

BANCA NAȚIONALĂ A ROMÂNIEI

TARGET2 and ISO 20022

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SWIFT Business Forum Romania – 6th Edition
Bucharest, 28 October 2015



TARGET2 and ISO 20022



- **TARGET2 (T2)** – the real-time gross settlement (RTGS) system for euro, owned and operated by the Eurosystem (TARGET2 stands for Trans-European Automated Real-time Gross settlement Express Transfer system, 2nd generation).
- Since 4 July 2011, the National Bank of Romania (NBR) operates on behalf of the Eurosystem the Romanian national component of T2 (called TARGET2-România).
- TARGET2-România settles payments in euro for the Romanian participants, as well as net positions calculated by the ancillary system SENT.
- As system operator, the Eurosystem is interested in improving constantly T2 and implicitly attaches a particular importance to the implementation of the newest ISO standards. ISO 20022 represented a cornerstone in the development of T2 since early times (its development phase).



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Year 2010

The Eurosystem presented its **strategy for T2 migration to ISO 20022**:

1st step: Implementation of necessary changes in T2 for interconnecting the system with TARGET2-Securities (T2S)

=> Go-live scheduled for 2013

2nd step: Implementation of SEPA Credit Transfer (SCT) in T2

=> Go-live scheduled for 2014

3rd step: The remaining part of T2 will still use SWIFT FIN standards (e.g. for reporting and interbank transactions)

=> Go-live scheduled for 2015



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Year 2012

The strategy was amended (due to the T2S project rescheduling and the recent developments in retail payments industry):

- All SWIFT FIN MT messages used for payments in T2 will be replaced by their MX equivalents. The content of MX messages were to be defined by the SWIFT user community with a view to ensure complete interoperability (content-wise) with the legacy standards, on the basis of a “like-for-like” approach

=> Go-live scheduled for 2017 (Release SSP 11.0)

- T2 will be adapted to T2S

=> Go live scheduled for 2013 (Release SSP 7.0)

National User Groups (NUGs) consultations were organized periodically.



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Year 2015

March 2015 – T2 participants were informed about the **Eurosystem's intention to adopt a converter-based approach for migrating T2 to ISO20022.**

This approach was seen as a short-term solution to bridge the time gap until the completion of a strategic review (that should comprise the full migration), which the Eurosystem was about to launch, on the future of the market infrastructures.

T2 NUGs were consulted on this proposal, seeking more specifically their views on the impacts that such a postponement may have.



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Outcome of the users consultation:

- There is no need to rush in the migration to ISO20022 for T2, while a new strategy on T2 evolution is in the process of being elaborated (*Eurosystem's Vision 2020*).
- The implementation of ISO20022 should be made together with all relevant technological changes (full migration).

ECB's decision:

Even if T2 migration to ISO 20022 was originally planned for November 2017, upon the banks' request, the implementation was postponed and the ECB will work together with the market, under the umbrella of Eurosystem's Vision 2020, to find the most appropriate method and timing for migration.



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Even if T2 migration to ISO 20022 has been postponed, there is another settlement infrastructure provided and operated by the Eurosystem which uses this standard:

TARGET2-Securities



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TARGET2-Securities (T2S) – the single pan-European platform for securities settlement in central bank money (so-called “integrated model”), via:

- securities accounts, opened by the CSDs connected to the platform and
- dedicated cash accounts (DCAs), opened and managed by central banks.

T2S went live on 22 June 2015.

- Migration in 4 waves (the last one scheduled in 2017).
- 5 CSDs joined T2S in the 1st migration wave (incl. Depozitarul Central S.A.).

As operator of TARGET2-România, the NBR provides settlement services in euro on the T2S platform for the Romanian payment banks.



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T2S is based on ISO 20022:

The physical connection to T2S platform is ensured through two VAN service providers (SWIFT and SIA/Colt). => BNR is using SWIFT

All queries, reports and messages in A2A communication mode with T2S are based on XML messages, which are compliant with ISO20022.

All interface messages for communication between T2 and T2S are based on ISO20022.

T2 has been further adapted in the context of T2S, to process the following messages:

- Event-oriented standing orders for liquidity transfers from T2 to T2S (setting up via U2A and A2A);
- Optional debit notifications in MX;
- Credit notifications in MX;
- Current order for liquidity transfers from T2 to T2S via U2A or A2A.



Next steps

Eurosystem's Vision 2020:

- Exploring synergies between T2 and T2S, with the ultimate goal of achieving a consolidated Eurosystem market infrastructure.
- Assessing new service opportunities arising from bringing the two infrastructures closer together. In particular, the Eurosystem is considering enhancements to the T2 services in the field of instant payments.
- Increasing the harmonization of the Eurosystem's collateralization techniques and procedures, considering the business case for a common Eurosystem collateral management system.

Scope:

- Access to all available services via a single gateway
- Deepen the financial integration
- Complete the Single Market in Europe in a lasting way



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Thank you for your attention!

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