



EUROPEAN CENTRAL BANK

EUROSYSTEM

# TARGET2 ASI procedure 6 real-time

*Legal and regulatory aspects*

**Rob Heys**  
European Central Bank

ECB Workshop, 7<sup>th</sup> November 2016

### Overview

## Guideline on TARGET2

Annex II – TARGET Harmonised Conditions; and,  
Annex IV – Settlement Procedures for Ancillary Systems

- The Harmonised Conditions govern the terms and conditions for participating in TARGET2.
- The Settlement Procedures for AS detail the specific procedures and conditions for Ancillary Systems – i.e. other settlement systems.

The ACHs will have a bilateral agreement with their central bank incorporating the relevant parts of each.

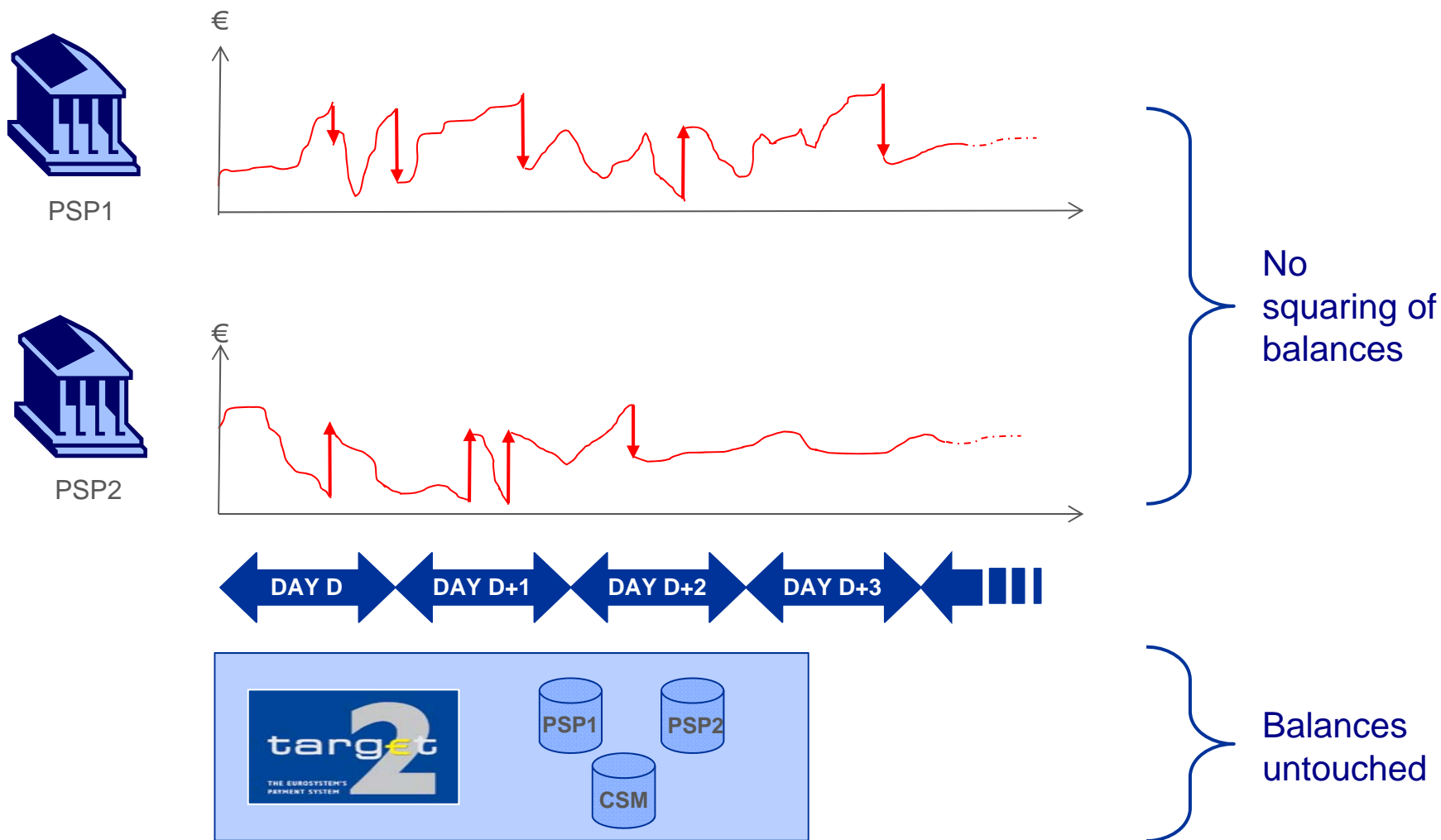
# Support for Instant Payments

Settlement in ACH will be supported by using a modified version of Procedure 6

Funds from participants to be credited to an account in TARGET2 to support settlement.

- Settlement “Guaranteed” up to the amount held in TARGET2.
- Payments will be made to and from each participants' account in the ACH.
- Settlement takes place on ACH and is final according to ACH rules.

## Processing of instant payments



# Support for Instant Payments

Guideline to be updated to take into account specifics of Instant Payments.

Article 11 – To clarify that the rules on Guarantee funds will apply to all accounts of this type – not just those required by legislation.

Annex II – Article 37 Security rights in relation to funds on sub-accounts;

Annex IV – Several articles – in particular

- 8. (Descriptions of accounts)
- 14. Description of Settlement procedure 6.

### «Technical» account

Funds held on TARGET2 account would not normally be used *for* settlement.

Will *support* settlement:

- Managed by ACH which keeps records of balance of each contributor
- Rights of ACH to access funds limited
- E.g. in event of default
- Cross- system settlement

# Finality

In accordance with the SFD, each ACH has to:-

- define in its system's rules the moment of entry and irrevocability of payments
- ensure to the extent possible that the rules of interoperable systems are coordinated (for cross-system settlement)

For oversight purposes, the ACH would also have to define the moment at which the individual instant payments are deemed to be finally settled.

The moment of entry and irrevocability for the transactions TARGET2 are defined in the TARGET2 Guideline). These will apply to funding/defunding and cross ACH liquidity transfers.

TARGET2 will not define these moments for individual instant payments processed by ACHs.

### «Fiduciary» account

The Account structure will be established under national law but should have the following features.

- Funds will be held by NCB on a “Fiduciary basis” i.e. on behalf of participant.
- Funds still belong to participant but held by NCB.
- Managed by ACH which keeps records of balance of each contributor.
- ACH will also manage all aspects of the funds
- details of remuneration to individual participants,
- refunds if participant leaves,
- procedures in the event of default/insolvency.



### Terms of Funds held in « Fiduciary account »

- Subject to rules governing Guarantee Funds TARGET2  
Guideline Article 11
- Remunerated at Deposit Rate (can also be negative)
- Cannot make up part of minimum reserves