**

In view of the sensitivity of the TARGET2 data that are held within the TARGET2 simulator and the results of the simulations, the Eurosystem developed a very restrictive framework aimed at ensuring the confidentiality of the data and professional secrecy.

The T2 simulator's related participants' and payments' data are technically stored on the TARGET2 simulator platform within the TARGET2 SSP. The T2 simulator and the data are only accessible to a small number of authorised central bank users from TARGET2 operations and oversight. The users are designated by the Eurosystem and bound by the rules of professional conduct and secrecy. They are organised in two groups, operators and overseers, which work independently. Access was also granted to a small group of macro-prudential researchers from Eurosystem central banks for a limited time and under the same strict rules for appointment and professional conduct and secrecy.

Users can perform analysis on the platform using TARGET2 transaction-level data. Access to transaction-level data is strictly limited to this small group of users and to the technical environment of the TARGET2 simulator. Files containing any information that could allow the identification of

a single transaction or participant are not allowed to be downloaded or shared from the platform. Only aggregated data can be downloaded. Aggregated data may only be shared with internal staff members at the central banks and have to be treated as confidential data.

Any sharing of the outcome of the analysis requires the prior approval of all central banks. In particular, Eurosystem central banks reserve the right to “decide to publish information derived from the use of transaction-level data, provided that it is not possible to identify participants and participants’ customers”. Publications or presentations aimed at audiences outside the Eurosystem therefore need always approval if the content is based on findings from the use of the TARGET2 simulator facility. A precondition for the approval is that the data are sufficiently anonymised.

### **Value of the TARGET2 simulator analysis**

The TARGET2 simulator offers the Eurosystem both the required data and the analytical tools to gain an in-depth understanding of the system and the payment flows it channels, allowing a wide variety of detailed simulations. The features of such simulations are strong, as they can allow policy recommendations to be provided that ensure that TARGET2 is used efficiently, and that it runs effectively and soundly; the simulator is therefore an important tool for both overseers and operators.

From a TARGET2 operations point of view, though still in its infancy, the T2 simulator has already become a highly appreciated tool for conducting analysis and, in doing so, complements the existing analytical tools and data. TARGET2 operations should have the best possible understanding of the TARGET2 system and its participants’ payment behaviour in order to strive for the following things.

- The highest level of efficiency in processing TARGET2 payments and making use of liquidity at the level of system parameters and participants’ usage. For example, different liquidity situations can be simulated to assess the effectiveness and functioning of the TARGET2 liquidity-saving and management features. This can allow operations to get in touch with TARGET2 users and help them make the most of the system’s features.
- The highest level of resilience and full awareness of the implications of contingency and crisis situations, as well as the risks of contagion and systemic crisis, irrespective of whether an abnormal situation is caused by an internal or external event and whether it is of an operational, financial or legal nature. For instance, by simulating “what-if” scenarios and assessing their impact, TARGET2 operations can improve awareness in preparation for any crisis events, with appropriate monitoring and management tools possibly being developed to lessen the impact on the system’s participants.

Moreover, the T2 simulator contributes to assess compliance with specific oversight requirements, especially those defined in the CPSS-IOSCO Principles for financial market infrastructures (PFMIs).

### **Some simulation projects currently pursued**

In general, the prerequisite for appropriate use of the T2 simulator is the availability of a high-quality, transaction-level dataset. The transaction-level dataset of the T2 simulator contains TARGET2 production data since the full migration of TARGET2 in 2008, which allows seasonal effects to be identified and different global liquidity situations to be captured. A further necessary condition for the success of simulations is a team that is highly knowledgeable about the TARGET2 system, the data and the daily operations from a functional and business point of view, as well as the relevance of the system for financial stability and financial integration in the euro area. The group of authorised users from the operational side is therefore composed of TARGET2 experts from Eurosystem central banks.

**Example of analysis at Eurosystem level by TARGET2 operations**

Analytical work is carried out with the aim of further improving the resilience and efficiency of the system, and ensuring that participants use it effectively.

Ensuring the resilience of TARGET2 has always been a key commitment for TARGET2 operations and a focus of oversight. With the support of the TARGET2 simulator, the system's resilience is being explored both from the angle of the system's participants and that of quantifying liquidity levels. The simulator makes it possible to test a wide variety of risk scenarios on real TARGET2 data and to assess their impact *ceteris paribus*. Such scenarios include, for example, a participant technically failing to send payments or the simultaneous problem of multiple participants with common characteristics (e.g. geographical region or type of risk exposures) failing to satisfy their payment obligations. The aim is to understand the potential implications for the system at the level of unsettled payments and to identify the counterparties with the largest exposures and the channels for propagations of shocks. Such simulations will help the Eurosystem to identify the most critical participants in TARGET2 and to verify whether the tools and procedures currently available are appropriate or could be improved further.

An additional benefit of simulations is that they help in preparing to deal with unexpected events that could disrupt the settlement of payments in TARGET2. With reference to simulation-based analysis of unexpected events in TARGET2, the Eurosystem is able to assess the structural elements impacting on the stability of the system before the situation occurs in the real environment. This analysis supports the design and assessment of new or additional contingency arrangements and procedures. For example, the simulator does allow the implications of an operational failure at the level of TARGET2 or a participant (bank or an ancillary system) to be. By using the T2 simulator, the Eurosystem has the *ex-ante* result on the expected levels of queued or unsettled messages and is aware of the situations in which an incident may justify a delayed closing of the system. The simulator can also be used for the *ex-post* analysis of incidents. For instance, the Eurosystem can run and modify the same problem that occurred in the production environment to understand the impact on the system, possibly with different remedies.

The Eurosystem is also undertaking a thorough review of the usage of the liquidity management features and the liquidity optimisation algorithms available in TARGET2 in order to assess their efficiency. The aim of this analysis is firstly to carry out a comprehensive review of how current liquidity-saving features are used (i.e. payment prioritisation, liquidity reservation, bilateral/multilateral limits and liquidity pooling) and secondly to complement the analysis with simulations to measure the efficiency of the TARGET2 algorithms compared with a system that would not have these features available or one where the use of these features would be different.

Finally, the simulator allows to assess the impact of scenarios of reduced global liquidity levels on the effectiveness of the existing TARGET2 liquidity-saving and management features and whether adjustments or changes would increase or decrease their effectiveness. To measure the effectiveness, the results can be compared with the benchmark simulation and the development assessed of payment queues, settlement times of payments, the possible value and number of unsettled payments or changes in the usage of intraday credit lines. These results can provide an important insight into the system's ability to settle payments under different liquidity conditions, as well as the liquidity channels and possible remedies in terms of system parameters and participants' use of the system's features.

**Example of analysis at national level**

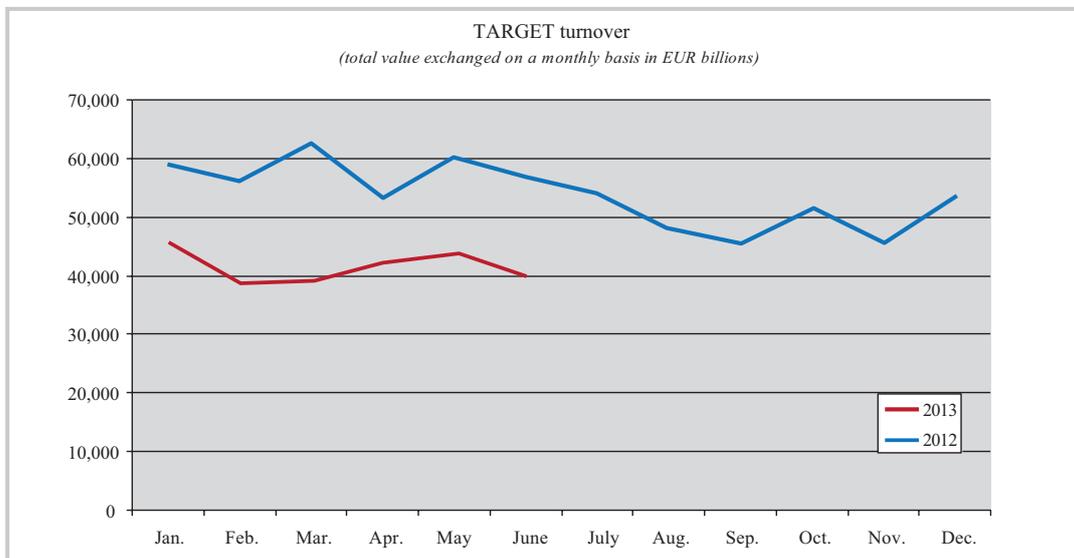
Suomen Pankki – Finlands Bank has analysed the Finnish participant's liquidity risk in the TARGET2 system. The work was aimed at supporting financial stability and was carried out using the T2 simulator. For this exercise, different levels of liquidity constraints (0% to 100%) were simulated for the six largest participants in the TARGET2 Suomen Pankki – Finlands Bank component. Additional analysis carried out included restrictions on incoming payments (only outflow payments were allowed) that were aimed at understanding how long banks' liquidity positions could possibly survive under these conditions. The exercise revealed that, despite cross-border dependencies for the TARGET2 Suomen Pankki – Finlands Bank participants, their liquidity in the system remained resilient. Account statistics extracted directly from the T2 simulator allowed payment profiles to be depicted. This was possible by comparing days with liquidity restrictions (i.e. lower intraday credit) with normal days. Overall, judging by the Suomen Pankki – Finlands Bank experience, it can be concluded that payment system simulations are not only necessary, but highly recommended in order to support macro-prudential analysis.

## Main TARGET2 indicators in the first half of 2013

### In the first half of 2013:

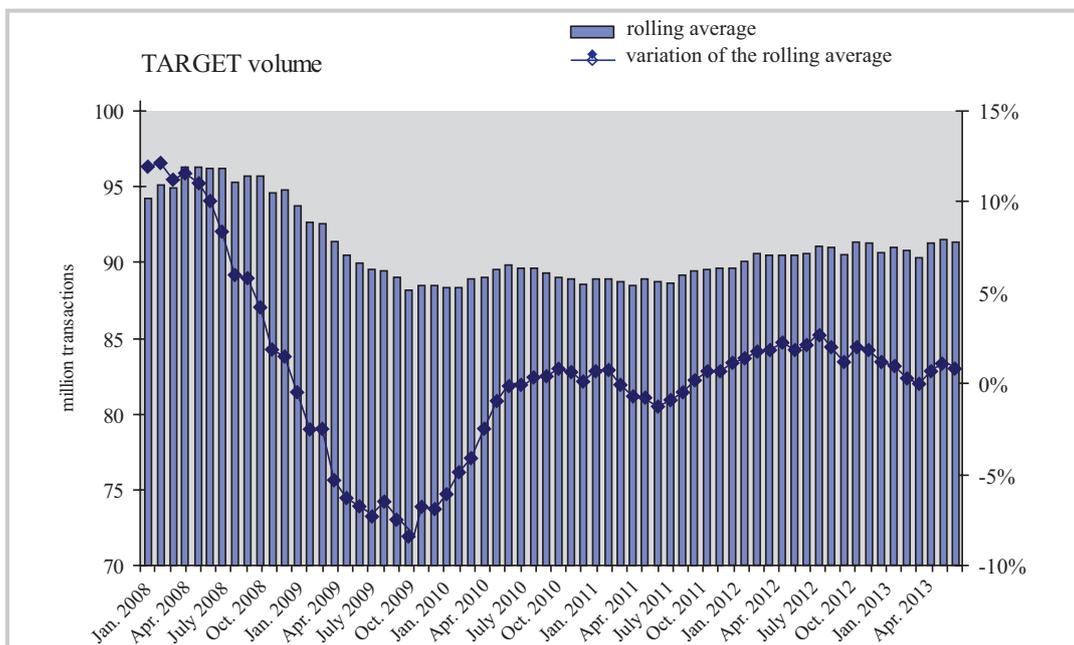
- TARGET2 processed a daily average of 367,375 payments, representing an average daily value of €1,986 trillion;
- the average value of a TARGET2 transaction was €5.4 million;
- 68% of TARGET2 payments had a value of less than €50,000;
- the peak day was 2 April (596,940 payments);
- TARGET2's share 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 100%;
- 100% of TARGET2 payments were processed in less than five minutes.

## TARGET2 traffic



Note: in January 2013, in order to improve the quality of TARGET2 data, a new methodology was implemented for data collection and reporting. The change resulted in a decrease in the value-based indicators. This should be considered when comparing data from before and after the implementation date.

## Cumulative volumes



## TARGET insight

### The TARGET2 Level2 Secretariat

By Fabrizio Dinacci, ECB, TARGET2 Level2 Secretariat

#### Introduction

TARGET2 was launched in November 2007 as the evolution of the previous generation real-time gross settlement (RTGS) system, moving from a system of systems to a fully centralised and harmonised single IT structure, the Single Shared Platform (SSP). The new approach also entailed a considerable organisational change on the part of the central banks, taking into account the modification of the governance from TARGET to TARGET2: in the new system, the Governing Council of the ECB was naturally confirmed as the deciding body for all common issues (called “Level 1” in the new structure). Below that level, in order to fulfil the tasks assigned to them under the TARGET2 Guideline in a cooperative manner, the participating central banks (“Level 2”) decided to exercise their tasks jointly and collectively through the Eurosystem’s Payment and Settlement System Committee (PSSC). The PSSC has an advisory role in assisting the Governing Council in all matters relating to TARGET2, as well as performing the tasks assigned to Level 2, e.g. managing crisis situations, monitoring business developments, budgeting and financing. The PSSC is also in close contact with the 3CB (“Level 3”), i.e. the three central banks providing and technically operating the SSP (Deutsche Bundesbank, Banque de France and Banca d’Italia).

All the central banks connected to TARGET2, including those of the “out” countries, which are connected without having adopted the euro as their currency, felt the need to strengthen their cooperation. This took the form of a centralised office created in order to provide assistance to the PSSC and its substructures in fulfilling their mission. The team was set up, inter alia, to be in charge of collecting information, coordinating any follow-up measures (including the provision of some deliverables) and conducting a preliminary assessment on the progress of TARGET2-related projects. This office was called the Level 2 Secretariat and was placed in the TARGET and Collateral Division of the ECB for administrative purposes. It is staffed with one Level 2 coordinator nominated by the ECB and two experts seconded from central banks on a rotating basis: since being set up, 14 experts from 11 central banks have been members of the Level 2 Secretariat.

In the variety of tasks assigned to the Level 2 Secretariat, two main groups clearly emerge, one relating to change and release management and the other to TARGET2 financial issues.

#### Change and release management

With regard to change and release management, the related activities start with the creation of the project plan, which lists all the activities and the teams involved, including the interdependencies and deadlines. In the course of the execution of the project plan, the Level 2 Secretariat acts as a sort of metronome, marking the time and synchronising the relevant actors, and, at times, producing the necessary documentation. This is particularly evident in the management of users’ consultations on the change requests submitted for possible implementation in the release.

The flow of documents needs to be kept as smooth as possible in order not to accumulate unnecessary delays in the activities. The Secretariat’s tasks also include the handling of change requests, which it sometimes drafts on its own initiative at the request of the PSSC’s substructures. For each change request, the Level2 Secretariat also carries out a cost-benefit analysis with a view to forming a proposal to put to the PSSC’s substructures and the PSSC itself, which ultimately decides on the implementation of the change. After any given release goes live, a report is produced to analyse the usage of new features after their implementation in order to improve the decision-making process for future releases.

The Level 2 Secretariat is obviously closely involved in the work of major releases, such as the adaptations to T2S or the ISO 20022 strategy for TARGET2. In this case, the activity of the Secretariat goes beyond the elaboration of a dedicated project plan and the usual organisation of user consultations. More so than for any other release, it particularly covers communication with the public (a concept that goes beyond the community of TARGET2 users), who are not necessarily familiar with such technical subjects. This requires an even closer relationship with the functional team of the 3CB, at the same time keeping in mind the mandate that comes from representing the

interests of the Level 2 central banks. In this regard, the relationship with SWIFT on standardisation aspects also needs to be stressed, as proved by the fact that an article written by the Level 2 Secretariat presenting the MX migration of TARGET2 was recently published in SWIFT's ISO 20022 Newsletter.

### **TARGET2 financing**

The Level2 Secretariat is in charge of monitoring the costs and financial performance of TARGET2. The most visible output of this activity is sending the financial results to the Level 2 central banks on a quarterly basis and calculating the monthly cost recovery rate. In this case, too, the Secretariat acts as a metronome, monitoring the synchronisation of all the parties involved and obtaining detailed reports on the usage and billing of the different TARGET2 services. The Level2 Secretariat prepares an extensive report for the PSSC and the Governing Council on a yearly basis, presenting the actual financial performances of the system, comparing them with initial projections and proposing any action deemed necessary to meet the cost recovery objective. To support this activity, Level2 Secretariat experts developed various models and simulation tools to measure the effect of changes to the pricing policy of TARGET2. Such scenarios were recently performed in the context of the new pricing scheme that entered into force on 1 January 2013. While they were prepared centrally by the Level2 Secretariat, they were extensively discussed with all TARGET2 central banks and benefited greatly from their contribution.

The preparation of amortisation plans and the related projections provide a good example of how the Secretariat serves Level 2: getting input from the central banks, as is the case for the guiding principles, and producing output at a centralised level. In this way, original contributions are provided in line with the mandate received by the central banks, with a clear gain in efficiency for the whole process.

### **Horizontal tasks**

The previous sections explained the two main tasks of the Level2 Secretariat. But it also carries out a number of additional tasks. Most of them are connected to communication and interaction with other entities.

Assisting TARGET2 central banks or user communities is another mission assigned to the Secretariat. This applies to a wide variety of situations: updates of key TARGET2 documentation, contributions to the Eurosystem's documentation for Sibos, regular updates of the TARGET2 website or articles for the TARGET Annual Reports.

But communication is nothing without interlocutors. This brings us to the team's interaction with other entities. This interaction is growing and increasing in magnitude. For example, members of the Level 2 Secretariat act as the secretary to various groups, such as the Working Group on TARGET2 (WGT2), a substructure of the PSSC, or the biannual meetings that the WGT2 holds with the TARGET Working Group (TWG).

The interaction with the TWG is particularly valued. The correspondence with this group clearly brings added value on several matters, and the collaboration opens a channel with a selected and qualified panel of participants in TARGET2 that has proved especially useful in the context of the biggest challenges for the SSP, namely the connection to T2S and the migration to ISO 20022.

The interaction with the TWG nicely complements the relationship which the individual central banks connected to TARGET2 maintain with the National User Groups (NUGs). Thanks to these regular exchanges with the TWG and the different NUGs, the central banks are in a position to get meaningful feedback on various key topics for TARGET2, which encompasses the heterogeneity of the participants' profiles.

As for the relationship with SWIFT standards, members of the Level 2 Secretariat participate in the activities of the Payments Maintenance Working Group with a view to the SWIFT annual standards releases. They have recently started to take part in the activities of the ISO 20022 payments standards evaluation group, a group set up in order to ensure that the candidate ISO 20022 messages are in line with the requirements coming from the various communities.

Besides these “institutional” relationships, the Level 2 Secretariat also deals with a larger audience. The updates of the TARGET2 website have already been mentioned, and this is also related to the image of TARGET2 vis-à-vis the external world. In this context, the Secretariat recently contributed to a review of the video “What is TARGET2? A video introduction”, which is also available via the ECB’s channel on YouTube.

Linked to this activity is the management of requests sent to the TARGET2 hotline by a wide variety of correspondents, including banks, research centres, private citizens and universities.

### **Conclusions**

In addition to its key role in the release management of TARGET2 and in controlling the system’s financial performance, the Level 2 Secretariat takes care of an increasing number of tasks, offering services to a growing number of interlocutors.

The Level 2 Secretariat is a unique structure which finds its *raison d’être* in the specific governance of TARGET2. It is a key actor that ensures smooth collaboration between the different stakeholders e.g. the ECB, national central banks (NCBs) and SSP providers, as well as participants through their different representation structures. The Level 2 Secretariat helps in reconciling the fact that TARGET2 is a technically centralised market infrastructure which has a decentralised business relationship with its users.

The success or not of the Level 2 Secretariat relies on the expertise shown on various occasions, but even more on gaining the trust of the community it has to serve. This can only be achieved a bit at a time, but every bit is worthwhile.

In other words, the Level 2 Secretariat is just a small cog in the big TARGET2 wheel, but every wheel needs all of its cogs in order to turn, does it not?

## The Eurosystem at Sibos 2013

The Sibos 2013 exhibition took place in Dubai from 16 to 19 September. As in previous years, the Eurosystem had a stand there to showcase and provide information about its services and initiatives in the field of financial market infrastructure, including TARGET2.

In addition to the presentation at the stand, the Eurosystem had organised two large community sessions. One dealt with the key challenges and opportunities for the integration of European financial market infrastructures and brought together market participants on a panel chaired by Daniela Russo, the chair of the PSSC. The session was introduced by Benoît Cœuré, Member of the Executive Board of the ECB, who also announced the time for the removal of the reparation requirement and the start of support for the tri-party cross-border collateral management services to be April 2014 and September 2014 respectively. The session, which was attended by around 140 people, is available to watch online at <http://www.youtube.com/watch?v=kPptpN5CtgU>. The other session was entitled “T2S - gateway to the European financial market”. The two main points of the discussion were collateral management in T2S and the question as to whether T2S can be beneficial beyond Europe.

While, in general, the focus was mainly on ongoing projects, such as T2S and completing the implementation of SEPA, the ISO20022 strategy of TARGET2 and the European financial integration achieved thanks to the TARGET2 system were also well received. We would like to thank all our stakeholders for coming to our events and visiting our stand at Sibos 2013. We will work on putting on another interesting programme of events and providing further useful information in Boston in 2014.

## Calendar of events

### Next meetings with user representatives

The Eurosystem maintains close relations with TARGET2 users through regular meetings 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 WGT2 and the TWG, which comprise representatives of the European banking industry, regularly take place at a pan-European level. In 2013 there were two joint meetings (on 6 February and on 5 September). Summaries of the joint meetings are available on the TARGET2 website.<sup>4</sup> The dates of the joint meetings have been arranged to fit in with the planning of the annual system releases. Besides the regular joint meetings, additional opportunities for cooperation with the TWG may occur on an ad hoc basis.

## 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/infoguide\\_V3\\_I\\_0.pdf](http://www.ecb.europa.eu/paym/t2/shared/pdf/infoguide_V3_I_0.pdf)) and in the most recent TARGET Annual Report, covering the year 2012, which was published on 24 May 2013. All relevant documents and reports can be found on the ECB’s website at <http://www.target2.eu>, as well as on the websites of the participating NCBs.<sup>5</sup> For further information, please e-mail [target.hotline@ecb.europa.eu](mailto:target.hotline@ecb.europa.eu).

<sup>4</sup> <http://www.target2.eu>

<sup>5</sup> <http://www.ecb.europa.eu/home/html/links.en.html>