



DANISH BANKERS ASSOCIATION

MEMO

For the attention of The Danish Central Bank and the European Central Bank

Response to Consultative Report on the Eurosystem's Vision for the Future of Europe's Financial Market Infrastructure – RTGS Services

15 March 2016

As a response to the Eurosystems' consideration regarding the first pillar of the consultation concerning RTGS services, and the benefits that the Eurosystem will create between TARGET2 (T2) and Target2Securities (T2S), the Danish Bankers Association (hereafter named "DBA") would like to provide the following positions toward the consultation's 16 questions.

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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?

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The DBA believes, that the network infrastructure for Target 2, today managed by SWIFT, currently works very well. For that reason there is no immediate need for harmonisation of this area. Specific items, such as sign-in to TARGET2 (T2) using SWIFT certificates, are elements that work very well. There is no need to integrate the token solution that is currently used with TARGET2Securities (T2S).

It is necessary to bridge or customize the screen in T2 or T2S in a potential consolidation between the two platforms.

The DBA will support the initiative regarding the harmonisation of interfaces, if it will be an effective solution. The DBA is sceptical about the stated economic gains in the harmonisation proposal.

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

The Eurosystem should take into account that the result of the harmonisation should be a more effective and cost efficient outcome also for its users, not only for the Eurosystem.

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

Regarding provision of multicurrency RTGS services, the DBA is not convinced of any need currently. When considering multicurrency RTGS services, we believe that intraday liquidity management in several currencies needs to be taken into account. One of the benefits of multicurrency RTGS services could be the opportunity to pool collateral in more than one currency.

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

The DBA finds it difficult to predict the possibilities of using multi-currency RTGS services without further specifications. The DBA believes that there could be real advantages to using multi-currency RTGS services, but this is not based on solid analysis.

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.

The DBA has no immediate need for more fields in ISO 20022 payment messages. It cannot be excluded that future needs arise. Usually, business events trigger the need for dialogue about additional fields in ISO 20022 payment messages.

The DBA would like to emphasise, that it could be interesting to include, e.g. the LEI code (Legal Entity Identifier) as an additional field in ISO 20022 payment messages.

Finally, it is important for the DBA to emphasise that there are advantages to the ISO2022 standard and the supporting of it. However, a migration from the FIN to the ISO20022 format for payments require global collaboration, as the real value of standardization only occurs when everyone uses the same standards. The transition time using both FIN and ISO20022 should be minimized.

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

The DBA sees no alternatives to the Eurosystem's expectations of participants' account management.

The DBA would like to have future flexibility and have just one PM account in the Eurosystem linked to multiple reserve management accounts instead of a PM in each market.

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

The DBA believes that it is up to the individual bank to determine which services TARGET2 should contain.

It could be desirable if central banks use the same modules in TARGET2 and in this way was harmonised. TARGET2 consists of a number of optional modules which give the central banks freedom of choice regarding the integration of modules in their systems. A harmonisation of modules in central banks is therefore preferred.

For instance the DBA is specifically interested in maintaining liquidity saving features and consolidated account information as part of the future TARGET2 services.

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

The DBA proposes that it could be considered to reduce the amount of the currently 6 ancillary system models that are used in the Eurosystem.

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

The Danish banks use standing orders or predefined transactions to be executed when a specific time/event is reached and dedication of liquidity for a specific payment instruction.

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

The DBA does not have any specific requests regarding current liquidity management tools in the future.

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

The DBA considers the proposal to use a single rather than several PM accounts in several Eurozone countries as a liquidity-saving mechanism, which should be integrated within the Eurosystem's vision for the future of Europe's financial market infrastructure.

The Danish RTGS system uses more advanced liquidity management mechanisms. Settlement is executed more frequently and the settlement systems are very well-functioning. At the same time, the Danish RTGS KRONOS II makes it possible to transfer money between accounts 24/7. These are very helpful features that T3 could be inspired by.

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?

Regarding opening hours for RTGS services, the DBA proposes the abolition of the euro holiday 1 May.

The DBA considers opening hours from 07:00 AM to 06:00 PM as acceptable. However, there is a need for more flexibility at night, making it possible to use liquidity during the night. 3 hours of closure during the night is not optimal.

The DBA has a specific wish for making instant payments through prefunding possible. When RTGS services are not open, prefunding requires a great amount of liquidity, thus a need for more flexibility between 06:00 PM and 07:00 AM.

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

The DBA sees opportunities in developing a setup where individual financial institutions can receive data to their own reporting. The DBA is facing a number of reporting requirements, particularly in terms of intraday liquidity, where this setup may prove to be of great use.

Since the Danish banking sector is expected to increase reporting in the future, a flexible system would be desirable.

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?

The DBA does not see the business case of outsourcing the responsibility of compliance to the ECB. Today, banks do their own reporting and therefore have no immediate need to outsource this task to the ECB.

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

The DBA proposes a reduction in the number of ancillary models that were established in order to cope with previously many different settlement systems in the market.

The Danish banking sector DBA would like to have instant payments based on prefunding. A prefunding model requires development of a system that

handles how liquidity is reserved. This should be included in the reasoning regarding ancillary systems.

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

The DBA does not have any input regarding optional services provided for ancillary systems.

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