

ICMA EUROPEAN REPO and COLLATERAL COUNCIL

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Submitted by email: target.hotline@ecb.europa.eu

4 April 2016

**Eurosystem's vision for the future of Europe's financial market infrastructure:
*RTGS services – consultative report***

Response by the ICMA ERCC Operations Group

On behalf of the European Repo and Collateral Council ("ERCC") Operations Group of the International Capital Market Association ("ICMA")¹, the purpose of this letter is to provide feedback to the Eurosystem on the consultative report on RTGS services in the context of the Eurosystem's vision for the future of Europe's financial market infrastructure initiative. Given the diversity of ERCC member firms, comments on individual Eurosystem services are kept at a relatively general level as these critically depend on the business models of individual firms.

Questions:

(ii) Functional opportunities

2.1. Harmonised interface(s) to Eurosystem services:

1. Should the Eurosystem harmonise the user interface for Eurosystem services? If so, what would you identify as the specific benefits to your institution? If not, what would be your reason for not harmonising the user interface?

¹ Since the early 1990's, the [International Capital Market Association](#) (ICMA) has played a significant role in promoting the interests and activities of the international repo market, and of the product itself. The ICMA [European Repo and Collateral Council](#) (ERCC) has become the industry representative body that has fashioned consensus solutions to the emerging, practical issues in a rapidly evolving marketplace, consolidating and codifying best market practice. The discussions that take place at the ICMA ERCC meetings underpin the strong sense of community and common interest that characterises the professional repo market in Europe. In support of the work of the ICMA ERCC, the [ICMA ERCC's Operations Group](#) brings together relevant specialists to focus on all applicable post trade activities.

Members of the ICMA ERCC Operations Group are generally supportive of a single user interface for Eurosystem services as this will likely facilitate access to the different services. However, this will obviously also depend on the way the new interface would be structured and how user-friendly it will be.

2. Are there further considerations that the Eurosystem should take into account in deciding whether or not to harmonise the user interface?

Costing for the provision of such a harmonised interface will be necessary in order to make a more detailed assessment of whether the benefits to be derived are sufficient to warrant the effort.

2.2. Multi-currency services:

3. Do you agree with the listed findings on the provision of multi-currency RTGS services? If not, please explain.

The ICMA ERCC Operations Group agrees with the Eurosystem's findings. Opening the possibility to extend RTGS services to a multi-currency context seems indeed sensible, in particular as this allows to align the coverage of T2S and T2 services and will therefore facilitate settlement in T2S in other currencies than euro.

4. Would you expect your institution to use multi-currency RTGS services?

The ERCC Operations Group believes that multi-currency RTGS services would be helpful but also notes that the extent to which this would be used will differ across firms and will critically depend on the nature and structure of business of individual firms.

2.3. Remittance and other key payment data

5. Would you expect your institution to use the additional fields that ISO 20022 payment messages support? If so, please describe the types of additional payment fields, and the purpose for which they would be used.

In principle, additional payment fields supported by ISO20022 would be welcomed by the ICMA ERCC Operations Group, as they are expected to offer increased possibility for the use of STP. The use of additional fields will however again differ across firms. It is therefore important that these fields are not mandatory but remain optional. Given that the additional fields will not be relevant and used by some firms, it will be important to ensure sufficient flexibility, especially in the short and medium term.

2.4. Accounts management:

6. Do you agree with the Eurosystem's expectations in terms of participants' accounts management?

The ICMA ERCC Operations Group generally agrees with the Eurosystem's expectation that the current account setup will remain valid. In the short to medium term we would not expect a significant centralisation of participants' liquidity in a single cash account, in particular where this involves several currencies and relationships with different agents active in different locations. However, once T2S is fully implemented, we would expect firms to move towards a more consolidated approach to their liquidity (both cash and securities) aiming to centralise their T2/T2S activity into a single agent or account, where practical. In general, we would remark that the market environment is still very fluid. There is no certainty yet where the market will move once T2S will be fully implemented. This would also include the account management in T2S, which will become clearer over the coming years.

(iii) Business opportunities

3.1. Assessment of the use of current services:

7. Could you indicate which services TARGET2 must retain or enhance regardless of their usage?

8. Conversely, could you indicate which services should be reassessed or not be considered in the context of the Eurosystem's vision?

The use of TARGET2 services will again depend on the structure and operational processes of individual firms. In general, real-time access to central bank liquidity is critical for firms, so any service that supports this objective is helpful. It is also important to underline that, as the Eurosystem rightly points out, the actual use of a particular service is not always indicative of the need to offer that service, in particular in anticipation of potential market stress scenarios.

As mentioned above, there is still a lot of uncertainty around the future direction of travel for market participants as markets are migrating to T2S. It would therefore appear sensible for the Eurosystem to maintain a flexible approach in relation to their service offering which would allow them to react quickly to relevant market developments and review services accordingly. While the ICMA ERCC Operations Group thinks it is probably too early to reassess the offering at the moment, a more comprehensive reassessment could be useful once T2S is fully implemented.

3.2. Liquidity management tools:

9. Which of the current liquidity management tools does your institution currently use?

While the use of specific services differs across firms, as pointed out earlier, the ICMA ERCC Operations Group thinks that it is probably too early to decommission any current services, even if they are not extensively used. In this context, we would like to point out however that there seems to be a lack of awareness on some current services and tools, which might in some cases explain the low level of usage. Overall, the services offered seem to provide helpful tools that should be available to firms.

10. Which of the current liquidity management tools does your institution intend to use in the future?

Increasing awareness of existing tools might be a way to encourage use of the different useful liquidity management tools.

11. Would your institution require RTGS services that are not listed as potential enhancements?

As regards the development of possible new services, it is again very early to judge. Members did not identify any obvious gap in the current service offering, but this will again also depend on the needs of individual firms. In general, the investment necessary to offer new services obviously needs to be justified by the expected added value for participants, which has to be carefully assessed on a case by case basis and would require more detailed information on the possible new services/tools listed.

3.3. Opening hours:

12. Does your institution have a requirement of extended opening hours for RTGS services? If so, for what purpose would the extended opening hours be required? What would be the required extended opening hours?

On a macro level an extension of RTGS operating hours appears helpful. The added value of such extension for firms will however depend on their internal processes and will have to be assessed against the costs. Currently, a further extension does not seem to be a priority of ICMA ERCC member firms. More important appears to be the alignment of opening hours (as well as processes) with systems outside the Eurosystem/T2S, in particular with other central banks and the ICSDs' processes for settlement in Commercial Bank Money (CoBM).

3.4. Enhancing data analysis and business intelligence services:

13. Does your institution have analytical requirements that could be provided as services? If so, please provide a brief description.

More details of the specific tools would be helpful in order to assess whether these would be helpful or not.

In relation to LCR more specifically, it is worth mentioning that firms have already done extensive work on their internal tools and processes to ensure compliance. There might be some reluctance to use tools provided by the Eurosystem if these would not be consistent with the internal processes that have been established.

3.5. Regulatory compliance:

14. Are there services that the Eurosystem should provide as part of its RTGS services to support the compliance of your institution with regulatory requirements? If so, please list them. If not, are there specific reasons that such services could not be provided?

In principle, given the number of regulatory requirements that firms are facing, any tools that facilitate compliance would be helpful. More details on the specific tools would however be useful and this would need to be decided on a case by case basis. Again, development costs would need to be justified by the concrete value added.

3.6. Settlement of ancillary systems:

15. Have you identified an additional functionality that the settlement procedures for ancillary systems should cater for? If so, please describe.

No specific comment.

16. Are there additional optional services that the Eurosystem should provide for ancillary systems?

No specific comment.

Concluding remarks:

The ICMA ERCC Operations Group would like to thank the ECB for the opportunity to respond to the present consultation and remains at your disposal to discuss any of the points covered in this response.

Yours sincerely,

Nicholas Hamilton

Chairman

ICMA ERCC Operations Group

cc : ICMA European Repo and Collateral Committee
ICMA ERCC Operations Group