

# **TERMS AND CONDITIONS FOR PARTICIPATION IN TARGET2-LU**

## TERMS AND CONDITIONS FOR PARTICIPATION IN TARGET2-LU

### TABLE OF CONTENTS

<b>PREAMBLE</b>		<b>5</b>
<b>SECTION 1</b>	<b>GENERAL PROVISIONS</b>	<b>7</b>
<b>SECTION 2</b>	<b>OPERATION OF TARGET2</b>	<b>18</b>
<b>SECTION 3</b>	<b>FINAL PROVISIONS</b>	<b>21</b>
<b>ANNEXES</b>		
<b>ANNEX I</b>	<b>LIST OF RELEVANT ECB LEGAL ACTS</b>	<b>23</b>
<b>ANNEX II</b>	<b>HARMONISED CONDITIONS FOR THE OPENING AND OPERATION OF A PM ACCOUNT IN TARGET2</b>	<b>25</b>
Appendix I	Technical specifications for the processing of payment orders	64
Appendix II	TARGET2 compensation scheme	73
Appendix III	Terms of reference for capacity and country opinions	76
Appendix IV	Business continuity and contingency procedures	86
Appendix V	Operating schedule	91
Appendix VI	Fee schedule and invoicing	93
Appendix VII	Aggregated liquidity agreement	97

<b>ANNEX IIa</b>	<b>HARMONISED CONDITIONS FOR THE OPENING AND OPERATION OF A T2S DEDICATED CASH ACCOUNT (T2S DCA) IN TARGET2</b>	<b>113</b>
Appendix I	Parameters of the dedicated cash accounts technical specifications	137
Appendix II	TARGET2 compensation scheme in relation to the opening and the operation of the DCA	141
Appendix III	Terms of reference for capacity opinions for DCA holders in TARGET2	144
Appendix IV	Business continuity and contingency procedures	152
Appendix V	Operating schedule	155
Appendix VI	Fee schedule	158
<b>ANNEX IIb</b>	<b>HARMONISED CONDITIONS FOR THE OPENING AND OPERATION OF A TIPS DEDICATED CASH ACCOUNT (TIPS DCA) IN TARGET2</b>	<b>159</b>
Appendix I	Parameters of the TIPS DCAs – Technical specifications	181
Appendix II	Terms of reference for capacity and country opinions	184
Appendix III	Operating schedule	191
Appendix IV	Fee schedule	194
Appendix V	TIPS connectivity and technical requirements	195
<b>ANNEX III</b>	<b>PROVISION OF INTRADAY CREDIT</b>	<b>197</b>
<b>ANNEX IIIa</b>	<b>CONDITIONS FOR AUTO-COLLATERALISATION OPERATIONS</b>	<b>203</b>

<b>ANNEX IV</b>	<b>SETTLEMENT PROCEDURES FOR ANCILLARY SYSTEMS</b>	<b>208</b>
Appendix I	Operating schedule	237
Appendix II	Fee schedule and invoicing	239
<b>ANNEX V</b>	<b>SUPPLEMENTAL AND MODIFIED HARMONISED CONDITIONS FOR THE OPENING AND OPERATION OF A PM ACCOUNT USING INTERNET-BASED ACCESS</b>	<b>243</b>
Appendix Ia	Technical specifications for the processing of payment orders for internet-based access	251
Appendix IIa	Fee schedule and invoicing for internet-based access	262

## PREAMBLE

The original Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET) has been replaced by TARGET2, which is characterized by a single technical platform called the Single Shared Platform (SSP). TARGET2 continues to fulfil the same underlying purposes as TARGET, providing a sound and efficient mechanism, functioning on the basis of the SSP, to settle payments in euro. It caters in particular for large value payments, and can be executed in a timely and secure manner.

The list of the participating and connected NCBs can be accessed on the ECB website ([www.ecb.int](http://www.ecb.int)).

Subsequently, the Governing Council of the ECB decided to launch a Eurosystem service for securities settlement in central bank money, TARGET2-Securities (T2S). T2S aims to facilitate post-trading integration by offering core, neutral and borderless pan-European cash and securities settlement in central bank money. The migration plan of T2S was successfully completed in September 2017.

Settlement of T2S operations (including auto-collateralisation) takes place in central bank money through Dedicated Cash Accounts (DCAs) outsourced to the T2S Platform but remaining within the legal perimeter of TARGET2. As regards the technical operation of the T2S DCAs, TARGET2 is technically established and functions on the basis of the T2S Platform.

As the euro area national central banks (NCBs), including the Banque centrale du Luxembourg (BCL), provide settlement in central bank money in T2S, the Terms and Conditions for Participation in TARGET2-LU have been adapted accordingly.

In June 2017, the Governing Council decided to launch the TARGET Instant Payment Settlement (TIPS) service at the end of November 2018. The TIPS service is aimed to enable the settlement of individual instant payment orders in central bank money 24 hours a day any calendar day of the year, with immediate or close to immediate processing. For the purpose of the TIPS service, dedicated cash accounts (TIPS Dedicated Cash Accounts or TIPS DCAs) are created in TARGET2. As regards the technical operation of the TIPS DCAs, TARGET2 is technically established and functions on the basis of the TIPS Platform.

The Terms and Conditions for Participation in TARGET2-LU are an agreement between the BCL and its participants, implementing the ECB TARGET2 Guideline, as amended from time to time<sup>1</sup>. These Terms and Conditions determine the legal, organizational and basic technical modalities of TARGET2-LU, the real-time settlement system in Luxembourg.

The following annexes shall form an integral part of the Terms and Conditions for Participation in TARGET2-LU: Annex I, entitled 'List of relevant ECB legal acts'; Annex II, entitled 'Harmonised conditions for the opening and operation of a PM account in TARGET2'; Annex IIa, entitled 'Harmonised conditions for the opening and operation of a T2S Dedicated Cash Account (T2S DCA) in TARGET2'; Annex IIb, entitled 'Harmonised conditions for the opening and operation of a TIPS Dedicated Cash Account (TIPS DCA) in TARGET2'; Annex III, entitled 'Provision of intraday credit'; Annex IIIa, entitled 'Conditions for auto-collateralisation'; Annex IV, entitled 'Settlement procedures for ancillary systems'; and Annex V, entitled 'Supplemental and modified harmonised conditions for the opening and operation of a PM account in TARGET2 using internet-based access'. This arrangement governs the relationship between the BCL and its participants in respect of the processing of payments in the Payment Module (PM) and the processing of payments in relation to the settlement of T2S securities transactions on DCAs opened in TARGET2.

Specific rules apply for Ancillary Systems (AS) using the Ancillary System Interface (ASI). They shall enter into a bilateral agreement with the BCL as provided for in Annex IV.

Ancillary systems settlement procedures no longer include the integrated model, following the completion of the T2S migration plan, but are enhanced with a new settlement procedure (settlement procedure 6 real-time) in order to support the emergence of a pan-European solution for instant payments in TARGET2.

The Terms and Conditions for Participation in TARGET2-LU shall be read in conjunction with the General Terms and Conditions of the BCL (*Conditions générales des opérations de la BCL*).

In case of discrepancy between the General Terms and Conditions of the BCL or any other BCL documents and these Terms and Conditions for participation in TARGET2-LU, the latter shall prevail.

---

<sup>1</sup> Guideline ECB/2012/27 of the European Central Bank of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (OJ L 30, 30.1.2013, p. 1).

## **SECTION 1**

### **GENERAL PROVISIONS**

#### **Article 1**

##### **Subject matter and scope**

1. TARGET2 provides RTGS for payments in euro, with settlement in central bank money across payments module (PM) accounts, T2S Dedicated Cash Accounts (T2S DCAs) for the purpose of securities transactions and TIPS Dedicated Cash Accounts (TIPS DCAs) for the purpose of instant payments. TARGET2 is established and functions on the basis of the SSP through which payment orders are submitted and processed and through which payments are ultimately received in the same technical manner. As far as the technical operation of the T2S DCAs is concerned, TARGET2 is technically established and functions on the basis of the T2S Platform. As far as the technical operation of the TIPS DCAs is concerned, TARGET2 is technically established and functions on the basis of the TIPS Platform.
2. TARGET2 is legally structured as a multiplicity of RTGS systems.

#### **Article 1a**

##### **TARGET2 transactions**

The national central banks (NCBs) shall always use TARGET2 accounts for the following transactions:

- (a) open market monetary policy operations within the meaning of Guideline (EU) 2015/510 of the European Central Bank (ECB/2014/60) ;
- (b) settlement of transactions with ancillary systems;
- (c) payments between credit institutions.

#### **Article 2**

##### **Definitions**

For the purposes of these Terms and Conditions for Participation in TARGET2-LU (hereinafter the 'Terms and Conditions'), the following definitions apply, except as otherwise provided in the relevant annexes hereto:

- 'addressable BIC holder' means an entity which: (a) holds a Business Identifier Code (BIC); (b) is not recognised as an indirect participant in the PM; and (c) is a

correspondent or customer of a PM account holder or a branch of a direct or indirect participant in the PM, and is able to submit payment orders to and receive payments from a TARGET2 component system via the PM account holder;

- 'AL agreement' means the multilateral aggregated liquidity agreement entered into by the AL group members and their respective AL NCBs, for the purposes of the AL mode;
- 'AL group' means a group composed of AL group members that use the AL mode;
- 'AL group manager' means an AL group member appointed by the other AL group members to manage available liquidity within the AL group during the business day;
- 'AL group member' means a PM account holder that fulfils the criteria for using the AL mode and which has entered into an AL agreement;
- 'AL mode' means the aggregation of available liquidity on PM accounts;
- 'AL NCB' means a participating NCB that is party to an AL agreement and acts as the counterparty for the AL group members which participate in its TARGET2 component system;
- 'ancillary system' means a system managed by an entity established in the European Union or European Economic Area (EEA) that is subject to supervision and/or oversight by a competent authority and complies with the oversight requirements for the location of infrastructures offering services in euro, as amended from time to time and published on the ECB's website<sup>2</sup>, in which payments and/or financial instruments are exchanged and/or cleared or recorded with (a) the monetary obligations settled in TARGET2; and/or (b) funds held in TARGET2, in accordance with Guideline ECB/2012/27 of the European Central Bank<sup>3</sup> and a bilateral arrangement between the ancillary system and the relevant Eurosystem CB;
- 'auto-collateralisation' means intraday credit granted by the euro area NCB in central bank money triggered when a T2S DCA holder has insufficient funds to settle

---

<sup>2</sup> The Eurosystem's current policy for the location of infrastructure is set out in the following statements, which are available on the ECB's website at [www.ecb.europa.eu](http://www.ecb.europa.eu): (a) the policy statement on euro payment and settlement systems located outside the euro area of 3 November 1998; (b) the Eurosystem's policy line with regard to consolidation in central counterparty clearing of 27 September 2001; (c) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions of 19 July 2007; (d) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions: specification of 'legally and operationally located in the euro area' of 20 November 2008; (e) the Eurosystem oversight policy framework, revised version of July 2016.

<sup>3</sup> Guideline ECB/2012/27 of the European Central Bank of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (OJ L 30, 30.1.2013, p. 1).



securities transactions, whereby such intraday credit is collateralised either with the securities being purchased (collateral on flow), or with securities held by the T2S DCA holder in favour of the euro area NCB (collateral on stock);

- ‘available liquidity’ means a credit balance on a participant’s account and, if applicable, any intraday credit line granted on the PM account by the relevant euro area NCB in relation to such account but not yet drawn upon, or if applicable, decreased by the amount of any processed reservations of liquidity on the PM account or blocking of funds on the T2S DCA;
- ‘branch’ means a branch within the meaning of point (17) of Article 4(1) of Regulation (EU) No 575/2013;
- ‘business day’ or ‘TARGET2 business day’ means any day on which TARGET2 is open for the settlement of payment orders, as set out in Appendix V to Annex II, Appendix V to Annex IIa and Appendix III to Annex IIb;
- ‘Business Identifier Code (BIC)’ means a code as defined by ISO Standard No 9362;
- ‘CAI group’ means a group composed of PM account holders that use the CAI mode;
- ‘CAI group manager’ means a CAI group member appointed by the other members of the CAI group to monitor and distribute the available liquidity within the CAI group during the business day;
- ‘CAI mode’ means the provision of consolidated account information in relation to PM accounts via the ICM;
- ‘central banks (CBs)’ means the Eurosystem CBs and the connected NCBs;
- ‘certificate holder’ means a named, individual person, identified and designated by a PM account holder as authorised to have internet-based access to the PM account holder’s TARGET2 account. Their application for certificates will have been verified by the PM account holder’s home NCB and transmitted to the certification authorities, which will in turn have delivered certificates binding the public key with the credentials that identify the PM account holder;
- ‘close links’ means close links within the meaning of Article 138 of Guideline (EU) 2015/510 (ECB/2014/60)<sup>4</sup>;

---

<sup>4</sup> Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

- ‘Conditions for Auto-collateralisation Operations’ means the conditions that are laid down in Annex IIIa;
- ‘connected NCB’ means a national central bank (NCB), other than a Eurosystem CB, which is connected to TARGET2 pursuant to a specific agreement;
- ‘Contingency Solution’ means the SSP functionality that processes very critical and critical payments in contingency;
- ‘credit transfer order’ means an instruction by a payer to make funds available to a payee by means of a book entry on a PM account;
- ‘credit institution’ means either: (a) a credit institution within the meaning of point (1) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council<sup>5</sup> and of Article 1(12) of the Law of 5 April 1993 on the financial sector, as amended<sup>6</sup>, that is subject to supervision by a competent authority; or (b) another credit institution within the meaning of Article 123(2) of the Treaty that is subject to scrutiny of a standard comparable to supervision by a competent authority;
- ‘credit instruction’ means a payment instruction submitted by an AS and addressed to the BCL to debit one of the accounts kept and/or managed by the AS in the PM, and to credit a settlement bank’s PM account or sub-account by the amount specified therein;
- ‘credit transfer order’ means an instruction by a payer to make funds available to a payee by means of a book entry on a PM account;
- ‘DCA to DCA liquidity transfer order’ means the instruction to transfer a specified amount of funds (i) from a DCA to a DCA linked to the same Main PM account; or (ii) from a DCA to a DCA held by the same legal entity;
- ‘DCA to PM liquidity transfer order’ means the instruction to transfer a specified amount of funds from a DCA to a PM account;
- ‘deposit facility’ means a Eurosystem standing facility which counterparties may use to make overnight deposits with an NCB at a pre-specified deposit rate;

---

<sup>5</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

<sup>6</sup> *Loi du 5 avril 1993 relative au secteur financier, telle que modifiée.*

- ‘deposit facility rate’ means the interest rate applicable to the deposit facility;
- ‘debit instruction’ means a payment instruction addressed to the SCB and submitted by an AS to debit a settlement bank’s PM account or sub-account by the amount specified therein, on the basis of a debit mandate, and to credit either one of the AS’s accounts in the PM or another settlement bank’s PM account or sub-account;
- ‘debit mandate’ means an authorisation by a settlement bank in the form provided by the Eurosystem CBs in the static forms addressed to both its AS and its SCB, entitling the AS to submit debit instructions, and instructing the SCB to debit the settlement bank’s PM account or sub-account as a result of debit instructions;
- ‘direct debit authorisation’ means a general instruction by a payer to its CB entitling and obliging that CB to debit the payer’s account upon receipt of a valid direct debit instruction from a payee;
- ‘direct debit instruction’ means an instruction from a payee submitted to its CB pursuant to which the CB of the payer debits the payer’s account by the amount specified in the instruction, on the basis of a direct debit authorisation;
- ‘electronic certificates’ or ‘certificates’ means an electronic file, issued by the certification authorities, that binds a public key with an identity and which is used for the following purposes: to verify that a public key belongs to an individual, to authenticate the holder, to check a signature from this individual or to encrypt a message addressed to this individual. Certificates are held on a physical device such as a smart card or USB stick, and references to certificates include such physical devices. The certificates are instrumental in the authentication process in respect of PM account holders accessing TARGET2 through the internet and submitting payment messages or control messages;
- ‘enforcement event’ means, with regard to an AL group member:
  - (a) any event of default referred to in Article 34(1);
  - (b) any other event of default referred to in Article 34(2) in relation to which the BCL has decided, taking into account the seriousness of the event of default or event, that a pledge should be enforced in accordance with Article 25b, collateral should be enforced in accordance with Article 25c and a set-off of claims should be triggered in accordance with Article 26; or
  - (c) any decision to suspend or terminate access to intraday credit;

- 'entry disposition' means a payment processing phase during which TARGET2-LU attempts to settle a payment order which has been accepted pursuant to Article 14, by means of specific procedures, as described in Article 20;
- 'euro area NCB' means the NCB of a Member State whose currency is the euro;
- 'Eurosystème CB' means the ECB or the NCB of a Member State that has adopted the euro;
- 'group' means:
  - (a) a composition of credit institutions included in the consolidated financial statements of a parent company where the parent company is obliged to present consolidated financial statements under International Accounting Standard 27 (IAS 27), adopted pursuant to Commission Regulation (EC) No 2238/2004<sup>7</sup> and consisting of either:
    - (i) a parent company and one or more subsidiaries; or
    - (ii) two or more subsidiaries of a parent company; or
  - (b) a composition of credit institutions as referred to in subparagraphs (a)(i) or (ii), where a parent company does not present consolidated financial statements in accordance with IAS 27, but may be able to satisfy the criteria defined in IAS 27 for inclusion in consolidated financial statements, subject to the verification of the CB of the direct participant or, in the case of an AL group, the managing NCB; or
  - (c) a bilateral or multilateral network of credit institutions that is:
    - (i) organised through a statutory framework determining the affiliation of credit institutions to such a network; or
    - (ii) characterised by self-organised mechanisms of cooperation (promoting, supporting and representing the business interests of its members) and/or economic solidarity going beyond the ordinary cooperation usual between credit institutions whereby such cooperation and solidarity are permitted by credit institutions' by-laws or articles of incorporation or established by virtue of separate agreements;

---

<sup>7</sup> Commission Regulation (EC) No 2238/2004 of 29 December 2004 amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards IASs IFRS 1, IASs Nos 1 to 10, 12 to 17, 19 to 24, 27 to 38, 40 and 41 and SIC Nos 1 to 7, 11 to 14, 18 to 27 and 30 to 33 (OJ L 394, 31.12.2004, p. 1).

and in each case referred to in (c) the ECB's Governing Council has approved an application to be considered as constituting a group;

- 'Guarantee Funds' means funds provided by an ancillary system's participants, to be used in the event of the failure, for whatever reason, of one or more participants to meet their payment obligations in the ancillary system;
- 'Harmonised Conditions' means the conditions laid down in Annexes II, IIa, IIb or V;
- 'Harmonised Conditions for the Opening and Operation of a T2S Dedicated Cash Account (T2S DCA) in TARGET2' means the conditions that are laid down in Annex IIa;
- 'Harmonised Conditions for the Opening and Operation of a TIPS Dedicated Cash Account in TARGET2' means the conditions that are laid down in Annex IIb;
- 'Home Account' means an account opened outside the PM by a euro area NCB for a credit institution established in the Union or the EEA;
- 'Information and Control Module (ICM)' means the SSP module that allows PM account holders to obtain online information and gives them the possibility to submit liquidity transfer orders, manage liquidity and, if applicable, initiate backup payment orders or payment orders to the Contingency Solution in a contingency';
- 'ICM broadcast message' means information made simultaneously available to all or a selected group of PM account holders via the ICM;
- 'indirect participant' means a credit institution established in the European Union or the European Economic Area (EEA), which has entered into an agreement with a PM account holder to submit payment orders and receive payments via such PM account holder, and which has been recognised by a TARGET2 component system as an indirect participant;
- 'insolvency proceedings' means insolvency proceedings within the meaning of Article 2(j) of Directive 98/26/EC of the European Parliament and of the Council (the Settlement Finality Directive)<sup>8</sup>;
- 'instant payment order' means, in line with the European Payments Council's SEPA Instant Credit Transfer (SCT Inst) scheme, a payment instruction which can be executed 24 hours a day any calendar day of the year, with immediate or close to immediate processing and notification to the payer;

---

<sup>8</sup> Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems (OJ L 166, 11.6.1998, p. 45).

- ‘instructing participant’ means a TARGET2 participant that has initiated a payment order;
- ‘internet-based access’ means that the PM account holder has opted for a PM account that can only be accessed via the internet and the PM account holder submits payment messages or control messages to TARGET2 by means of the internet;
- ‘intraday credit’ means credit extended for a period of less than one business day;
- ‘investment firm’ means an investment firm within the meaning of Article 4(1)(1) of Directive 2014/65/EU of the European Parliament and of the Council<sup>9</sup> as implemented by Article 1(9) of the Law of 5 April 1993 on the financial sector, as amended, in particular, by the Law of 30 May 2018 on markets in financial instruments, excluding the institutions specified in Article 2(1) of Directive 2014/65/EU, as implemented in Article 1-1(2) of the Law of 5 April 1993 on the financial sector, as amended, provided that the investment firm in question is:
  - (a) authorised and supervised by a recognised competent authority, which has been designated as such under Directive 2014/65/EU; and
  - (b) entitled to carry out the activities referred to under items 2, 3, 6 and 7 of Section A of Annex I to Directive 2014/65/EU, as implemented under items 2, 3, 6 and 7 of Section A of Annex II to the Law of 5 April 1993 on the financial sector.
- ‘Linked PM account’ means the PM account with which a TIPS DCA is associated for the purpose of liquidity management and payment of TIPS fees;
- ‘liquidity transfer order’ means a payment order, the main purpose of which is to transfer liquidity between different accounts of the same participant or within a CAI or AL group;
- ‘Main PM account’ means the PM account to which a T2S DCA is linked and on which any remaining balance will be automatically repatriated at end-of-day;
- ‘managing NCB’ means the AL NCB of the TARGET2 component system in which the AL group manager participates;
- ‘marginal lending facility’ means a Eurosystem standing facility which counterparties may use to receive overnight credit from a Eurosystem CB at the prespecified marginal lending rate;
- ‘marginal lending rate’ means the interest rate applicable to the marginal lending facility;

---

<sup>9</sup> Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.06.2014, p. 349).

- 'multi-addressee access' means the facility by which branches or credit institutions established in the Union or the EEA can access the relevant TARGET2 component system by submitting payment orders and/or receiving payments directly to and from the TARGET2 component system; this facility authorises these entities to submit their payment orders through the PM account holder's PM account without that PM account holder's involvement;
- 'non-settled payment order' means a payment order, with the exception of an instant payment order, positive recall answer and TIPS DCA to PM liquidity transfer order, that is not settled on the same business day as that on which it is accepted;
- 'participant' (or 'direct participant') means an entity that holds at least one PM account (PM account holder) and/or one T2S Dedicated Cash Account (T2S DCA holder) and/or one TIPS DCA (TIPS DCA holder) with a Eurosystem CB;
- 'Participant Interface (PI)' means the technical device allowing direct participants to submit and settle payment orders via the services offered in the PM;
- 'participating NCB' means the national central bank (NCB) of a Member State that has not adopted the euro;
- 'payee' means a TARGET2 participant whose PM account, T2S DCA or TIPS DCA, will be credited as a result of a payment order being settled;
- 'payer' means a TARGET2 participant whose PM account, T2S DCA or TIPS DCA will be debited as a result of a payment order being settled;
- 'payment instruction' or 'AS-related payment instruction' means a credit instruction or a debit instruction;
- 'payment order' means a credit transfer order, a liquidity transfer order, a direct debit instruction, a PM to T2S DCA liquidity transfer order, a T2S DCA to PM liquidity transfer order, a T2S DCA to T2S DCA liquidity transfer order, a PM to TIPS DCA liquidity transfer order, a TIPS DCA to PM liquidity transfer order, an instant payment order, or a positive recall answer;
- 'PM account' means an account held by a PM account holder in the PM with a Eurosystem CB which is necessary for such PM account holder to:
  - (a) submit payment orders or receive payments via TARGET2; and
  - (b) settle such payments with such Eurosystem CB;
- 'PM to T2S DCA liquidity transfer order' means the instruction to transfer a specified amount of funds from a PM account to a T2S DCA;

- ‘PM to TIPS DCA liquidity transfer order’ means the instruction to transfer a specified amount of funds from a PM account to a TIPS DCA;
- ‘positive recall answer’ means, in line with the SCT Inst scheme, a payment order initiated by the receiver of a recall request, in response to a recall request, for the benefit of the sender of that recall request;
- ‘public sector body’ means an entity within the ‘public sector’, the latter term as defined in Article 3 of Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty<sup>10</sup> (now Articles 123 and 125(1) of the Treaty on the Functioning of the European Union);
- ‘real-time gross settlement’ means the processing and settlement of payment orders on a transaction by transaction basis in real-time;
- ‘recall request’ means, in line with the SCT Inst scheme, a message from a TIPS DCA holder requesting reimbursement of a settled instant payment order;
- ‘settlement bank’ means a PM account holder whose PM account or sub-account is used to settle payment instructions submitted by an ancillary system via the ASI;
- ‘Settlement Finality Directive’ means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems<sup>11</sup>
- ‘Single Shared Platform (SSP)’ means the single technical platform infrastructure provided by the SSP-providing CBs;
- ‘SSP-providing NCBs’ means the Deutsche Bundesbank, the Banque de France and the Banca d’Italia in their capacity as the CBs building and operating the SSP for the Eurosystem’s benefit;
- ‘static data collection form’ means a form developed by the BCL for the purpose of registering applicants for TARGET2-LU services and registering any changes in relation to the provision of such services;
- ‘suspension’ means the temporary freezing of the rights and obligations of a participant for a period of time to be determined by the BCL;
- ‘TARGET2-LU’ means the TARGET2 component system of the BCL;

---

<sup>10</sup> OJ L 332, 31.12.1993, p. 1.

<sup>11</sup> OJ L 166, 11.6.1998, p. 45.



- 'TARGET2' means the entirety resulting from all TARGET2 component systems of the CBs;
- 'TARGET2 component system' means any of the CBs' real-time gross settlement (RTGS) systems that form part of TARGET2;
- 'TARGET2 coordinator' means a person appointed by the ECB to ensure the daily operational management of TARGET2, to manage and coordinate activity in the event of an abnormal situation occurring and to coordinate the dissemination of information to PM account holders and TIPS DCA holders;
- 'TARGET2 crisis manager' means a person appointed by a Eurosystem CB to handle, on behalf of that Eurosystem CB, failures of the SSP and/or of the TIPS Platform and/or abnormal external events;
- 'TARGET2 CUG' means a subset of the TARGET2 network service provider's customers grouped for the purpose of their use of the relevant services and products of the TARGET2 network service provider when accessing the PM;
- 'TARGET Instant Payment Settlement (TIPS) service' means the settlement in central bank money of instant payment orders on the TIPS Platform;
- 'TARGET2 network service provider' means a provider of computerised network connections appointed by the ECB's Governing Council for the purpose of submitting payment messages in TARGET2;
- 'TARGET2 participant' means any participant in any TARGET2 component system;
- 'TARGET2-Securities (T2S)' or 'T2S Platform' means the set of hardware, software and other technical infrastructure components through which the Eurosystem provides the services to CSDs and Eurosystem CBs that allow core, neutral and borderless settlement of securities transactions on a delivery-versus-payment basis in central bank money;
- 'technical malfunction of TARGET2' means any difficulty, defect or failure in the technical infrastructure and/or the computer systems used by the relevant TARGET2 component system, including the SSP or T2S Platform or any other event that makes it impossible to execute and complete the same-business day processing of payments in the relevant TARGET2 component system;
- 'TIPS DCA to PM liquidity transfer order' means the instruction to transfer a specified amount of funds from a TIPS DCA to a PM account;
- 'TIPS Dedicated Cash Account (TIPS DCA)' means an account held by a TIPS DCA holder, opened in TARGET2-LU and used for the provision of instant payment services to its customers;

- ‘TIPS network service provider’ means an undertaking which has: (a) met all of the necessary conditions to connect to, and established a technical connection to, the TIPS Platform in accordance with the rules and procedures set out in Appendix V of Annex IIb and (b) signed the TIPS connectivity hosting terms and conditions which are available on the ECB’s website;
- ‘TIPS Platform’ means the single technical platform infrastructure provided by the TIPS Platform-providing NCBs;
- ‘TIPS Platform-providing NCBs’ means the Deutsche Bundesbank, the Banco de España, the Banque de France and the Banca d’Italia in their capacity as the CBs building and operating the TIPS Platform for the Eurosystem’s benefit;
- ‘T2S Dedicated Cash Account (T2S DCA)’ means an account held by a T2S DCA holder, opened in TARGET2-LU, and used for cash payments in relation to securities settlement in T2S;
- ‘T2S DCA to PM liquidity transfer order’ means the instruction to transfer a specified amount of funds from a T2S DCA to a PM account;
- ‘T2S DCA to T2S DCA liquidity transfer order’ means the instruction to transfer a specified amount of funds (a) from a T2S DCA to a T2S DCA linked to the same Main PM account; (b) from a T2S DCA to a T2S DCA held by the same legal entity; or (c) from a T2S DCA to a T2S DCA where one or both are held by the CB;
- ‘T2S Operations’ means harmonised and commoditised delivery-versus-payment settlement services provided in an integrated technical environment with cross-border capabilities through the T2S Platform;
- ‘T2S network service provider’ means an undertaking that has concluded a licence agreement with the Eurosystem to provide connectivity services in the context of T2S;
- ‘User Detailed Functional Specifications (UDFS)’ means the most up-to-date version of the UDFS, which is the technical documentation that details how a participant interacts with TARGET2.

## **SECTION 2**

### **OPERATION OF TARGET2**

#### **Article 3**

##### **Harmonised Conditions for the Opening and Operation of a PM account, a T2S DCA or a TIPS DCA in TARGET2**

1. The Harmonised Conditions for the Opening and Operation of a PM account in TARGET2, as laid down in Annex II, shall exclusively govern the relationship between the BCL and its participants in respect of the processing of payments in the PM. A PM account can be accessed using either internet-based access or via the TARGET2 network service provider. These two methods of accessing a PM account shall be mutually exclusive, although a participant may choose to have one or more PM accounts, each of which will be accessible by either the internet or the TARGET2 network service provider.
- 1a. The Harmonised Conditions for the Opening and Operation of a T2S Dedicated Cash Account in TARGET2 that are laid down in Annex IIa shall exclusively govern the relationship between the BCL and its T2S DCA holder in respect of the opening and operation of the T2S DCA.
- 1b. The Harmonised Conditions for the Opening and Operation of a TIPS Dedicated Cash Account in TARGET2 that are laid down in Annex IIb shall exclusively govern the relationship between the BCL and its TIPS DCA holder in respect of the opening and operation of the TIPS DCA.
2. The BCL shall not allow any entity to be an indirect participant in the PM or to be registered as an addressable BIC holder in its TARGET2 component system if this entity acts via a PM account holder that is an NCB of a Member State but is neither a Eurosystem CB nor a connected NCB.

#### **Article 4**

##### **Intraday credit – Auto-collateralisation**

1. The BCL may grant intraday credit, provided that this is done in accordance with the rules on the Provision of intraday credit laid down in Annex III. No intraday credit shall be granted to a participant whose eligibility as a counterparty for Eurosystem monetary policy operations has been suspended or terminated.

2. Further to a request from a participant with access to intraday credit, the BCL shall offer an auto-collateralisation facility on T2S DCAs, provided that this is done in accordance with the Conditions for Auto-collateralisation Operations laid down in Annex IIIa.

## **Article 5**

### **Ancillary systems**

1. The BCL shall provide fund transfer services in central bank money to ancillary systems in the PM accessed through the TARGET2 network service provider. Such services shall be governed by bilateral arrangements between the BCL and the respective ancillary systems.
2. Bilateral arrangements with ancillary systems that use the ASI shall be in conformity with Annex IV.

## **Article 6**

### **Remuneration of Guarantee Funds**

Guarantee Funds shall be remunerated at the deposit facility rate.

## **Article 7**

### **Obligations in the event of suspension or termination**

1. The BCL shall immediately terminate without prior notice or suspend a participant's participation in the relevant TARGET2 component system if:
  - (a) insolvency proceedings are opened in relation to a participant; or
  - (b) a participant no longer meets the access criteria for the participation in the relevant TARGET2 component system.
2. On the grounds of prudence, the BCL may:
  - suspend or terminate a participant's participation in TARGET2 pursuant to Article 34(2)(e) of Annex II, Article 24(2)(e) of Annex IIa or Article 26(2)(e) of Annex IIb;
  - suspend, limit or terminate a participant's access to intraday credit or auto-collateralisation pursuant to paragraph 12(d) of Annex III or paragraph 10(d) of Annex IIIa.

Such decision shall, to the extent possible, take effect at the same time in all TARGET2 component systems.

3. A Eurosystem CB that has suspended the participation of a PM account holder or a T2S DCA holder in its TARGET2 component system pursuant to paragraph 1(a) shall only process payments from that participant on the instructions of its representatives, including those appointed by a competent authority or a court, such as the participant's insolvency administrator, or pursuant to an enforceable decision of a competent authority or a court providing instructions as to how the payments are to be processed. A Eurosystem CB that has suspended the participation of a TIPS DCA holder in its TARGET2 component system pursuant to paragraph 1(a) shall reject all its outgoing payment orders.
4. The BCL's obligations set out in the present article shall also apply in the event of suspension or termination of the use of the ASI by ancillary systems.

### **SECTION 3**

#### **FINAL PROVISIONS**

##### **Article 8**

##### **Amendment procedure**

1. The BCL may at any time unilaterally amend these Terms and Conditions, including the annexes thereto.
2. Amendments to these Terms and Conditions, including their annexes, shall be notified in accordance with the provisions of the General Terms and Conditions of the BCL to each participant individually.
3. Amendments are deemed to have been accepted unless the participant expressly objects within 14 days of being informed of such amendments.
4. In the event that a participant objects to the amendment, the BCL is entitled to immediately terminate that participant's participation in TARGET2-LU and close any of its PM accounts or DCAs.

## **Article 9**

### **Third party rights**

1. Any rights, interests, obligations, responsibilities and claims arising from or relating to these Terms and Conditions shall not be transferred, pledged or assigned by participants to any third party without the BCL's written consent.
2. These Terms and Conditions do not create any rights in favour of or obligations in relation to any entity other than the BCL and participants in TARGET2-LU.

## **Article 10**

### **Governing law, jurisdiction and place of performance**

1. The bilateral relationship between the BCL and participants in TARGET2-LU shall be governed by the laws of the Grand Duchy of Luxembourg.
2. Without prejudice to the competence of the Court of Justice of the European Union, any dispute arising from a matter relating to the relationship referred to in paragraph 1 falls under the exclusive competence of the competent courts of the Grand Duchy of Luxembourg.
3. The place of performance concerning the legal relationship between the BCL and the participants shall be Luxembourg.

## **Article 11**

### **Severability**

If any provision in these Terms and Conditions is or becomes invalid, this shall not prejudice the applicability of all the other provisions of these Terms and Conditions.

## **Article 12**

### **Entry into force and binding nature**

These Terms and Conditions shall become effective as of 30 November 2018, replacing the previous version of the Terms and Conditions for Participation in TARGET2-LU.

## Annex I

### LIST OF RELEVANT ECB LEGAL ACTS

Guideline of the ECB of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (recast) (ECB/2012/27)

as amended by:

1. Guideline of the ECB of 26 September 2013 amending Guideline ECB/2012/27 of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB/2013/37)
2. Guideline of the ECB of 5 June 2014 amending Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB/2014/25)
3. Guideline of the ECB of 2 April 2015 amending Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB/2015/15)
4. Guideline of the ECB of 16 March 2016 amending Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB/2016/6)
5. Guideline of the ECB of 22 September 2017 amending Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB/2017/28)
6. Guideline of the ECB of 3 August 2018 amending Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB/2018/20)

7. Guideline of the ECB of 4 October 2019 amending Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (ECB/2019/30)



## **Annex II**

# **HARMONISED CONDITIONS FOR THE OPENING AND OPERATION OF A PM ACCOUNT IN TARGET2**

## **TITLE I GENERAL PROVISIONS**

### **Article 1**

#### **Definitions**

For the purposes of these Harmonised Conditions (hereinafter the 'Conditions'), the following definitions apply:

- 'addressable BIC holder' means an entity which: (a) holds a Business Identifier Code (BIC); (b) is not recognised as an indirect participant in the PM; and (c) is a correspondent or customer of a PM account holder or a branch of a direct or indirect participant in the PM, and is able to submit payment orders to and receive payments from a TARGET2 component system via the PM account holder;
- 'available liquidity' means a credit balance on a participant's PM account and, if applicable, any intraday credit line granted by the relevant euro area NCB in relation to such account but not yet drawn upon, or, if applicable, decreased by the amount of any processed reservations of liquidity on the PM account;
- 'ancillary system' means a system managed by an entity established in the European Union or the European Economic Area (EEA) that is subject to supervision and/or oversight by a competent authority and complies with the oversight requirements for the location of infrastructures offering services in euro, as amended from time to time and published on the ECB's website<sup>12</sup>, in which payments and/or financial instruments are

---

<sup>12</sup> The Eurosystem's current policy for the location of infrastructure is set out in the following statements, which are available on the ECB's website at [www.ecb.europa.eu](http://www.ecb.europa.eu): (a) the policy statement on euro payment and settlement systems located outside the euro area of 3 November 1998; (b) the Eurosystem's policy line with regard to consolidation in central counterparty clearing of 27 September 2001; (c) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions of 19 July 2007; (d) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions:

exchanged and/or cleared or recorded with (a) the monetary obligations settled in TARGET2 and/or (b) funds held in TARGET2, in accordance with Guideline ECB/2012/27 of the European Central Bank<sup>13</sup> and a bilateral arrangement between the ancillary system and the relevant Eurosystem CB;

- 'business day' or 'TARGET2 business day' means any day on which TARGET2 is open for the settlement of payment orders, as set out in Appendix V;
- 'capacity opinion' means a participant-specific opinion that contains an assessment of a participant's legal capacity to enter into and carry out its obligations under these Conditions;
- 'event of default' means any impending or existing event, the occurrence of which may threaten the performance by a participant of its obligations under these Conditions or any other rules applying to the relationship between that participant and the BCL or any other CB, including:
  - (a) where the participant no longer meets the access criteria laid down in Article 4 or the requirements laid down in Article 8(1)(a)(i);
  - (b) the opening of insolvency proceedings in relation to the participant;
  - (c) the submission of an application relating to the proceedings referred to in point (b);
  - (d) the issue by the participant of a written declaration of its inability to pay all or any part of its debts or to meet its obligations arising in relation to intraday credit;
  - (e) the entry of the participant into a voluntary general agreement or arrangement with its creditors;
  - (f) where the participant is, or is deemed by its CB to be, insolvent or unable to pay its debts;
  - (g) where the participant's credit balance on its PM account, T2S DCA, or TIPS DCA, or all or a substantial part of the participant's assets are subject to a freezing order, attachment, seizure or any other procedure that is intended to protect the public interest or the rights of the participant's creditors;

---

specification of 'legally and operationally located in the euro area' of 20 November 2008; (e) the Eurosystem oversight policy framework, revised version of July 2016.

<sup>13</sup> Guideline ECB/2012/27 of the European Central Bank of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) (OJ L 30, 30.1.2013, p. 1).

- (h) where participation of the participant in another TARGET2 component system and/or in an ancillary system has been suspended or terminated;
  - (i) where any material representation or pre-contractual statement made by the participant or which is implied to have been made by the participant under the applicable law is incorrect or untrue;
  - (j) the assignment of all or a substantial part of the participant's assets;
- 'payee' except where used in Article 39 of this Annex, means a TARGET2 participant whose PM account will be credited as a result of a payment order being settled;
  - 'payer', except where used in Article 39 of this Annex, means a TARGET2 participant whose PM account will be debited as a result of a payment order being settled;
  - 'payment order' means a credit transfer order, a liquidity transfer order, a direct debit instruction, a PM to T2S DCA liquidity transfer order or a PM to TIPS DCA liquidity transfer order;
  - 'technical malfunction of TARGET2' means any difficulty, defect or failure in the technical infrastructure and/or the computer systems used by TARGET2-LU, or any other event that makes it impossible to execute and complete the same-day processing of payments in TARGET2-LU.

## **Article 1a**

### **Scope**

The present Conditions govern the relationship between the BCL and its PM account holder as far the opening and the operation of the PM account is concerned.

## **Article 2**

### **Appendices**

1. The following Appendices form an integral part of these Conditions:

Appendix I: Technical specifications for the processing of payment orders

Appendix II: TARGET2 compensation scheme

Appendix III: Terms of reference for capacity and country opinions

Appendix IV: Business continuity and contingency procedures

Appendix V: Operating schedule

Appendix VI: Fee schedule and invoicing

Appendix VII: Aggregated liquidity agreement

2. In the event of any conflict or inconsistency between the content of any appendix and the content of any other provision in these Conditions, the latter shall prevail.

### **Article 3**

#### **General description of TARGET2-LU and TARGET2**

1. TARGET2 provides real-time gross settlement for payments in euro, with settlement in central bank money across PM accounts, T2S DCAs for the purpose of securities transactions and TIPS DCAs for the purpose of instant payments.
2. The following transactions are processed in TARGET2-LU:
  - (a) transactions directly resulting from or made in connection with Eurosystem monetary policy operations;
  - (b) settlement of the euro leg of foreign exchange operations involving the Eurosystem;
  - (c) settlement of euro transfers resulting from transactions in cross-border large-value netting systems;
  - (d) settlement of euro transfers resulting from transactions in euro retail payment systems of systemic importance;
  - (e) settlement of the cash leg of securities transactions;
  - (f) T2S DCA to T2S DCA liquidity transfer orders, T2S DCA to PM liquidity transfer orders and PM to T2S DCA liquidity transfer orders;
  - (fa) instant payment orders;
  - (fb) positive recall answers;
  - (fc) TIPS DCA to PM liquidity transfer orders and PM to TIPS DCA liquidity transfer orders; and
  - (g) any other transactions in euro addressed to TARGET2 participants.
3. TARGET2 provides real-time gross settlement for payments in euro, with settlement in central bank money across PM accounts, T2S DCAs and TIPS DCAs. TARGET2 is established and functions on the basis of the SSP through which payment orders are

submitted and processed and through which payments are ultimately received in the same technical manner. As far as the technical operation of the T2S DCAs is concerned, TARGET2 is technically established and functions on the basis of the T2S Platform. As far as the technical operation of the TIPS DCAs is concerned, TARGET2 is technically established and functions on the basis of the TIPS Platform.

4. The BCL is the provider of services under these Conditions. Acts and omissions of the SSP-providing NCBs shall be considered acts and omissions of the BCL, for which it shall assume liability in accordance with Article 31 below. Participation pursuant to these Conditions shall not create a contractual relationship between PM account holders and the SSP-providing NCBs when any of the latter acts in that capacity. Instructions, messages or information which a PM account holder receives from, or sends to, the SSP in relation to the services provided under these Conditions are deemed to be received from, or sent to the BCL.
5. TARGET2 is legally structured as a multiplicity of payment systems composed of all the TARGET2 component systems, which are designated as “systems” under the national laws implementing Directive 98/26/EC. TARGET2-LU is designated as a “system” under the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems.
6. Participation in TARGET2 takes effect via participation in a TARGET2 component system. These Conditions describe the mutual rights and obligations of PM account holders in TARGET2-LU and the BCL. The rules on the processing of payment orders under these Conditions (Title IV and Appendix I) refer to all payment orders submitted or payments received by any PM account holder.

## **TITLE II**

### **PARTICIPATION**

#### **Article 4**

##### **Access criteria**

1. The following types of entities are eligible for direct participation in TARGET2-LU:
  - (a) credit institutions established in the Union or the EEA, including when they act through a branch established in the Union or the EEA;
  - (b) credit institutions established outside the EEA, provided that they act through a branch established in the Union or the EEA; and
  - (c) NCBs of EU Member States and the ECB,provided that the entities referred to in points (a) and (b) are not subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to Article 65(1)(b), Article 75 or Article 215 of the Treaty on the Functioning of the European Union, the implementation of which, in the view of BCL after informing the ECB, is incompatible with the smooth functioning of TARGET2.
2. The BCL may, at its discretion, also admit the following entities as direct participants:
  - (a) treasury departments of central or regional governments of Member States;
  - (b) public sector bodies of Member States authorised to hold accounts for customers;
  - (c) (i) investment firms established in the Union or the EEA, including when they act through a branch established in the Union or the EEA; and  
(ii) investment firms established outside the EEA, provided that they act through a branch established in the Union or the EEA;
  - (d) entities managing ancillary systems and acting in that capacity; and
  - (e) credit institutions or any of the entities of the types listed under points (a) to (d), in both cases where these are established in a country with which the European Union has entered into a monetary agreement allowing access by any of such entities to payment systems in the European Union, subject to the conditions set out in the monetary agreement and provided that the relevant legal regime applying in the country is equivalent to the relevant European Union legislation.

3. Electronic money institutions, within the meaning of Article 49 of the law of 10 November 2009, relating to payment services<sup>14</sup> (formerly Article 12-10 of the Law of 5 April 1993 on the financial sector, as amended, in particular, by the Law of 14 May 2002 transposing the Directive 2000/28/EC amending Directive 2000/12/EC relating to the taking up and pursuit of the business of credit institutions and Directive 2000/46/EC on the taking up, pursuit of and prudential supervision of the business of electronic money institutions<sup>15</sup>), are not entitled to participate in TARGET2-LU.

## **Article 5**

### **Direct participants**

1. Direct participants in TARGET2-LU shall comply with the requirements set out in Article 8(1) and (2). They shall have at least one PM account with the BCL.
2. PM account holders may designate addressable BIC holders, regardless of their place of establishment.
3. PM account holders may designate entities as indirect participants in the PM, provided that the conditions laid down in Article 6 are met.
4. Multi-addressee access through branches may be provided as follows:
  - (a) A credit institution within the meaning of Article 4(1)(a) or (b), which has been admitted as a PM account holder, may grant access to its PM account to one or more of its branches established in the Union or the EEA in order to submit payment orders and/or receive payments directly, provided that the BCL has been informed accordingly.
  - (b) Where a branch of a credit institution has been admitted as a PM account holder, the other branches of the same legal entity and/or its head office, in both cases provided that they are established in the Union or the EEA, may access the branch's PM account, provided that it has informed the BCL.

---

<sup>14</sup> *Loi du 10 novembre 2009 relative aux services de paiement, à l'activité d'établissement de monnaie électronique et au caractère définitif du règlement dans les systèmes de paiement et les systèmes de règlement des opérations sur titres.*

<sup>15</sup> *Loi du 14 mai 2002 portant transposition dans la loi modifiée du 5 avril 1993 relative au secteur financier de la directive 2000/28/CE modifiant la directive 2000/12/CE concernant l'accès à l'activité des établissements de crédit et son exercice et de la directive 2000/46/CE concernant l'accès à l'activité des établissements de monnaie électronique et son exercice ainsi que la surveillance prudentielle de ces établissements.*

## **Article 6**

### **Indirect PM account holders**

1. Credit institutions established in the Union or the EEA may each enter into a contract with one PM account holder that is either a credit institution within the meaning of Article 4(1)(a) or (b), or a CB, in order to submit payment orders and/or receive payments, and to settle them via the PM account of that PM account holder. TARGET2-LU shall recognise indirect PM account holders by registering such indirect participation in the TARGET2 directory, the latter as described in Article 9.
2. Where a PM account holder, which is a credit institution within the meaning of Article 4(1)(a) or (b), and an indirect PM account holder belong to the same group, the PM account holder may expressly authorise the indirect PM account holder to use the PM account holder's PM account directly to submit payment orders and/or receive payments by way of group-related multi-addressee access.

## **Article 7**

### **PM account holder's responsibility**

1. For the avoidance of doubt, payment orders submitted or payments received by indirect PM account holders pursuant to Article 6, and by branches under Article 5(4), are deemed to have been submitted or received by the PM account holder itself.
2. The PM account holder shall be bound by such payment orders, regardless of the content of, or any non-compliance with, the contractual or other arrangements between that PM account holder and any of the entities referred to in paragraph 1.
3. A PM account holder accepting its PM account to be designated as the Main PM account shall be bound by any invoices related to the opening and operation of each T2S DCA linked to that PM account, as set out in Appendix VI to this Annex, regardless of the content of, or any non-compliance with, the contractual or other arrangements between that PM account holder and the T2S DCA holder.
4. A Main PM account holder shall be bound by any invoices, as set out in Appendix VI to this Annex, for the linkage to each T2S DCA to which the PM account is linked.
5. A PM account holder that also holds a T2S DCA used for auto-collateralisation shall be liable for any penalties levied in accordance with paragraph 9(d) of Annex IIIa.



6. A PM account holder accepting its PM account to be designated as the Linked PM account shall be bound by any invoices related to the opening and operation of each TIPS DCA linked to that PM account, as set out in Appendix VI to this Annex, regardless of the content of, or any non-compliance with, the contractual or other arrangements between that PM account holder and the TIPS DCA holder. A Linked PM account may be linked to a maximum of 10 TIPS DCAs.
7. The holder of a Linked PM account shall have an overview of the liquidity available on the TIPS DCAs linked to that PM account and ensure the TIPS DCA holders are aware of their responsibility to manage that liquidity.

## **Article 8**

### **Application procedure**

1. To join TARGET2-LU, applicant participants shall:
  - (a) fulfil the following technical requirements:
    - (i) install, manage, operate, monitor and ensure the security of the necessary IT infrastructure to connect to the SSP and submit payment orders to it. In doing so, applicant participants may involve third parties, but retain sole liability. In particular, applicant participants shall enter into an agreement with the TARGET2 network service provider to obtain the necessary connection and admissions, in accordance with the technical specifications in Appendix I;
    - (ii) have passed the tests required by the BCL; and
  - (b) fulfil the following legal requirements:
    - (i) provide a capacity opinion in the form specified in Appendix III, unless the information and representations to be provided in such capacity opinion have already been obtained by the BCL in another context; and
    - (ii) for the entities referred to in Article 4(1)(b) and 4(2)(c)(ii), provide a country opinion in the form specified in Appendix III, unless the information and representations to be provided in such country opinion have already been obtained by the BCL in another context.
2. Applicants shall apply in writing to the BCL, as a minimum enclosing the following documents/information:
  - (i) completed static data collection forms as provided by the BCL;
  - (ii) the capacity opinion, if required by the BCL, and

- (iii) the country opinion, if required by the BCL.
- 3. The BCL may also request any additional information it deems necessary to decide on the application to participate.
- 4. The BCL shall reject the application to participate if:
  - (a) access criteria referred to in Article 4 are not met;
  - (b) one or more of the participation criteria referred to in paragraph 1 are not met; and/or
  - (c) in the BCL's assessment, such participation would endanger the overall stability, soundness and safety of TARGET2-LU or of any other TARGET2 component system, or would jeopardise the BCL's performance of its tasks as described in its Organic Law of 23 December 1998, as amended, and the Statute of the European System of Central Banks and of the European Central Bank, or poses risks on the grounds of prudence.
- 5. The BCL shall communicate its decision on the application to participate to the applicant within one month of the BCL's receipt of the application to participate. Where the BCL requests additional information pursuant to paragraph 3, the decision shall be communicated within one month of the BCL's receipt of this information from the applicant. Any rejection decision shall contain reasons for the rejection.
- 6. The same application procedure applies to ancillary systems, except that instead of being required to meet the access criteria in Article 4 the ancillary system shall be required to meet the access criteria in the definition of 'ancillary system' set out in Article 1.

## **Article 9**

### **TARGET2 directory**

- 1. The TARGET2 directory is the database of BICs used for the routing of payment orders addressed to:
  - (a) PM account holders and their branches with multi-addressee access;
  - (b) indirect PM account holders, including those with multi-addressee access; and
  - (c) addressable BIC holders of TARGET2.It shall be updated weekly.
- 2. Unless otherwise requested by the participant, its BIC(s) shall be published in the TARGET2 directory.;

3. Participants may only distribute the TARGET2 directory to their branches and entities with multi-addressee access.
4. Entities specified in paragraph 1(b) and (c) shall only use their BIC in relation to one direct participant.
5. Participants acknowledge that the BCL and other CBs may publish participants' names and BICs. In addition, names and BICs of indirect participants registered by participants may be published and participants shall ensure that indirect participants have agreed to such publication.

### **TITLE III**

#### **OBLIGATIONS OF THE PARTIES**

#### **Article 10**

##### **Obligations of the BCL and the participants**

1. The BCL shall offer the services described in Title IV. Save where otherwise provided in these Conditions or required by law, the BCL shall use all reasonable means within its power to perform its obligations under these Conditions, without guaranteeing a result.
2. Participants shall pay to the BCL the fees laid down in Appendix VI.
3. Participants shall ensure that they are connected to TARGET2-LU on business days, in accordance with the operating schedule in Appendix V.
4. The participant represents and warrants to the BCL that the performance of its obligations under these Conditions does not breach any law, regulation or by-law applicable to it or any agreement by which it is bound.

#### **Article 11**

##### **Cooperation and information exchange**

1. In performing their obligations and exercising their rights under these Conditions, the BCL and participants shall cooperate closely to ensure the stability, soundness and safety of TARGET2-LU. They shall provide each other with any information or documents relevant

for the performance of their respective obligations and the exercise of their respective rights under these Conditions, without prejudice to any banking secrecy obligations.

2. The BCL shall establish and maintain a system support desk to assist participants in relation to difficulties arising in connection with system operations.
3. Up-to-date information on the SSP's operational status shall be available on the TARGET2 Information System (T2IS) on a dedicated webpage on the ECB's website. The T2IS may be used to obtain information on any event affecting the normal operation of TARGET2.
4. The BCL may either communicate messages to participants by means of an ICM broadcast or by any other means of communication.
  - 4a. The holder of the Linked PM account shall be responsible for informing in a timely manner its TIPS DCA holders of any relevant ICM broadcast message, including those related to the suspension or termination of any TIPS DCA holder's participation in TARGET2-LU.
5. Participants are responsible for the timely update of existing static data collection forms and the submission of new static data collection forms to the BCL. Participants are responsible for verifying the accuracy of information relating to them that is entered into TARGET2-LU by the BCL.
6. The BCL shall be deemed to be authorised to communicate to the SSP-providing CBs any information relating to participants which the SSP-providing CBs may need in their role as service administrators, in accordance with the contract entered into with the TARGET2 network service provider.
7. Participants shall inform the BCL about any change in their legal capacity and relevant legislative changes affecting issues covered by the country opinion relating to them.
8. Participants shall inform the BCL of:
  - (a) any new indirect participant, addressable BIC holder or entity with multi-addressee access which they register; and
  - (b) any changes to the entities listed in paragraph (a).
9. Participants shall immediately inform the BCL if an event of default occurs in relation to themselves or if they are subject to crisis prevention measures or crisis management

measures within the meaning of Directive 2014/59/EU of the European Parliament and of the Council<sup>16</sup> or any other equivalent applicable legislation.

## **TITLE IV**

### **MANAGEMENT OF PM ACCOUNTS AND PROCESSING OF PAYMENT ORDERS**

#### **Article 12**

##### **Opening and management of PM accounts**

1. The BCL shall open and operate at least one PM account for each participant. Upon request by a participant acting as a settlement bank, the BCL shall open one or more sub-accounts in TARGET2-LU to be used for dedicating liquidity.
2. At the beginning and end of a business day, there shall be a zero balance on the PM accounts. Participants are deemed to have instructed the BCL to transfer any balance at the end of a business day to the account designated by the participant.
3. At the beginning of the next business day such balance shall be retransferred to the participant's PM account.
4. PM accounts and their sub-accounts shall either be remunerated at zero per cent or the deposit facility rate, whichever is lower, unless they are used to hold required minimum reserves. In such a case, the calculation and payment of remuneration of holdings of minimum reserves shall be governed by Council Regulation (EC) No 2531/98 of 23 November 1998 concerning the application of minimum reserves by the European Central

---

<sup>16</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p.190).

Bank<sup>17</sup> and Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 on the application of minimum reserves (ECB/2003/9)<sup>18</sup>.

5. In addition to the settlement of payment orders in the Payments Module, a PM account may be used to settle payment orders to and from Home Accounts, according to the rules laid down by the BCL.
6. Participants shall use the ICM to obtain information on their liquidity position. The BCL shall provide a daily statement of accounts to any participant that has opted for such service, which shall be done via the SSP.

### **Article 13**

#### **Types of payment orders**

The following are classified as payment orders for the purposes of TARGET2:

- (a) credit transfer orders;
- (b) direct debit instructions carried out under a direct debit authorisation;
- (c) liquidity transfer orders;
- (d) PM to T2S DCA liquidity transfer orders; and
- (e) PM to TIPS DCA liquidity transfer orders.

### **Article 14**

#### **Acceptance and rejection of payment orders**

1. Payment orders submitted by participants are deemed accepted by the BCL, when the following conditions are fulfilled:
  - (a) the payment message complies with the rules established by the TARGET2 network service provider;
  - (b) the payment message complies with the formatting rules and conditions of TARGET2-LU and passes the double-entry check described in Appendix I; and

---

<sup>17</sup> OJ L 318, 27.11.1998, p. 1.

<sup>18</sup> OJ L 250, 2.10.2003, p. 10.

- (c) in cases where a payer or a payee has been suspended, the suspended participant's CB's explicit consent has been obtained.
- 2. The BCL shall immediately reject any payment order that does not fulfil the conditions laid down in paragraph 1. The BCL shall inform the participant of any rejection of a payment order, as specified in Appendix I.
- 3. The SSP attaches its timestamp for the processing of payment orders in the sequence of their receipt.

## **Article 15**

### **Priority rules**

- 1. Instructing participants shall designate every payment order as one of the following:
  - (a) normal payment order (priority class 2);
  - (b) urgent payment order (priority class 1); or
  - (c) highly urgent payment order (priority class 0).

If a payment order does not indicate the priority, it shall be treated as a normal payment order.

- 2. Highly urgent payment orders may only be designated by:
  - (a) CBs; and
  - (b) participants, in cases of payments to and from CLS Bank International, with the exception of payments related to the CLS CCP and the CLSNow services, and liquidity transfers in relation to ancillary system settlement using the ASI.

All payment instructions submitted by an ancillary system through the ASI to debit or credit the participants' PM accounts and all PM to T2S DCA liquidity transfer orders and PM to TIPS DCA liquidity transfer orders submitted shall be deemed to be highly urgent payment orders.

- 3. Liquidity transfer orders initiated via the ICM are urgent payment orders.

4. In the case of urgent and normal payment orders, the payer may change the priority via the ICM with immediate effect. It shall not be possible to change the priority of a highly urgent payment order.

## **Article 16**

### **Liquidity limits**

1. A participant may limit the use of available liquidity for payment orders in relation to other TARGET2 participants, except any of the CBs, by setting bilateral or multilateral limits. Such limits may only be set in relation to normal payment orders.
2. Limits may only be set by or in relation to an AL group in its entirety. Limits shall not be set in relation to either a single PM account of an AL group member or by AL group members in relation to each other.
3. By setting a bilateral limit, a participant instructs the BCL that an accepted payment order shall not be settled if the sum of its outgoing normal payment orders to another TARGET2 participant's PM account minus the sum of all incoming urgent and normal payments from such TARGET2 participant's PM account would exceed this bilateral limit.
4. A participant may set a multilateral limit for any relationship that is not subject to a bilateral limit. A multilateral limit may only be set if the participant has set at least one bilateral limit. If a participant sets a multilateral limit, it instructs the BCL that an accepted payment order shall not be settled if the sum of its outgoing normal payment orders to all TARGET2 participants' PM accounts in relation to which no bilateral limit has been set, minus the sum of all incoming urgent and normal payments from such PM accounts would exceed this multilateral limit.
5. The minimum amount of any of the limits shall be EUR 1 million. A bilateral or a multilateral limit with an amount of zero shall be treated as if no limit has been set. Limits between zero and EUR 1 million are not possible.
6. Limits may be changed in real time with immediate effect or with effect from the next business day via the ICM. If a limit is changed to zero, it shall not possible to change it again on the same business day. The setting of a new bilateral or multilateral limit shall only be effective from the next business day.



## **Article 17**

### **Liquidity reservation facilities**

1. Participants may reserve liquidity for highly urgent or urgent payment orders via the ICM.
2. The AL group manager may only reserve liquidity for the AL group in its entirety. Liquidity shall not be reserved for single accounts within an AL group.
3. By requesting to reserve a certain amount of liquidity for highly urgent payment orders, a participant instructs the BCL only to settle urgent and normal payment orders if there is available liquidity after the amount reserved for highly urgent payment orders has been deducted.
4. By requesting to reserve a certain amount of liquidity for urgent payment orders, a participant instructs the BCL only to settle normal payment orders if there is available liquidity after the amount reserved for urgent and highly urgent payment orders has been deducted.
5. After receipt of the reservation request the BCL shall check whether the amount of liquidity on the participant's PM account is sufficient for the reservation. If this is not the case, only the liquidity available on the PM account shall be reserved. The rest of the requested liquidity shall be reserved if additional liquidity becomes available.
6. The level of the liquidity reservation may be changed. Participants may make a request via the ICM to reserve new amounts with immediate effect or with effect from the next business day.

## **Article 17a**

### **Standing instructions for liquidity reservation and dedication of liquidity**

1. Participants may predefine the default amount of liquidity reserved for highly urgent or urgent payment orders via the ICM. Such standing instruction or a change to such instruction shall take effect from the next business day.
2. Participants may predefine via the ICM the default amount of liquidity set aside for ancillary system settlement. Such standing instruction or a change to such instruction shall take effect from the next business day. Participants shall be deemed to have instructed the BCL to dedicate liquidity on their behalf if the relevant ancillary system so requests.

## **Article 18**

### **Predetermined settlement times**

1. Instructing participants may predetermine the settlement time of the payment orders within a business day by using the Earliest Debit Time Indicator or the Latest Debit Time Indicator.
2. When the Earliest Debit Time Indicator is used, the accepted payment order is stored and only entered into the entry disposition at the indicated time.
3. When the Latest Debit Time Indicator is used, the accepted payment order shall be returned as non-settled if it cannot be settled by the indicated debit time. 15 minutes prior to the defined debit time, the instructing participant shall be sent an automatic notification via the ICM. Instructing participant may also use the Latest Debit Time Indicator solely as a warning indicator. In such cases, the payment order concerned shall not be returned.
4. Instructing participants can change the Earliest Debit Time Indicator and the Latest Debit Time Indicator via the ICM.
5. Further technical details are contained in Appendix I.

## **Article 19**

### **Payment orders submitted in advance**

1. Payment orders may be submitted up to five business days before the specified settlement date (warehoused payment orders).
2. Warehoused payment orders shall be accepted and entered into the entry disposition on the date specified by the instructing participant at the start of daytime processing, as referred to in Appendix V. They shall be placed in front of payment orders of the same priority.
3. Articles 15(3), 22(2) and 29(1)(a) shall apply mutatis mutandis to warehoused payment orders.

## **Article 20**

### **Settlement of payment orders in the entry disposition**

1. Unless instructing participants have indicated the settlement time in the manner described in Article 18, accepted payment orders shall be settled immediately or at the latest by the

end of the business day on which they were accepted, provided that sufficient funds are available on the payer's PM account and taking into account any liquidity limits and liquidity reservations as referred to in Articles 16 and 17.

2. Funding may be provided by:
  - (a) the available liquidity on the PM account; or
  - (b) incoming payments from other TARGET2 participants, subject to the applicable optimisation procedures.
3. For highly urgent payment orders the 'first in, first out' (FIFO) principle shall apply. This means that highly urgent payment orders shall be settled in chronological order. Urgent and normal payment orders shall not be settled for as long as highly urgent payment orders are queued.
4. For urgent payment orders the FIFO principle shall also apply. Normal payment orders shall not be settled if urgent and highly urgent payment orders are queued.
5. By derogation from paragraphs 3 and 4, payment orders with a lower priority (or of the same priority but accepted later) may be settled before payment orders with a higher priority (or of the same priority which were accepted earlier), if the payment orders with a lower priority would net out with payments to be received and result on balance in a liquidity increase for the payer.
6. Normal payment orders shall be settled in accordance with the FIFO by-passing principle. This means that they may be settled immediately (independently of other queued normal payments accepted at an earlier time) and may therefore breach the FIFO principle, provided that sufficient funds are available.
7. Further details on the settlement of payment orders in the entry disposition are contained in Appendix I.

## **Article 21**

### **Settlement and return of queued payment orders**

1. Payment orders that are not settled immediately in the entry disposition shall be placed in the queues in accordance with the priority to which they were designated by the relevant participant, as referred to in Article 15.

2. To optimise the settlement of queued payment orders, the BCL may use the optimisation procedures described in Appendix I.
3. Except for highly urgent payment orders, the payer may change the queue position of payment orders in a queue (i.e. reorder them) via the ICM. Payment orders may be moved either to the front or to the end of the respective queue with immediate effect at any time during daytime processing, as referred to in Appendix V.
4. At the request of a payer, the BCL or, in the case of an AL group, the CB of the AL group manager may decide to change the queue position of a highly urgent payment order (except for highly urgent payment orders in the context of settlement procedures 5 and 6) provided that this change would not affect the smooth settlement by ancillary systems in TARGET2 or would not otherwise give rise to systemic risk.
5. Liquidity transfer orders initiated in the ICM shall be immediately returned as non-settled if there is insufficient liquidity. Other payment orders shall be returned as non-settled if they cannot be settled by the cut-off times for the relevant message type, as specified in Appendix V.

## **Article 22**

### **Entry of payment orders into the system and their irrevocability**

1. For the purposes of the first sentence of Article 3(1) and Article 5 of Directive 98/26/EC and Article 111 of the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems, as amended, payment orders are deemed entered into TARGET2-LU at the moment that the relevant participant's PM account is debited.
2. Payment orders may be revoked until they are entered into TARGET2-LU in accordance with paragraph 1. Payment orders that are included in an algorithm, as referred to in Appendix I, may not be revoked during the period that the algorithm is running.

## **TITLE V**

### **LIQUIDITY POOLING**

## **Article 23**

### **Liquidity pooling modes**

The BCL shall offer a consolidated account information (CAI) mode and an aggregated liquidity (AL) mode.

## **Article 24**

### **Consolidated account information mode**

1. The following may use the CAI mode:
  - (a) a credit institution and/or its branches (whether or not such entities participate in the same TARGET2 component system), provided that the entities concerned have several PM accounts identified by different BICs; or
  - (b) two or more credit institutions which belong to the same group and/or their branches, each having one or more PM accounts identified by different BICs.
2.
  - (a) Under the CAI mode, each member of the CAI group and their respective CBs are provided with the list of PM accounts of the group members and the following additional information consolidated at the level of the CAI group:
    - (i) intraday credit lines (if applicable);
    - (ii) balances, including balances on sub-accounts;
    - (iii) turnover;
    - (iv) settled payments; and
    - (v) queued payment orders.
  - (b) The CAI group manager and its respective CB shall have access to information on each of the above items in relation to any PM account of the CAI group.
  - (c) Information referred to in this paragraph is provided via the ICM.
3. The CAI group manager shall be entitled to initiate liquidity transfers via the ICM between the PM accounts, including their sub-accounts, forming part of the same CAI group.
4. A CAI group may also include PM accounts which are included in an AL group. In such a case, all the PM accounts of the AL group shall form part of the CAI group.

5. Where two or more PM accounts form part of an AL group and, at the same time, of a CAI group (comprising additional PM accounts), the rules applicable to the AL group shall prevail as to the relationship within the AL group.
6. A CAI group, which includes PM accounts of an AL group, may appoint a CAI group manager that is different from the AL group manager.
7. The procedure for obtaining authorisation to use the AL mode, set out in Article 25(4) and (5), shall apply *mutatis mutandis* to the procedure for obtaining authorisation to use the CAI mode. The CAI group manager shall not address an executed CAI mode agreement to the managing NCB.

## **Article 25**

### **Aggregated liquidity mode**

1. The following may use the AL mode:
  - (a) a credit institution and/or its branches (whether or not such entities participate in the same TARGET2 component system), provided that the entities concerned are established in the euro area and have several PM accounts identified by different BICs;
  - (b) branches established in the euro area (whether or not such branches participate in the same TARGET2 component system) of a credit institution established outside the euro area, provided that such branches have several PM accounts identified by different BICs; or
  - (c) two or more credit institutions referred to in subparagraph (a) and/or branches referred to in subparagraph (b) which belong to the same group.

In each case referred to in subparagraphs (a) to (c) it is also be a requirement that the entities concerned have established intraday credit arrangements with the respective participating NCB.

2. Under the AL mode, for the purpose of checking whether a payment order is sufficiently covered, available liquidity on all the AL group members' PM accounts is aggregated. Notwithstanding the above, the bilateral PM account relationship between the AL group member and its AL NCB shall continue to be governed by the arrangements of the relevant TARGET2 component system, subject to the modifications set out in the AL agreement. Intraday credit extended to any AL group member on its PM account may be covered by

the available liquidity on the other PM accounts held by such AL group member or PM accounts held by any other AL group members with the same or any other AL NCB.

3. In order to use the AL mode, one or more PM account holders meeting the criteria in paragraph 1 shall enter into an AL agreement with the BCL and, if applicable, other CB(s) of the TARGET2 component systems in which other AL group members participate. A PM account holder may only enter into one AL agreement in relation to a particular PM account. The AL agreement shall be in conformity with the relevant template in Appendix VII.
4. Each AL group shall designate an AL group manager. In the event that the AL group consists of only one participant, this participant shall act as the AL group manager. The AL group manager shall address to the managing NCB a written request to use the AL mode (containing static data collection forms as provided by the BCL), together with the executed AL agreement on the basis of the template provided by the managing NCB. The remaining AL group members shall address their written requests (containing static data collection forms as provided by the BCL) to their respective AL NCBs. The managing NCB may request any additional information or document that it deems appropriate in order to decide on the request. In addition, the managing NCB, in agreement with the other AL NCBs, may require the insertion of any additional provision in the AL agreement that it deems appropriate in order to ensure the proper and timely discharge of any existing and/or future obligation of all AL group members towards any AL NCB.
5. The managing NCB shall verify whether the applicants fulfil the requirements to form an AL group and whether the AL agreement has been properly executed. To this end, the managing NCB may liaise with the other AL NCBs. The managing NCB's decision shall be addressed, in writing, to the AL group manager within one month of receipt of the request referred to in paragraph 4 by the managing NCB, or, if the managing NCB requests additional information, within one month of receipt of such information by the managing NCB. Any rejection decision shall contain reasons for the rejection.
6. AL group members shall automatically have access to the CAI mode.
7. The provision of information and all interactive control measures within an AL group shall be accessed via the ICM.

## **Article 25a**

### **Pledge/enforcement**

1. The BCL's current and future claims arising from the legal relationship between an AL group member and the BCL and which are secured by the pledge under Article 36(1) and (2) of

these Conditions shall include the BCL's claims against such AL group member arising under the AL agreement to which both are party.

2. Without prejudice to the AL agreement, such pledge shall not prevent the participant from using the cash deposited in its PM account(s) during the business day.

#### **Article 25b**

##### **Enforcement of the pledge**

Upon the occurrence of an enforcement event, the BCL shall have an unrestricted right to realise the pledge without any prior notice in the most favourable manner provided for by Article 11 of the Law of 5 August 2005 on the financial collateral arrangements<sup>19</sup>.

#### **Article 25c**

##### **Enforcement of collateral**

Upon occurrence of the enforcement event, the BCL shall have the right to realise collateral under Article 36.

#### **Article 26**

##### **Set-off of claims under Article 36(4) and (5)**

On the occurrence of an enforcement event, any claim of the BCL against such AL group member shall be automatically and immediately accelerated and shall subject to Article 36(4) and (5) of these Conditions.

### **TITLE VI**

#### **SECURITY REQUIREMENTS AND CONTINGENCY ISSUES**

---

<sup>19</sup> *Loi du 5 août 2005 sur les contrats de garantie financière.*



## **Article 27**

### **Business continuity and contingency procedures**

1. In the event of an abnormal external event or any other event which affects the operation of the SSP, the business continuity and contingency procedures described in Appendix IV shall apply.
2. The Eurosystem provides a Contingency Solution if the events described in paragraph 1 occur. Connection to and use of the Contingency Solution shall be mandatory for participants considered by the BCL to be critical. Other participants may, on request, connect to the Contingency Solution.

## **Article 28**

### **Security requirements**

1. Participants shall implement adequate security controls to protect their systems from unauthorised access and use. Participants shall be exclusively responsible for the adequate protection of the confidentiality, integrity and availability of their systems.
2. Participants shall inform the BCL of any security-related incidents in their technical infrastructure and, where appropriate, security-related incidents that occur in the technical infrastructure of the third party providers. The BCL may request further information about the incident and, if necessary, request that the participant take appropriate measures to prevent a recurrence of such an event.
3. The BCL may impose additional security requirements , in particular with regard to cybersecurity or the prevention of fraud, on all participants and/or participants that are considered critical by the BCL.
4. Participants shall provide the BCL with their TARGET2 self-certification and their attestation of adherence to the TARGET2 network service provider's endpoint security requirements. In the event of non-adherence to the latter, participants shall provide a document describing alternative mitigating measures to the satisfaction of the BCL.
5. Participants allowing access to their PM account by third parties as set out in Article 5(2), (3) and (4) shall address the risk stemming from allowing such access in accordance with the security requirements set out in paragraphs 1 to 4. The self-certification referred to in paragraph (4) shall specify that the participant imposes the TARGET2 network service

provider's endpoint security requirements on third parties who have access to that participant's PM account.

## **TITLE VII**

### **THE INFORMATION AND CONTROL MODULE**

#### **Article 29**

##### **Use of the ICM**

1. The ICM:
  - (a) allows participants to access information relating to their accounts and to manage liquidity;
  - (b) may be used to initiate liquidity transfer orders, TIPS DCA to PM liquidity transfer orders, PM to TIPS DCA liquidity transfer orders, PM to T2S DCA liquidity transfer orders and, when the ICM is used in combination with the T2S value added services, T2S DCA to PM liquidity transfer orders; and
  - (c) allows participants to initiate backup liquidity redistribution and backup contingency payments or payment orders to the Contingency Solution in the event of a failure of the participant's payment infrastructure.
2. Further technical details relating to the ICM are contained in Appendix I.

## **TITLE VIII**

### **COMPENSATION, LIABILITY REGIME AND EVIDENCE**

#### **Article 30**

##### **Compensation scheme**

If a payment order cannot be settled on the same business day on which it was accepted due to a technical malfunction of TARGET2, the BCL shall offer to compensate the direct participants concerned in accordance with the special procedure laid down in Appendix II.

## Article 31

### Liability regime

1. In performing their obligations pursuant to these Conditions, the BCL and the participants shall be bound by a general duty of reasonable care in relation to each other.
2. The BCL shall be liable to its participants in cases of fraud (including but not limited to wilful misconduct) or gross negligence, for any loss arising out of the operation of TARGET2-LU. In cases of ordinary negligence, the BCL's liability is limited to the participant's direct loss, i.e. the amount of the transaction in question or the loss of interest thereon, excluding any consequential loss.
3. The BCL is not liable for any loss that results from any malfunction or failure in the technical infrastructure (including but not limited to the BCL's computer infrastructure, programmes, data, applications or networks), if such malfunction or failure arises in spite of the BCL having adopted those measures that are reasonably necessary to protect such infrastructure against malfunction or failure, and to resolve the consequences of such malfunction or failure (the latter including but not limited to initiating and completing the business continuity and contingency procedures referred to in Appendix IV).
4. The BCL is not liable:
  - (a) to the extent that the loss is caused by the participant; or
  - (b) if the loss arises out of external events beyond the BCL's reasonable control (force majeure).
5. Notwithstanding the Law of 10 November 2009<sup>20</sup> (implementing Directive (EU) 2015/2366 of the European Parliament and of the Council<sup>21</sup>), paragraphs 1 to 4 shall apply to the extent that the BCL's liability can be excluded.

---

<sup>20</sup> Loi du 10 novembre 2009 relative aux services de paiement, à l'activité d'établissement de monnaie électronique et au caractère définitif du règlement dans les systèmes de paiement et les systèmes de règlement des opérations sur titres.

<sup>21</sup> Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (OJ L 337, 23.12.2015, p. 35).

6. The BCL and the participants shall take all reasonable and practicable steps to mitigate any damage or loss referred to in this Article.
7. In performing some or all of its obligations under these Conditions, the BCL may commission third parties in its own name, particularly telecommunications or other network providers or other entities, if this is necessary to meet the BCL's obligations or is standard market practice. The BCL's obligation shall be limited to the due selection and commissioning of any such third parties and the BCL's liability shall be limited accordingly. For the purposes of this paragraph, the SSP-providing CBs shall not be considered as third parties.

## **Article 32**

### **Evidence**

1. Unless otherwise provided in these Conditions, all payment and payment processing-related messages in relation to TARGET2-LU, such as confirmations of debits or credits, or statement messages, between the BCL and participants shall be made through the TARGET2 network service provider.
2. Electronic or written records of the messages retained by the BCL or by the TARGET2 network service provider shall be accepted as a means of evidence of the payments processed through the BCL. The saved or printed version of the original message of the TARGET2 network service provider shall be accepted as a means of evidence, regardless of the form of the original message.
3. If a participant's connection to the TARGET2 network service provider fails, the participant shall use the alternative means of transmission of messages laid down in Appendix IV. In such cases, the saved or printed version of the message produced by the BCL shall have the same evidential value as the original message, regardless of its form.
4. The BCL shall keep complete records of payment orders submitted and payments received by participants for a period of 10 years from the time at which such payment orders are submitted and payments are received, provided that such complete records shall cover a minimum of five years for any participant in TARGET2 that is subject to continuous vigilance pursuant to restrictive measures adopted by the Council of the European Union or Member States, or more if required by specific regulations.
5. The BCL's own books and records (whether kept on paper, microfilm, microfiche, by electronic or magnetic recording, in any other mechanically reproducible form or otherwise)

shall be accepted as a means of evidence of any obligations of the participants and of any facts and events that the parties rely on.

## TITLE IX

### TERMINATION OF PARTICIPATION AND CLOSURE OF ACCOUNTS

#### Article 33

##### Duration and ordinary termination of participation

1. Without prejudice to Article 34, participation in TARGET2-LU is for an indefinite period of time.
2. A participant may terminate its participation in TARGET2-LU at any time giving 14 business days' notice thereof, unless it agrees a shorter notice period with the BCL.
3. The BCL may terminate a participant's participation in TARGET2-LU at any time giving three months' notice thereof, unless it agrees a different notice period with that participant.
4. On termination of participation, the confidentiality duties laid down in Article 38 remain in force for a period of five years starting on the date of termination.
5. On termination of participation, the PM accounts of the participant concerned shall be closed in accordance with Article 35.

#### Article 34

##### Suspension and extraordinary termination of participation

1. A PM account holder's participation in TARGET2-LU shall be immediately terminated without prior notice or suspended if one of the following events of default occurs:
  - (a) the opening of insolvency proceedings; and/or
  - (b) the participant no longer meets the access criteria laid down in Article 4.

For the purposes of this paragraph, the taking of crisis prevention measures or crisis management measures within the meaning of Directive 2014/59/EU of the European Parliament and of the Council<sup>22</sup> against a PM account holder shall not automatically qualify as the opening of insolvency proceedings.

---

<sup>22</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and November 2019

2. The BCL may terminate without prior notice or suspend the participant's participation in TARGET2-LU if:
  - (a) one or more events of default (other than those referred to in paragraph 1) occur;
  - (b) the participant is in material breach of these Conditions;
  - (c) the participant fails to carry out any material obligation to the BCL;
  - (d) the participant is excluded from, or otherwise ceases to be a member of, a TARGET2 CUG;
  - (e) any other participant-related event occurs which, in the BCL's assessment, would threaten the overall stability, soundness and safety of TARGET2-LU or of any other TARGET2 component system, or which would jeopardise the BCL's performance of its tasks as described in its Organic Law of 23 December 1998, as amended, and the Statute of the European System of Central Banks and of the European Central Bank; or poses risks on the grounds of prudence; and/or
  - (f) an NCB suspends or terminates the participant's access to intraday credit pursuant to paragraph 12 of Annex III.
3. In exercising its discretion under paragraph 2, the BCL shall take into account, inter alia, the seriousness of the event of default or events mentioned in subparagraphs (a) to (c).
4.
  - (a) In the event that the BCL suspends or terminates a PM account holder's participation in TARGET2-LU under paragraph 1 or 2, the BCL shall immediately inform, by means of an ICM broadcast message or a T2S broadcast message, that PM account holder, other CBs and PM account holders and T2S DCA holders in all of the TARGET2 component systems of such suspension or termination. Such message shall be deemed to have been issued by the home NCB of the PM account holder and T2S DCA holder that receives the message.
  - (b) Once such an ICM broadcast message has been received by the participants, the latter is deemed informed of the termination/suspension of a participant's participation in TARGET2-LU or another TARGET2 component system. The participants shall bear any losses arising from the submission of a payment order to participants whose participation has been suspended or terminated if such payment order was entered into TARGET2-LU after receipt of the ICM broadcast message.

5. Upon termination of a participant's participation, TARGET2-LU shall not accept any new payment orders from such participant. Payment orders in the queue, warehoused payment orders or new payment orders in favour of such participant shall be returned.
6. If a PM account holder is suspended from TARGET2-LU on grounds other than those specified in paragraph (1)(a), all of its incoming payments and outgoing payment orders shall be stored and only entered into the entry disposition after they have been explicitly accepted by the suspended PM account holder's CB.
7. If a PM account holder is suspended from TARGET2-LU on the grounds specified in paragraph (1)(a), any outgoing payment orders from that PM account holder shall only be processed on the instructions of its representatives, including those appointed by a competent authority or a court, such as the PM account holder's insolvency administrator, or pursuant to an enforceable decision of a competent authority or a court providing instructions as to how the payments are to be processed. All incoming payments shall be processed in accordance with paragraph (6).

## **Article 35**

### **Closure of PM accounts**

1. Participants may close their PM accounts at any time provided they give the BCL 14 business days' notice thereof.
2. On termination of participation, pursuant to either Article 33 or 34, the BCL shall close the PM accounts of the participant concerned, after having:
  - (a) settled or returned any queued payment orders; and
  - (b) made use of its rights of pledge and set-off under Article 36.



## TITLE X

### FINAL PROVISIONS

#### Article 36

##### The BCL's rights of pledge and set-off

1. The BCL has a preferred pledge over the participant's existing and future credit balances on its PM accounts, thereby collateralising any current and future claims arising out of the legal relationship between the parties.
2. The BCL shall have the right referred to in paragraph 1 even if its claims are only contingent or not yet due.
3. The participant, acting in its capacity as a PM account holder, hereby acknowledges the creation of a pledge in favour of BCL, with whom that account has been opened; this acknowledgement constitutes the provision of pledged assets to the BCL referred to under the Law of 5 August 2005. Any amounts paid into the PM account whose balance is pledged shall, by the mere fact of being paid in, be irrevocably pledged, without any limitation whatsoever, as collateral security for the full performance of the secured obligations. The PM account holder hereby accepts the creation of such pledge in favour of the BCL as requested by Article 5(3) of the Law of 5 August 2005 for dispossession and enforceability purposes.
4. On the occurrence of
  - (a) an event of default referred to in Article 34(1); or
  - (b) any other event of default referred to in Article 34(2) that has led to the termination or suspension of the participant's participation in TARGET2-LU,notwithstanding the commencement of any insolvency proceedings in respect of a participant and notwithstanding any assignment, judicial or other attachment or other disposition of or in respect of the participant's rights, all obligations of the participant shall be automatically and immediately accelerated, without prior notice and without the need for any prior approval of any authority, so as to be immediately due. In addition, the mutual obligations of the participant and the BCL shall automatically be set off against each other, and the party owing the higher amount shall pay to the other the difference.
5. The BCL shall promptly give the participant notice of any set-off pursuant to paragraph 4 after such set-off has taken place.

6. The BCL may without prior notice debit any participant's PM account by any amount which the participant owes the BCL resulting from the legal relationship between the participant and the BCL.

## **Article 37**

### **Security rights in relation to funds on sub-accounts**

1. The BCL shall have a pledge over the balance on a participant's sub-account opened for the settlement of AS-related payment instructions under the arrangements between the relevant ancillary system and its CB. Such balance shall collateralise the participant's obligation referred to in paragraph 7 towards the BCL in relation to such settlement.
2. The BCL shall freeze the balance on the sub-account of the participant upon communication by the ancillary system (via a "start-of-cycle" message). Where applicable, the BCL shall thereafter increase or reduce the frozen balance by crediting or debiting cross-system settlement payments to or from the sub-account or crediting liquidity transfers to the sub-account. Such freezing shall expire upon communication by the ancillary system (via an "end-of-cycle" message).
3. By confirming the freezing of the balance on the participant's sub-account, the BCL guarantees to the ancillary system payment up to the amount of this particular balance. By confirming, where applicable, the increase or reduction of the frozen balance upon crediting or debiting cross-system settlement payments to or from the sub-account or crediting liquidity transfers to the sub-account, the guarantee is automatically increased or reduced in the amount of the payment. Without prejudice to the abovementioned increase or reduction of the guarantee, the guarantee shall be irrevocable, unconditional and payable on first demand. If the BCL is not the ancillary system's CB, the BCL shall be deemed instructed to issue the abovementioned guarantee to the ancillary system's CB.
4. In the absence of any insolvency proceedings in relation to the participant, the AS-related payment instructions for the squaring of the participant's settlement obligation shall be settled without drawing on the guarantee and without recourse to the security right over the balance on the participant's sub-account.
5. In the event of the participant's insolvency, the AS-related payment instruction for the squaring of the participant's settlement obligation shall be a first demand for payment under the guarantee; the debiting of the instructed amount from the participant's sub-account (and crediting of the AS's technical account) shall therefore equally involve the discharge of the

guarantee obligation by the BCL and a realisation of its collateral right over the balance on the participant's sub-account.

6. The guarantee shall expire upon communication by the ancillary system that the settlement has been completed (via an 'end-of-cycle' message).
7. The participant shall be obliged to reimburse to the BCL any payment made by the latter under such guarantee.

## **Article 38**

### **Confidentiality**

1. The BCL shall keep confidential all sensitive or secret information, including when such information relates to payment, technical or organisational information belonging to the participant, participants from the same group or the participant's customers, unless the participant or its customer has given its written consent to disclose or such disclosure is permitted or required under the laws of the Grand Duchy of Luxembourg.
  - 1a. By derogation from paragraph 1, the participant agrees that information on any action taken under Article 34 shall not be considered as confidential.
2. By derogation from paragraph 1, the participant agrees that the BCL may disclose payment, technical or organisational information regarding the participant, participants from the same group or the participant's customers obtained in the course of the operation of TARGET2-LU to (a) other CBs or third parties that are involved in the operation of TARGET2-LU, to the extent that this is necessary for the efficient functioning of TARGET2 or the monitoring of the participant's or its group's exposure; (b) other CBs in order to carry out the analyses necessary for market operations, monetary policy functions, financial stability or financial integration; or (c) supervisory, resolution and oversight authorities of Member States and the Union, including CBs, to the extent that this is necessary for the performance of their public tasks, and provided in all such cases that the disclosure is not in conflict with the applicable law. The BCL shall not be liable for the financial and commercial consequences of such disclosure.
3. By derogation from paragraph 1 and provided that this does not make it possible, whether directly or indirectly, to identify the participant or the participant's customers, the BCL may use, disclose or publish payment information regarding the participant or the participant's customers for statistical, historical, scientific or other purposes in the exercise of its public functions or of functions of other public entities to which the information is disclosed.

4. Information relating to the operation of TARGET2-LU to which participants have had access, may only be used for the purposes laid down in these Conditions. Participants shall keep such information confidential, unless the BCL has explicitly given its written consent to disclose. Participants shall ensure that any third parties to whom they outsource, delegate or subcontract tasks which have or may have an impact on the performance of their obligations under these Conditions are bound by the confidentiality requirements in this Article.
5. The BCL shall be authorised, in order to settle payment orders, to process and transfer the necessary data to the TARGET2 network service provider.

### **Article 39**

#### **Data protection, prevention of money laundering, administrative or restrictive measures and related issues**

1. Participants shall be deemed to be aware of, and shall comply with, all obligations on them relating to legislation on data protection, prevention of money laundering and the financing of terrorism, proliferation-sensitive nuclear activities and the development of nuclear weapons delivery systems, in particular in terms of implementing appropriate measures concerning any payments debited or credited on their PM accounts. Participants shall also acquaint themselves with the TARGET2 network service provider's data retrieval policy prior to entering into the contractual relationship with the TARGET2 network service provider.
2. Participants are deemed to have authorised the BCL to obtain any information relating to them from any financial or supervisory authority or trade body, whether national or foreign, if such information is necessary for the participant's participation in TARGET2-LU.
3. Participants, when acting as the payment service provider of a payer or payee, shall comply with all requirements resulting from administrative or restrictive measures imposed pursuant to Articles 75 or 215 of the Treaty to which they are subject, including with respect to notification and/or the obtaining of consent from a competent authority in relation to the processing of transactions. In addition:
  - (a) when the BCL is the payment service provider of a participant that is a payer:
    - (i) the participant shall make the required notification or obtain consent on behalf of the central bank that is primarily required to make notification or obtain consent, and shall provide the BCL with evidence of having made a notification or having received consent;

- (ii) the participant shall not enter any payment order for the transfer of funds to an account held by an entity different than the participant, into TARGET2 until it has obtained confirmation from the BCL that the required notification has been made or the consent has been obtained by or on behalf of the payment service provider of the payee;
- (b) when the BCL is a payment service provider of a participant that is a payee, the participant shall make the required notification or obtain consent on behalf of the central bank that is primarily required to make notification or obtain consent, and shall provide the BCL with evidence of having made a notification or having received consent.

For the purposes of this paragraph, the terms 'payment service provider', 'payer' and 'payee' shall have the meanings ascribed to them in the applicable administrative or restrictive measures..

## **Article 40**

### **Notices**

1. Except where otherwise provided for in these Conditions, all notices required or permitted pursuant to these Conditions shall be sent by registered post, facsimile or otherwise in writing or by an authenticated message through the TARGET2 network service provider. Notices to the BCL shall be submitted to the head of the **Banking Operations Department** of the **BCL, 2, boulevard Royal, L-2983 Luxembourg** or to the its BIC address: BCLXLULL. Notices to the participant shall be sent to it at the address, fax number or its BIC address as the participant may from time to time notify to the BCL.
2. To prove that a notice has been sent, it shall be sufficient to prove that the notice was delivered to the relevant address or that the envelope containing such notice was properly addressed and posted.
3. All notices shall be given in English only.
4. Participants shall be bound by all forms and documents of the BCL that the participants have filled in and/or signed, including but not limited to static data collection forms, as referred to in Article 8(2)(a), and information provided under Article 11(5), which were submitted in compliance with paragraphs 1 and 2 and which the BCL reasonably believes to have received from the participants, their employees or agents.

## **Article 41**

### **Contractual relationship with TARGET2 network service provider**

1. For the purposes of these Conditions, the TARGET2 network service provider is SWIFT. Each participant shall enter into a separate agreement with SWIFT regarding the services to be provided by SWIFT in relation to the participant's use of TARGET2-LU. The legal relationship between a participant and SWIFT shall be exclusively governed by SWIFT's terms and conditions.
2. Each participant shall also participate in a TARGET2 CUG, as specified by the SSP-providing CBs acting as the SWIFT service administrator for the SSP. Admission and exclusion of a participant to or from a TARGET2 CUG shall take effect once communicated to SWIFT by the SWIFT service administrator.
3. Participants shall comply with the TARGET2 SWIFT Service Profile, as made available by the BCL.
4. The services to be provided by SWIFT shall not form part of the services to be performed by the BCL in respect of TARGET2.
5. The BCL is not liable for any acts, errors or omissions of SWIFT (including its directors, staff and subcontractors) as provider of SWIFT services, or for any acts, errors or omissions of network providers selected by participants to gain access to the SWIFT network.

## **Article 42**

### **Amendment procedure**

The BCL may at any time unilaterally amend these Conditions, including the Appendices. Amendments to these Conditions, including the Appendices, shall be announced in accordance with the provisions of the General Terms and Conditions of the BCL to each participant individually. Amendments are deemed to have been accepted unless the participant expressly objects within 14 days of being informed of such amendments. In the event that a participant objects to the amendment, the BCL is entitled immediately to terminate that participant's participation in TARGET2-LU and close any of its PM accounts.

## **Article 43**

### **Third party rights**

1. Any rights, interests, obligations, responsibilities and claims arising from or relating to these Conditions shall not be transferred, pledged or assigned by participants to any third party without the BCL's written consent.
2. These Conditions do not create any rights in favour of or obligations in relation to any entity other than the BCL and participants in TARGET2-LU.

## **Article 44**

### **Governing law, jurisdiction and place of performance**

1. The bilateral relationship between the BCL and participants in TARGET2-LU shall be governed by the laws of the Grand-Duchy Luxembourg.
2. Without prejudice to the competence of the Court of Justice of the European Union, any dispute arising from a matter relating to the relationship referred to in paragraph 1 falls under the exclusive competence of the competent courts of the Grand-Duchy Luxembourg.
3. The place of performance concerning the legal relationship between the BCL and the participants shall be Luxembourg.

## **Article 45**

### **Severability**

If any provision in these Conditions is or becomes invalid, this shall not prejudice the applicability of all the other provisions of these Conditions.

## **Article 46**

### **Entry into force and binding nature**

1. These Conditions become effective from 30 November 2018.
2. By requesting a PM account in TARGET2-LU, applicant participants automatically agree to these Conditions between themselves and in relation to the BCL.

## TECHNICAL SPECIFICATIONS FOR THE PROCESSING OF PAYMENT ORDERS

In addition to the Conditions, the following rules shall apply to the processing of payment orders:

### **1 Technical requirements for participation in TARGET2-LU regarding infrastructure, network and formats**

- (1) TARGET2 uses SWIFT services for the exchange of messages. Each participant therefore needs a connection to SWIFT's Secure IP Network. Each participant's PM account shall be identified by an eight- or 11-digit SWIFT BIC. Furthermore, each participant shall pass a series of tests to prove its technical and operational competence before it may participate in TARGET2-LU.
- (2) For the submission of payment orders and the exchange of payment messages in the PM the SWIFTNet FIN Y-copy service shall be used. A dedicated SWIFT Closed User Group (CUG) shall be set up for this purpose. Payment orders within such TARGET2 CUG shall be directly addressed to the receiving TARGET2 participant by entering its BIC in the header of the SWIFTNet FIN message.
- (3) For the information and control services the following SWIFTNet services may be used:
  - (a) SWIFTNet InterAct;
  - (b) SWIFTNet FileAct; and/or
  - (c) SWIFTNet Browse.
- (4) The security of the message exchange between participants shall rely exclusively on SWIFT's Public Key Infrastructure (PKI) service. Information on the PKI service is available in the documentation provided by SWIFT.
- (5) The 'bilateral relationship management' service provided by SWIFT's Relationship Management Application (RMA) shall only be used with the central destination BIC of the SSP and not for payment messages between TARGET2 participants.



## 2 Payment message types

(1) The following SWIFTNet FIN/SWIFT system message types are processed:

Message Type	Type of use	Description
MT 103	Mandatory	Customer payment
MT 103+	Mandatory	Customer payment (Straight Through Processing)
MT 202	Mandatory	Bank-to-bank payment
MT 202COV	Mandatory	Cover Payment
MT 204	Optional	Direct debit payment
MT 011	Optional	Delivery notification
MT 012	Optional	Sender notification
MT 019	Mandatory	Abort notification
MT 900	Optional	Confirmation of debit/Credit line change
MT 910	Optional	Confirmation of credit/Credit line change
MT 940/950	Optional	(Customer) statement message

MT 011, MT 012 and MT 019 are SWIFT system messages.

- (2) When they register with TARGET2-LU, direct participants shall declare which optional message types they will use, with the exception of MT 011 and MT 012 messages in relation to which direct participants shall decide from time to time whether or not to receive them with reference to specific messages.
- (3) Participants shall comply with the SWIFT message structure and field specifications, as defined in the SWIFT documentation and under the restrictions set out for TARGET2, as described in Chapter 9.1.2.2 of the User Detailed Functional Specifications (UDFS), Book 1.

- (4) Field contents shall be validated at the level of TARGET2-LU in accordance with the UDFS requirements. Participants may agree among each other on specific rules regarding the field contents. However, in TARGET2-LU there shall be no specific checks as to whether participants comply with any such rules.
- (5) MT 202COV messages shall be used for making cover payments, i.e. payments made by correspondent banks to settle (cover) credit transfer messages which are submitted to a customer's bank by other, more direct means. Customer details contained in MT 202COV shall not be displayed in the ICM.

### 3 Double-entry check

- (1) All payment orders shall pass a double-entry check, the aim of which is to reject payment orders that have been submitted more than once by mistake.
- (2) The following fields of the SWIFT message types shall be checked:

Details	Part of the SWIFT message	Field
Sender	Basic Header	LT Address
Message Type	Application Header	Message Type
Receiver	Application Header	Destination Address
Transaction Reference Number (TRN)	Text Block	:20
Related Reference	Text Block	:21
Value Date	Text Block	:32
Amount	Text Block	:32

- (3) If all the fields described in subparagraph 2 in relation to a newly submitted payment order are identical to those in relation to a payment order that has already been accepted, the newly submitted payment order shall be returned.

### 4 Error codes

If a payment order is rejected, the instructing participant shall receive an abort notification (MT 019) indicating the reason for the rejection by using error codes. The error codes are defined in Chapter 9.4.2 of the UDFS.

## **5 Predetermined settlement times**

- (1) For payment orders using the Earliest Debit Time Indicator, the codeword '/FROTIME/' shall be used.
- (2) For payment orders using the Latest Debit Time Indicator, two options shall be available.
  - (a) Codeword '/REJTIME/': if the payment order cannot be settled by the indicated debit time, the payment order shall be returned.
  - (b) Codeword '/TILTIME/': if the payment order cannot be settled by the indicated debit time, the payment order shall not be returned but is kept in the relevant queue.

Under both options, if a payment order with a Latest Debit Time Indicator is not settled 15 minutes prior to the time indicated therein, a notification shall be automatically sent via the ICM.

- (3) If the codeword '/CLSTIME/' is used, the payment shall be treated in the same way as a payment order referred to in subparagraph 2(b).

## **6 Settlement of payment orders in the entry disposition**

- (1) Offsetting checks and, if appropriate, extended offsetting checks (both terms as defined in paragraphs 2 and 3) shall be carried out on payment orders entered into the entry disposition to provide quick, liquidity-saving gross settlement of payment orders.
- (2) An offsetting check shall determine whether the payee's payment orders that are at the front of the highly urgent or, if inapplicable, the urgent queue are available to be offset against the payer's payment order (hereinafter 'offsetting payment orders'). If an offsetting payment order does not provide sufficient funds for the respective payer's payment order in the entry disposition, it shall be determined whether there is sufficient available liquidity on the payer's PM account.
- (3) If the offsetting check fails, the BCL may apply an extended offsetting check. An extended offsetting check determines whether offsetting payment orders are available in any of the payee's queues regardless of when they joined the queue. However, if in the queue of the payee there are higher priority payment orders addressed to other TARGET2 participants,

the FIFO principle may only be breached if settling such an offsetting payment order would result in a liquidity increase for the payee.

## **7 Settlement of payment orders in the queue**

- (1) The treatment of payment orders placed in queues depends on the priority class to which it was designated by the instructing participant.
- (2) Payment orders in the highly urgent and urgent queues shall be settled by using the offsetting checks described in paragraph 6, starting with the payment order at the front of the queue in cases where there is an increase in liquidity or there is an intervention at queue level (change of queue position, settlement time or priority, or revocation of the payment order).
- (3) Payments orders in the normal queue shall be settled on a continuous basis including all highly urgent and urgent payment orders that have not yet been settled. Different optimisation mechanisms (algorithms) are used. If an algorithm is successful, the included payment orders will be settled; if an algorithm fails, the included payment orders will remain in the queue. Three algorithms (1 to 3) shall be applied to offset payment flows. By means of Algorithm 4, settlement procedure 5 (as defined in Chapter 2.8.1 of the UDFS) shall be available for the settlement of payment instructions of ancillary systems. To optimise the settlement of highly urgent ancillary system transactions on participants' sub-accounts, a special algorithm (Algorithm 5) shall be used.
  - (a) Under Algorithm 1 ('all-or-nothing') the BCL shall, both for each relationship in respect of which a bilateral limit has been set and also for the total sum of relationships for which a multilateral limit has been set:
    - (i) calculate the overall liquidity position of each TARGET2 participant's PM account by establishing whether the aggregate of all outgoing and incoming payment orders pending in the queue is negative or positive and, if it is negative, check whether it exceeds that participant's available liquidity (the overall liquidity position shall constitute the 'total liquidity position'); and
    - (ii) check whether limits and reservations set by each TARGET2 participant in relation to each relevant PM account are respected.

If the outcome of these calculations and checks is positive for each relevant PM account, the BCL and other CBs involved shall settle all payments simultaneously on the PM accounts of the TARGET2 participants concerned.

- (b) Under Algorithm 2 ('partial') the BCL shall:

- (i) calculate and check the liquidity positions, limits and reservations of each relevant PM account as under Algorithm 1; and
- (ii) if the total liquidity position of one or more relevant PM accounts is negative, extract single payment orders until the total liquidity position of each relevant PM account is positive.

Thereafter, the BCL and the other CBs involved shall, provided there are sufficient funds, settle all remaining payments (except the extracted payment orders) simultaneously on the PM accounts of the TARGET2 participants concerned.

When extracting payment orders, the BCL shall start from the TARGET2 participant's PM account with the highest negative total liquidity position and from the payment order at the end of the queue with the lowest priority. The selection process shall only run for a short time, to be determined by the BCL at its discretion.

- (c) Under Algorithm 3 ('multiple') the BCL shall:
  - (i) compare pairs of TARGET2 participants' PM accounts to determine whether queued payment orders can be settled within the available liquidity of the two TARGET2 participants' PM accounts concerned and within the limits set by them (by starting from the pair of PM accounts with the smallest difference between the payment orders addressed to each other), and the CB(s) involved shall book those payments simultaneously on the two TARGET2 participants' PM accounts; and
  - (ii) if, in relation to a pair of PM accounts as described under point (i), liquidity is insufficient to fund the bilateral position, extract single payment orders until there is sufficient liquidity. In this case the CB(s) involved shall settle the remaining payments, except the extracted ones, simultaneously on the two TARGET2 participants' PM accounts.

After performing the checks specified under subparagraphs (i) to (ii), the BCL shall check the multilateral settlement positions (between a participant's PM account and other TARGET2 participants' PM accounts in relation to which a multilateral limit has been set). For this purpose, the procedure described under subparagraphs (i) to (ii) shall apply mutatis mutandis.

- (d) Under Algorithm 4 ('partial plus ancillary system settlement') the BCL shall follow the same procedure as for Algorithm 2, but without extracting payment orders in relation to the settlement of an ancillary system (which settles on a simultaneous multilateral basis).

- (e) Under Algorithm 5 ('ancillary system settlement via sub-accounts') the BCL shall follow the same procedure as for Algorithm 1, subject to the modification that the BCL shall start Algorithm 5 via the Ancillary System Interface and shall only check whether sufficient funds are available on participants' sub-accounts. Moreover, no limits and reservations shall be taken into account. Algorithm 5 shall also run during night-time settlement.
- (4) Payment orders entered into the entry disposition after the start of any of algorithms 1 to 4 may nevertheless be settled immediately in the entry disposition if the positions and limits of the TARGET2 participants' PM accounts concerned are compatible with both the settlement of these payment orders and the settlement of payment orders in the current optimisation procedure. However, two algorithms shall not run simultaneously.
- (5) During daytime processing the algorithms shall run sequentially. As long as there is no pending simultaneous multilateral settlement of an ancillary system, the sequence shall be as follows:
  - (a) algorithm 1,
  - (b) if algorithm 1 fails, then algorithm 2,
  - (c) if algorithm 2 fails, then algorithm 3, or if algorithm 2 succeeds, repeat algorithm 1.

When simultaneous multilateral settlement ('procedure 5') in relation to an ancillary system is pending, Algorithm 4 shall run.

- (6) The algorithms shall run flexibly by setting a pre-defined time lag between the application of different algorithms to ensure a minimum interval between the running of two algorithms. The time sequence shall be automatically controlled. Manual intervention shall be possible.
- (7) While included in a running algorithm, a payment order shall not be reordered (change of the position in a queue) or revoked. Requests for reordering or revocation of a payment order shall be queued until the algorithm is complete. If the payment order concerned is settled while the algorithm is running, any request to reorder or revoke shall be rejected. If the payment order is not settled, the participant's requests shall be taken into account immediately.

## **8 Use of the ICM**

- (1) The ICM may be used for obtaining information and managing liquidity. SWIFT's Secure IP Network (SIPN) shall be the underlying technical communications network for exchanging information and running control measures.

- (2) With the exception of warehoused payment orders and static data information, only data in relation to the current business day shall be available via the ICM. The screens shall be offered in English only.
- (3) Information shall be provided in 'pull' mode, which means that each participant has to ask to be provided with information.
- (4) The following modes shall be available for using the ICM:
  - (a) application-to-application mode (A2A)

In A2A, information and messages are transferred between the PM and the participant's internal application. The participant therefore has to ensure that an appropriate application is available for the exchange of XML messages (requests and responses) with the ICM via a standardised interface. Further details are contained in the ICM User Handbook and in Book 4 of the UDFS.
  - (b) user-to-application mode (U2A)

U2A permits direct communication between a participant and the ICM. The information is displayed in a browser running on a PC system (SWIFT Alliance WebStation or another interface, as may be required by SWIFT). For U2A access the IT infrastructure has to be able to support cookies and JavaScript. Further details are described in the ICM User Handbook.
- (5) Each participant shall have at least one SWIFT Alliance WebStation, or another interface, as may be required by SWIFT, to have access to the ICM via U2A.
- (6) Access rights to the ICM shall be granted by using SWIFT's 'Role Based Access Control'. The SWIFT 'Non Repudiation of Emission' (NRE) service, which may be used by participants, allows the recipient of an XML message to prove that such message has not been altered.
- (7) If a participant has technical problems and is unable to submit any payment order, it may generate preformatted backup lump sum and backup contingency payments by using the ICM. The BCL shall open such functionality upon request of the participant.
- (8) Participants may also use the ICM to transfer liquidity:
  - (a) from their PM account to their account outside the PM;
  - (b) between the PM account and the participant's sub-accounts;
  - (c) from the PM account to the technical account managed by the ancillary system using settlement procedure 6 real-time;

- (d) by means of a PM to T2S DCA liquidity transfer order or, when the ICM is used in combination with the T2S value added services, a T2S DCA to PM liquidity transfer order; and
- (e) by means of a PM to TIPS DCA liquidity transfer order or a TIPS DCA to PM liquidity transfer order.

## **9 The UDFS and the ICM User Handbook**

Further details and examples explaining the above rules are contained in the UDFS and the ICM User Handbook, as amended from time to time and published on the BCL's website and the ECB's website in English.



## **TARGET2 COMPENSATION SCHEME**

### **1 General principles**

- (a) If there is a technical malfunction of TARGET2, direct participants may submit claims for compensation in accordance with the TARGET2 compensation scheme laid down in this Appendix.
- (b) Unless otherwise decided by the ECB's Governing Council, the TARGET2 compensation scheme shall not apply if the technical malfunction of TARGET2 arises out of external events beyond the reasonable control of the CBs concerned or as a result of acts or omissions by third parties.
- (c) Compensation under the TARGET2 compensation scheme shall be the only compensation procedure offered in the event of a technical malfunction of TARGET2. Participants may, however, use other legal means to claim for losses. If a participant accepts a compensation offer under the TARGET2 compensation scheme, this shall constitute the participant's irrevocable agreement that it thereby waives all claims in relation to the payment orders concerning which it accepts compensation (including any claims for consequential loss) it may have against any CB, and that the receipt by it of the corresponding compensation payment constitutes full and final settlement of all such claims. The participant shall indemnify the CBs concerned, up to a maximum of the amount received under the TARGET2 compensation scheme, in respect of any further claims which are raised by any other participant or any other third party in relation to the payment order or payment concerned.
- (d) The making of a compensation offer shall not constitute an admission of liability by the BCL or any other CB in respect of a technical malfunction of TARGET2.

### **2 Conditions for compensation offers**

- (a) A payer may submit a claim for an administration fee and interest compensation if, due to a technical malfunction of TARGET2 a payment order was not settled on the business day on which it was accepted.
- (b) A payee may submit a claim for an administration fee if due to a technical malfunction of TARGET2 it did not receive a payment that it was expecting to receive on a particular

business day. The payee may also submit a claim for interest compensation if one or more of the following conditions are met:

- (i) in the case of participants that have access to the marginal lending facility: due to a technical malfunction of TARGET2, a payee had recourse to the marginal lending facility; and/or
- (ii) in the case of all participants: it was technically impossible to have recourse to the money market or such refinancing was impossible on other, objectively reasonable grounds.

### **3 Calculation of compensation**

- (a) With respect to a compensation offer for a payer:
  - (i) the administration fee shall be EUR 50 for the first non-settled payment order, EUR 25 for each of the next four such payment orders and EUR 12,50 for each further such payment order. The administration fee shall be calculated separately in relation to each payee;
  - (ii) interest compensation shall be determined by applying a reference rate to be fixed from day to day. This reference rate shall be the lower of the euro overnight index average (EONIA) rate and the marginal lending rate. The reference rate shall be applied to the amount of the payment order not settled as a result of the technical malfunction of TARGET2 for each day in the period from the date of the actual or, in relation to payment orders referred to in paragraph 2(b)(ii), intended submission of the payment order until the date on which the payment order was or could have been successfully settled. Any interest or charges resulting from the placing of any non-settled payment orders on deposit with the Eurosystem shall be deducted from or charged to the amount of any compensation, as the case may be; and
  - (iii) no interest compensation shall be payable if and in so far as funds resulting from non-settled payment orders were placed in the market or used to fulfil minimum reserve requirements.
- (b) With respect to a compensation offer for a payee:
  - (i) the administration fee shall be EUR 50 for the first non-settled payment order, EUR 25 for each of the next four such payment orders and EUR 12,50 for each further such payment order. The administration fee shall be calculated separately in relation to each payer;

- (ii) the method set out in subparagraph (a)(ii) for calculating interest compensation shall apply except that interest compensation shall be payable at a rate equal to the difference between the marginal lending rate and the reference rate, and shall be calculated on the amount of any recourse to the marginal lending facility occurring as a result of the technical malfunction of TARGET2.

#### **4 Procedural rules**

- (a) A claim for compensation shall be submitted on the claim form available on the website of the BCL in English (see [www.bcl.lu](http://www.bcl.lu)). Payers shall submit a separate claim form in respect of each payee and payees shall submit a separate claim form in respect of each payer. Sufficient additional information and documents shall be provided to support the information indicated in the claim form. Only one claim may be submitted in relation to a specific payment or payment order.
- (b) Within four weeks of a technical malfunction of TARGET2, participants shall submit their claim form(s) to the BCL. Any additional information and evidence requested by the BCL shall be supplied within two weeks of such request being made.
- (c) The BCL shall review the claims and forward them to the ECB. Unless otherwise decided by the ECB's Governing Council and communicated to the participants, all received claims shall be assessed no later than 14 weeks after the technical malfunction of TARGET2 occurs.
- (d) The BCL shall communicate the result of the assessment referred to in subparagraph (c) to the relevant participants. If the assessment entails a compensation offer, the participants concerned shall, within four weeks of the communication of such offer, either accept or reject it, in respect of each payment or payment order comprised within each claim, by signing a standard letter of acceptance (in the form available on the website of the BCL (see [www.bcl.lu](http://www.bcl.lu))). If such letter has not been received by the BCL within four weeks, the participants concerned are deemed to have rejected the compensation offer.
- (e) The BCL shall make compensation payments on receipt of a participant's letter of acceptance of compensation. No interest shall be payable on any compensation payment.

## **TERMS OF REFERENCE FOR CAPACITY AND COUNTRY OPINIONS**

### **Terms of reference for capacity opinions for participants in TARGET2**

[Insert name of CB]

[address]

#### **Participation in the [name of the system]**

[location], [date]

Dear Sir or Madam,

We have been asked to provide this Opinion as [in-house or external] legal advisers to [specify name of Participant or branch of Participant] in respect of issues arising under the laws of [jurisdiction in which the Participant is established; hereinafter the 'jurisdiction'] in connection with the participation of [specify name of Participant] (hereinafter the 'Participant') in the [name of the TARGET2 component system] (hereinafter the 'System').

This Opinion is confined to the laws of [jurisdiction] as they exist as on the date of this Opinion. We have made no investigation of the laws of any other jurisdiction as a basis for this Opinion, and do not express or imply any opinion in this regard. Each of the statements and opinions presented below applies with equal accuracy and validity under the laws of [jurisdiction], whether or not the Participant acts through its head office or one or more branches established inside or outside of [jurisdiction] in submitting payment orders and receiving payments.

#### **I. DOCUMENTS EXAMINED**

For the purposes of this Opinion, we have examined:

- (1) a certified copy of the [specify relevant constitutional document(s)] of the Participant such as is/are in effect on the date hereof;

- (2) [if applicable] an extract from the [specify relevant company register] and [if applicable] [register of credit institutions or analogous register];
- (3) [to the extent applicable] a copy of the Participant's licence or other proof of authorisation to provide banking, investment, funds transfer or other financial services in [jurisdiction];
- (4) [if applicable] a copy of a resolution adopted by the board of directors or the relevant governing body of the Participant on [insert date], [insert year], evidencing the Participant's agreement to adhere to the System Documents, as defined below; and
- (5) [specify all powers of attorney and other documents constituting or evidencing the requisite power of the person or persons signing the relevant System Documents (as defined below) on behalf of the Participant];

and all other documents relating to the Participant's constitution, powers, and authorisations necessary or appropriate for the provision of this Opinion (hereinafter the 'Participant Documents').

For the purposes of this Opinion, we have also examined:

- (1) the [insert reference to the arrangements implementing the Terms and Conditions for participation in TARGET2 -LU] for the System dated [insert date] (hereinafter the 'Rules'); and
- (2) [...].

The Rules and the [...] shall be referred to hereinafter as the 'System Documents' (and collectively with the Participant Documents as the 'Documents').

## II. **ASSUMPTIONS**

For the purposes of this Opinion we have assumed in relation to the Documents that:

- (1) the System Documents with which we have been provided are originals or true copies;
- (2) the terms of the System Documents and the rights and obligations created by them are valid and legally binding under the laws of [insert reference to the Member State of the System] by which they are expressed to be governed, and the choice of the laws of [insert reference to the Member State of the System] to govern the System Documents is recognised by the laws of [insert reference to the Member State of the System];

- (3) the Participant Documents are within the capacity and power of and have been validly authorised, adopted or executed and, where necessary, delivered by the relevant parties; and
- (4) the Participant Documents are binding on the parties to which they are addressed, and there has been no breach of any of their terms.

### III. **OPINIONS REGARDING THE PARTICIPANT**

- A. The Participant is a corporation duly established and registered or otherwise duly incorporated or organised under the laws of [jurisdiction].
- B. The Participant has all the requisite corporate powers to execute and perform the rights and obligations under the System Documents to which it is party.
- C. The adoption or execution and the performance by the Participant of the rights and obligations under the System Documents to which the Participant is party will not in any way breach any provision of the laws or regulations of [jurisdiction] applicable to the Participant or the Participant Documents.
- D. No additional authorisations, approvals, consents, filings, registrations, notarisations or other certifications of or with any court or governmental, judicial or public authority that is competent in [jurisdiction] are required by the Participant in connection with the adoption, validity of enforceability of any of the System Documents or the execution or performance of the rights and obligations thereunder.
- E. The Participant has taken all necessary corporate action and other steps necessary under the laws of [jurisdiction] to ensure that its obligations under the System Documents are legal, valid and binding

This Opinion is stated as of its date and is addressed solely to [insert name of CB] and the [Participant]. No other persons may rely on this Opinion, and the contents of this Opinion may not be disclosed to persons other than its intended recipients and their legal counsel without our prior written consent, with the exception of the European Central Bank and the national central banks of the European System of Central Banks [and [the national central bank/relevant regulatory authorities] of [jurisdiction]].

Yours faithfully,

[signature]

## Terms of reference for country opinions for non-EEA participants in TARGET2

[Insert name of CB]

[address]

[name of the system]

[location], [date]

Dear Sir or Madam,

We have been asked as [external] legal advisers to [specify name of Participant or branch of Participant] (the 'Participant') in respect of issues arising under the laws of [jurisdiction in which the Participant is established; hereinafter the 'jurisdiction'] to provide this Opinion under the laws of [jurisdiction] in connection with the participation of the Participant in a system which is a component of TARGET2 (hereinafter the 'System'). References herein to the laws of [jurisdiction] include all applicable regulations of [jurisdiction]. We express an opinion herein under the law of [jurisdiction], with particular regard to the Participant established outside [insert reference to the Member State of the System] in relation to rights and obligations arising from participation in the System, as presented in the System Documents defined below.

This Opinion is confined to the laws of [jurisdiction] as they exist on the date of this Opinion. We have made no investigation of the laws of any other jurisdiction as a basis for this Opinion, and do not express or imply any opinion in this regard. We have assumed that there is nothing in the laws of another jurisdiction which affects this Opinion.

### 1. **DOCUMENTS EXAMINED**

For the purposes of this Opinion, we have examined the documents listed below and such other documents as we have deemed necessary or appropriate:

- (1) the [insert reference to the arrangements implementing the Terms and Conditions for participation in TARGET2-LU] for the System dated [insert date] (hereinafter the 'Rules'); and

- (2) any other document governing the System and/or the relationship between the Participant and other participants in the System, and between the participants in the System and the [insert name of CB].

The Rules and the [...] shall be referred to hereinafter as the 'System Documents'.

## **2. ASSUMPTIONS**

For the purposes of this Opinion we have assumed in relation to the System Documents that:

- (1) the System Documents are within the capacity and power of and have been validly authorised, adopted or executed and, where necessary, delivered by the relevant parties;
- (2) the terms of the System Documents and the rights and obligations created by them are valid and legally binding under the laws of [insert reference to the Member State of the System], by which they are expressed to be governed, and the choice of the laws of [insert reference to the Member State of the System] to govern the System Documents is recognised by the laws of [insert reference to the Member State of the System];
- (3) the participants in the System through which any payment orders are sent or payments are received, or through which any rights or obligations under the System Documents are executed or performed, are licensed to provide funds transfer services, in all relevant jurisdictions; and
- (4) the documents submitted to us in copy or as specimens conform to the originals.

## **3. OPINION**

Based on and subject to the foregoing, and subject in each case to the points set out below, we are of the opinion that:

### **3.1 Country-specific legal aspects [to the extent applicable]**

The following characteristics of the legislation of [jurisdiction] are consistent with and in no way set aside the obligations of the Participant arising out of the System Documents: [list of country-specific legal aspects].

### **3.2 General insolvency and crisis management issues**

#### **3.2.a Types of insolvency and crisis management proceedings**



The only types of insolvency proceedings (including composition or rehabilitation) which, for the purpose of this Opinion, shall include all proceedings in respect of the Participant's assets or any branch it may have in [jurisdiction] to which the Participant may become subject in [jurisdiction], are the following: [list proceedings in original language and English translation] (together collectively referred to as 'Insolvency Proceedings').

In addition to Insolvency Proceedings, the Participant, any of its assets, or any branch it may have in [jurisdiction] may become subject in [jurisdiction] to [list any applicable moratorium, receivership, or any other proceedings as a result of which payments to and/or from the Participant may be suspended, or limitations can be imposed in relation to such payments, or similar proceedings, including crisis prevention and crisis management measures equivalent to those defined in Directive 2014/59/EU, in original language and English translation] (hereinafter collectively referred to as 'Proceedings').

### 3.2.b Insolvency treaties

[jurisdiction] or certain political subdivisions within [jurisdiction], as specified, is/are party to the following insolvency treaties: [specify, if applicable which have or may have an impact on this Opinion].

## 3.3 Enforceability of System Documents

Subject to the points set out below, all provisions of the System Documents will be binding and enforceable in accordance with their terms under the laws of [jurisdiction], in particular in the event of the opening of any Insolvency Proceedings or Proceedings with respect to the Participant.

In particular, we are of the opinion that:

### 3.3.a Processing of payment orders

The provisions on processing of payment orders [list of sections] of the Rules are valid and enforceable. In particular, all payment orders processed pursuant to such sections will be valid, binding and will be enforceable under the laws of [jurisdiction]. The provision of the Rules which specifies the precise point in time at which payment orders submitted by the Participant to the System become enforceable and irrevocable ([add section of the Rules]) is valid, binding and enforceable under the laws of [jurisdiction].

### 3.3.b Authority of the [insert name of CB] to perform its functions

The opening of Insolvency Proceedings or Proceedings in respect of the Participant will not affect the authority and powers of the [insert name of CB] arising out of the System Documents. [Specify [to the extent applicable] that: the same opinion is also applicable in respect of any other entity which provides the Participants with services directly and necessarily required for participating in the System (e.g. network service provider)].

#### 3.3.c Remedies in the event of default

[Where applicable to the Participant, the provisions contained in [list of sections] of the Rules regarding accelerated performance of claims which have not yet matured, the set-off of claims for using the deposits of the Participant, the enforcement of a pledge, suspension and termination of participation, claims for default interest, and termination of agreements and transactions ([insert other relevant clauses of the Rules or the System Documents]) are valid and enforceable under the laws of [jurisdiction].]

#### 3.3.d Suspension and termination

Where applicable to the Participant, the provisions contained in [list of sections] of the Rules (in respect of suspension and termination of the Participant's participation in the System on the opening of Insolvency Proceedings or Proceedings or other events of default, as defined in the System Documents, or if the Participant represents any kind of systemic risk or has serious operational problems) are valid and enforceable under the laws of [jurisdiction].

#### 3.3.e Penalty regime

Where applicable to the Participant, the provisions contained in [list of sections] of the Rules in respect of penalties imposed on a Participant which is unable to reimburse intraday credit or overnight credit, where applicable, on time are valid and enforceable under the laws of [jurisdiction].

#### 3.3.f Assignment of rights and obligations

The rights and obligations of the Participant cannot be assigned, altered or otherwise transferred by the Participant to third parties without the prior written consent of the [insert name of CB].

#### 3.3.g Choice of governing law and jurisdiction

The provisions contained in [list of sections] of the Rules, and in particular in respect of the governing law, the resolution of a dispute, competent courts, and service of process are valid and enforceable under the laws of [jurisdiction].

### 3.4 Voidable preferences

We are of the opinion that no obligation arising out of the System Documents, the performance thereof, or compliance therewith prior to the opening of any Insolvency Proceedings or Proceedings in respect of the Participant may be set aside in any such proceedings as a preference, voidable transaction or otherwise under the laws of [jurisdiction].

In particular, and without limitation to the foregoing, we express this opinion in respect of any payment orders submitted by any participant in the System. In particular, we are of the opinion that the provisions of [list of sections] of the Rules establishing the enforceability and irrevocability of payment orders will be valid and enforceable and that a payment order submitted by any participant and processed pursuant to [list of sections] of the Rules may not be set aside in any Insolvency Proceedings or Proceedings as a preference, voidable transaction or otherwise under the laws of [jurisdiction].

### 3.5 Attachment

If a creditor of the Participant seeks an attachment order (including any freezing order, order for seizure or any other public or private law procedure that is intended to protect the public interest or the rights of the Participant's creditors) – hereinafter referred to as an 'Attachment' – under the laws of [jurisdiction] from a court or governmental, judicial or public authority that is competent in [jurisdiction], we are of the opinion that [insert the analysis and discussion].

### 3.6 Collateral [if applicable]

3.6.a. *Assignment of rights or deposit of assets for collateral purposes, pledge and/or repo*

Assignments for collateral purposes will be valid and enforceable under the laws of [jurisdiction]. Specifically, the creation and enforcement of a pledge or repo under the [insert reference to the relevant arrangement with the CB] will be valid and enforceable under the laws of [jurisdiction].

### 3.6.b Priority of assignees', pledgees' or repo purchasers' interest over that of other claimants

In the event of Insolvency Proceedings or Proceedings in respect of the Participant, the rights or assets assigned for collateral purposes, or pledged by the Participant in favour of the [insert reference to CB] or other participants in the System, will rank in priority of payment above the claims of all other creditors of the Participant and will not be subject to priority or preferential creditors.

### 3.6.c Enforcing title to security

Even in the event of Insolvency Proceedings or Proceedings in respect of the Participant, other participants in the System and the [insert name of CB] as [assignees, pledgees or repo purchasers as applicable] will still be free to enforce and collect the Participant's rights or assets through the action of the [insert name of CB] pursuant to the Rules.

### 3.6.d Form and registration requirements

There are no form requirements for the assignment for collateral purposes of, or the creation and enforcement of a pledge or repo over the Participant's rights or assets and it is not necessary for the [assignment for collateral purposes, pledge or repo, as applicable], or any particulars of such [assignment, pledge or repo, as applicable,] to be registered or filed with any court or governmental, judicial or public authority that is competent in [jurisdiction].

## 3.7. Branches [to the extent applicable]

### 3.7.a Opinion applies to action through branches

Each of the statements and opinions presented above with regard to the Participant applies with equal accuracy and validity under the laws of [jurisdiction] in situations where the Participant acts through its one or more of its branches established outside [jurisdiction].

### 3.7.b Conformity with law

Neither the execution and performance of the rights and obligations under the System Documents nor the submission, transmission or receipt of payment orders by a branch of the Participant will in any respect breach the laws of [jurisdiction].

### 3.7.c Required authorisations

Neither the execution and performance of the rights and obligations under the System Documents nor the submission, transmission or receipt of payment orders by a branch of a Participant will require any additional authorisations, approvals, consents, filings, registrations, notarisations or other certifications of or with any court or governmental, judicial or public authority that is competent in [jurisdiction].

This Opinion is stated as of its date and is addressed solely to the [insert name of CB] and the [Participant]. No other persons may rely on this Opinion, and the contents of this Opinion may not

be disclosed to persons other than its intended recipients and their legal counsel without our prior written consent, with the exception of the European Central Bank and the national central banks of the European System of Central Banks [and [the national central bank/relevant regulatory authorities] of [jurisdiction]].

Yours faithfully,

[signature]

## **BUSINESS CONTINUITY AND CONTINGENCY PROCEDURES**

### **1. General provisions**

- (a) This Appendix sets out the arrangements between the BCL and participants, or ancillary systems, if one or more components of the SSP or the telecommunications network fail or are affected by an abnormal external event, or if the failure affects any participant or ancillary system.
- (b) All references to specific times in this Appendix are to the local time at the seat of the ECB, i.e. Central European Time (CET<sup>23</sup>).

### **2. Measures of business continuity and contingency processing**

- (a) In the event that an abnormal external event occurs and/or there is a failure of the SSP or the telecommunications network which affects the normal operation of TARGET2, the BCL shall be entitled to adopt business continuity and contingency processing measures.
- (b) The following main business continuity and contingency processing measures shall be available in TARGET2:
  - (i) relocating the operation of the SSP to an alternative site;
  - (ii) changing the SSP's operating hours; and
  - (iii) initiating contingency processing of very critical and critical payments, as defined in paragraph 6(c) and (d) respectively.
- (c) In relation to business continuity and contingency processing measures, the BCL shall have full discretion regarding whether and which measures are adopted to settle payment orders.

---

<sup>23</sup> CET takes into account the change to Central European Summer Time.

### **3. Incident communication**

- (a) Information about the failure of the SSP and/or an abnormal external event shall be communicated to participants through the domestic communication channels, the ICM and T2IS. In particular, communications to participants shall include the following information:
  - (i) a description of the event;
  - (ii) the anticipated delay in processing (if known);
  - (iii) information on the measures already taken; and
  - (iv) the advice to participants.
- (b) In addition, the BCL may notify participants of any other existing or anticipated event which has the potential to affect the normal operation of TARGET2.

### **4. Relocation the operation of the SSP to an alternative site**

- (a) In the event that any of the events referred to in paragraph 2(a) occurs, the operation of the SSP may be relocated to an alternative site, either within the same region or in another region.
- (b) In the event that the operation of the SSP or the T2S Platform is relocated from one region (Region 1) to another region (Region 2), the participants shall endeavour to reconcile their positions up to the point of the failure or the occurrence of the abnormal external event and provide to the BCL all relevant information in this respect.
- (c) Where a PM to T2S DCA liquidity transfer order is debited on the participant's PM account on the SSP in Region 1, but, after reconciliation, is not shown as debited on the SSP in Region 2, the BCL, as CB responsible for the participant, shall debit the participant's PM account in Region 2 to return the participant's PM account balance to the level it had prior to the relocation.

### **5. Change of operating hours**

- (a) The daytime processing of TARGET2 may be extended or the opening time of a new business day may be delayed. During any extended operating time of TARGET2, payment orders shall be processed in accordance with the Terms and Conditions, subject to the modifications contained in this Appendix.
- (b) Daytime processing may be extended and the closing time thereby delayed if an SSP failure has occurred during the day but has been resolved before 18.00. Such a closing time delay shall in normal circumstances not exceed two hours and shall be announced as early as

possible to participants. If such a delay is announced before 16.50, the minimum period of one hour between the cut-off time for customer and interbank payment orders shall remain in place. Once such a delay is announced it may not be withdrawn.

- (c) The closing time shall be delayed in cases where an SSP failure has occurred before 18:00 and has not been resolved by 18.00. The BCL shall immediately communicate the delay of closing time to participants.
- (d) Upon recovery of the SSP, the following steps shall take place:
  - (i) The BCL shall seek to settle all queued payments within one hour; this time is reduced to 30 minutes in the event that the SSP failure occurs at 17.30 or later (in cases where the SSP failure was ongoing at 18.00).
  - (ii) Participants' final balances shall be established within one hour; this time shall be reduced to 30 minutes in the event that the SSP failure occurs at 17.30 or later, in cases where the SSP failure was ongoing at 18.00.
  - (iii) At the cut-off time for interbank payments, the end-of-day processing, including recourse to the Eurosystem standing facilities shall take place.
- (e) Ancillary systems that require liquidity in the early morning need to have established means to cope with cases where the daytime processing cannot be started in time due to an SSP failure on the previous day.

## **6. Contingency processing**

- (a) If it deems it necessary to do so, the BCL shall initiate the contingency processing of payment orders using the Contingency Solution of the SSP. In such cases, only a minimum service level shall be provided to participants and ancillary systems. The BCL shall inform its participants and ancillary systems of the start of contingency processing by any available means of communication.
- (b) In contingency processing, payment orders shall be submitted by the participants and authorised by the BCL. In addition, the ancillary systems may submit files containing payment instructions, which may be uploaded into the Contingency Solution by the BCL.
- (c) The following payments shall be considered as 'very critical' and the BCL shall use best efforts to process them in contingency situations:
  - (i) CLS Bank International-related payments, with the exception of payments related to the CLS CCP and the CLSNow services;
  - (ii) end-of-day settlement of EURO1; and
  - (iii) central counterparty margin calls.



- (d) Payments required to avoid systemic risk shall be considered as 'critical' and the BCL may decide to initiate contingency processing in relation to them.
- (e) Participants shall submit payment orders for contingency processing directly into the Contingency Solution and information to payees shall be provided in writing according to the provisions of the General Terms and Conditions of the BCL. Ancillary systems shall submit files which contain payment instructions to the BCL for uploading into the Contingency Solution and which authorise the BCL to do so. The BCL may, exceptionally, also manually input payments on behalf of participants. Information concerning account balances and debit and credit entries may be obtained via the BCL.
- (f) Payment orders that have already been submitted to TARGET2-LU, but are queued, may also undergo contingency processing. In such cases the BCL shall endeavour to avoid the double processing of payment orders, but the participants shall bear the risk of such double processing if it occurred.
- (g) For contingency processing of payment orders, participants shall provide additional collateral. During contingency processing, incoming contingency payments may be used to fund outgoing contingency payments. For the purposes of contingency processing, participants' available liquidity may not be taken into account by the BCL.

## **7. Failures linked to participants or ancillary systems**

- (a) In the event that a participant has a problem that prevents it from settling payments in TARGET2 it shall be its responsibility to resolve the problem. In particular, a participant may use in-house solutions or the ICM functionality, i.e. backup liquidity redistribution payments and backup contingency payments (e.g. CLS, EURO1).
- (b) If a participant decides to use the ICM functionality for making backup lump sum payments, the BCL shall, if the participant so requests, open this functionality via the ICM. If the participant so requests, the BCL shall transmit an ICM broadcast message to inform other participants about the participant's use of backup lump sum payments. The participant shall be responsible for sending such backup lump sum payments exclusively to other participants with which it has bilaterally agreed on the use of such payments and for any further steps in relation to such payments.
- (c) If the measures referred to in subparagraph (a) are exhausted or if they are inefficient, the participant may request support from the BCL.
- (d) In the event that a failure affects an ancillary system, that ancillary system shall be responsible for resolving its failure. If the ancillary system so requests, the BCL may act on its behalf. The BCL shall have discretion to decide what support it gives to the ancillary

system, including during the night-time operations of the ancillary system. The following contingency measures may be taken:

- (i) the ancillary system initiates clean payments (i.e. payments that are not linked to the underlying transaction) via the Participant Interface;
  - (ii) the BCL creates and/or processes XML instructions/files on behalf of the ancillary system; and/or
  - (iii) the BCL makes clean payments on behalf of the ancillary system.
- (e) The detailed contingency measures with respect to ancillary systems shall be contained in the bilateral agreement between the BCL and the relevant ancillary system.

## **8. Other provisions**

- (a) In the event that certain data are unavailable because one of the events referred to in paragraph 3(a) has occurred, the BCL is entitled to start or continue processing payment orders and/or operate TARGET2-LU on the basis of the last available data, as determined by the BCL. If so requested by the BCL, participants and ancillary systems shall resubmit their FileAct/Interact messages or take any other action deemed appropriate by the BCL.
- (b) In the event of a failure of the BCL, some or all of its technical functions in relation to TARGET2-LU may be performed by other Eurosystem CBs or the operational team of the SSP.
- (c) The BCL may require that the participants participate in regular or ad hoc testing of business continuity and contingency processing measures, training or any other preventative arrangements, as deemed necessary by the BCL. Any costs incurred by the participants as a result of such testing or other arrangements shall be borne solely by the participants.

### OPERATING SCHEDULE

1. TARGET2 is open on all days, except Saturdays, Sundays, New Year's Day, Good Friday and Easter Monday (according to the calendar applicable at the seat of the ECB), 1 May, Christmas Day and 26 December.
2. The reference time for the system is the local time at the seat of the ECB, i.e. CET.
3. The current business day is opened during the evening of the previous business day and operates to the following schedule:

<i>Time</i>	Description
6.45-7.00	Business window to prepare daytime operations <sup>1</sup>
7.00-18.00	Daytime processing
17.00	Cut-off time for customer payments, i.e. payments where the originator and/or the beneficiary of a payment is not a direct or indirect participant as identified in the system by the use of an MT 103 or MT 103+ message
18.00	Cut-off time for interbank payments, i.e. payments other than customer payments Cut-off time for liquidity transfers between TARGET2 and TIPS
Shortly after 18.00	Completion of last algorithms in TARGET2
Upon completion of last algorithms	TARGET2 sends message to TIPS to initiate change of business day in TIPS
Shortly after completion of last algorithms	End-of-day files (General Ledger) received from TIPS
18.00-18.45 <sup>2</sup>	End-of-day processing
18.15 <sup>3</sup>	General cut-off time for the use of standing facilities
(Shortly after) 18.30 <sup>4</sup>	Data for the update of accounting systems are available to CBs
18.45-19.30 <sup>5</sup>	Start-of-day processing (new business day)
19.00 <sup>6</sup> -19.30 <sup>7</sup>	Provision of liquidity on the PM account
19.30 <sup>8</sup>	'Start-of-procedure' message and settlement of the standing orders to transfer liquidity from the PM accounts to the subaccounts/technical account (ancillary system-related settlement)

	Start of liquidity transfers between TARGET2 and TIPS
19.30 <sup>9</sup> -22.00	Execution of additional liquidity transfers via the ICM for settlement procedure 6 real time; execution of additional liquidity transfers via the ICM before the ancillary system sends the 'start of cycle' messages for settlement procedure 6 interfaced; settlement period of night-time ancillary system operations (only for ancillary system settlement procedure 6 real-time and settlement procedure 6 interfaced)
22.00-1.00	Technical maintenance window
1.00-7.00	Settlement procedure of night-time ancillary system operations (only for ancillary system settlement procedure 6 real-time and settlement procedure 6 interfaced)  Liquidity transfers between TARGET2 and TIPS

- 1 'Daytime operations' means daytime processing and end-of-day processing.
- 2 Ends 15 minutes later on the last day of the Eurosystem reserve maintenance period.
- 3 Ends 15 minutes later on the last day of the Eurosystem reserve maintenance period.
- 4 Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.
- 5 Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.
- 6 Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.
- 7 Ends 15 minutes later on the last day of the Eurosystem reserve maintenance period.
- 8 Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.
- 9 Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.

4. The ICM is available for liquidity transfers from 19.30<sup>\*\*\*</sup> until 18.00 the next day, except during the technical maintenance period from 22.00 until 1.00.

5. The operating hours may be changed in the event that business continuity measures are adopted in accordance with paragraph 5 of Appendix IV.

6. Up-to-date information on the SSP's operational status shall be available on the TARGET2 Information System (T2IS) on a dedicated webpage on the ECB's website. The information on the SSP's operational status on T2IS and the ECB's website shall only be updated during normal business hours. (\*) "Daytime operations" means daytime processing and end-of-day processing.

(\*\*) Ends 15 minutes later on the last day of the Eurosystem reserve maintenance period.

(\*\*\*) Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.

## FEE SCHEDULE AND INVOICING

### *Fees for direct participants*

1. The monthly fee for the processing of payment orders in TARGET2-LU for direct participants, depending on which option the direct participant has chosen, shall be either:
  - (a) EUR 150 per PM account plus a flat fee per transaction (debit entry) of EUR 0,80; or
  - (b) EUR 1 875 per PM account plus a fee per transaction (debit entry) determined as follows, based on the volume of transactions (number of processed items) per month:

Band	From	To	Price
1	1	10 000	EUR 0,60
2	10 001	25 000	EUR 0,50
3	25 001	50 000	EUR 0,40
4	50 001	100 000	EUR 0,20
5	Above 100 000	-	EUR 0,125

Liquidity transfers between a participant's PM account and its sub-accounts shall not be subject to a charge.

PM to T2S DCA liquidity transfer orders or PM to TIPS DCA liquidity transfer orders sent from a participant's PM account and T2S DCA to PM liquidity transfer orders or TIPS DCA to PM liquidity transfer orders received on a participant's PM account shall be charged according to the pricing option (a) or (b) above chosen for that PM account.

2. The monthly fee for multi-addressee access shall be EUR 80 for each 8-digit BIC address other than the BIC of the direct participant's account.
3. There shall be an additional monthly fee for direct participants who do not wish the BIC of their account to be published in the TARGET2 directory of EUR 30 per account.
4. The monthly fee for each registration by a direct participant of an indirect participant in the TARGET2 directory shall be EUR 20.
5. The one-time fee for each registration in the TARGET2 directory of an addressable BIC holder, for branches of direct and indirect participants, branches of correspondents and addressable BIC holders that are members of the same group, as defined in Article 1, shall be EUR 5.

6. The monthly fee for each registration in the TARGET2 directory of an addressable BIC holder for a correspondent shall be EUR 5.
7. The monthly fee for direct participants subscribing to the TARGET2 value-added services for T2S shall be EUR 50 for those participants which have opted for option (a) in paragraph 1 above, and EUR 625 for those participants which have opted for option (b) in paragraph 1 above.

#### ***Fees for liquidity pooling***

8. For the CAI mode, the monthly fee shall be EUR 100 for each account included in the group.
9. For the AL mode, the monthly fee shall be EUR 200 for each account included in the AL group. If the AL group uses the CAI mode, accounts not included in the AL mode shall pay the CAI monthly fee of EUR 100 per account.
10. For both the AL mode and the CAI mode, the degressive transaction fee structure set out in the table in paragraph 1(b) shall apply to all payments by the participants in the group, as if these payments were sent from one participant's account.
11. The monthly fee of EUR 1 875 referred to in paragraph 1(b) shall be paid by the relevant group manager, and the monthly fee of EUR 150 referred to in paragraph 1(a) shall be paid by all other members of the group. If an AL group is part of a CAI group, and the AL group manager is the same as the CAI group manager, the monthly fee of EUR 1 875 shall only be paid once. If the AL group is a part of a CAI group and the CAI group manager is different from the AL group manager, then the CAI group manager shall pay an additional monthly fee of EUR 1 875. In such cases the invoice for the total fees for all the accounts in the CAI group (including the AL group accounts) shall be sent to the CAI group manager.

#### ***Fees for Main PM account holders***

12. In addition to the fees set out above in this Appendix, a monthly fee of EUR 250 for each linked T2S DCA shall be charged to Main PM account holders.
13. The Main PM account holders shall be charged the following fees for T2S services connected with the linked T2S DCA(s). These items shall be billed separately.

<b>Tariff items</b>	<b>Price</b>	<b>Explanation</b>
<b>Settlement services</b>		
T2S DCA to T2S DCA liquidity transfer orders	14,1 eurocent	per transfer
Intra-balance movement (i.e. blocking, unblocking, reservation of liquidity etc.)	9,4 eurocent	per transaction

<b>Information services</b>		
A2A reports	0,4 eurocent	Per business item in any A2A report generated
A2A queries	0,7 eurocent	Per queried business item in any A2A query generated
U2A queries	10 eurocent	Per executed search function
U2A queries downloaded	0,7 eurocent	Per queried business item in any U2A query generated and downloaded
Messages bundled into a file	0,4 eurocent	Per message in a file
Transmissions	1,2 eurocent	Per transmission

#### Fees for Linked PM account holders

- 13a. The holder of the Linked PM account shall be charged the following fees for the TIPS service connected with the TIPS DCAs linked to that PM account.

Tariff items	Price	Explanation
<i>Settlement services</i>		
Instant payment order	0,20 euro cent	To be charged also for unsettled transactions
Recall request	0,00	
Negative recall answer	0,00	
Positive recall answer	0,20 euro cent	To be charged to the holder of the Linked PM account associated with the TIPS DCA to be credited (also for unsettled transactions)

- 13b. Up to the first ten million instant payment orders and positive recall answers, cumulatively, received by the TIPS Platform by the end of 2019, shall be free of charge. The BCL shall charge Linked PM account holders for any further instant payment orders and positive recall answers received by the TIPS Platform by the end of 2019, in the following year.

#### Invoicing

14. In the case of direct participants, the following invoicing rules apply. The direct participant (the AL group or CAI group manager in the event that the AL or CAI modes

are used) shall receive the relevant invoices for the previous month specifying the fees to be paid, no later than on the ninth business day of the following month. Payments shall be made no later than the 14th business day of that month to the account specified by the BCL or shall be debited from an account specified by the PM account holder.



## AGGREGATED LIQUIDITY AGREEMENT – VARIANT A

### Template for use of the AL mode by more than one credit institution

Between, on the one hand:

[participant], holder of PM account(s) No [.....], with [insert name of CB]

represented by [.....], acting as  
[.....],

[participant], holder of PM account(s) No [.....], with [insert name of CB]

represented by [.....], acting as  
[.....],

[participant], holder of PM account(s) No [.....], with [insert name of CB]

represented by [.....], acting as  
[.....],

(hereinafter the 'AL group members')

and on the other hand,

[insert name of AL NCB]

[insert name of AL NCB]

[insert name of AL NCB]

(hereinafter the 'AL NCBs')

(AL group members and AL NCBs hereinafter collectively referred to as the 'Parties')

Whereas:

- (1) TARGET2 is legally structured as a multiplicity of payment systems, each of which is designated as a system under the relevant national legislation implementing Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems<sup>24</sup>.
- (2) Participants in one or more TARGET2 component systems may, under certain conditions laid down in the respective conditions for participation in TARGET2 component systems, set up an AL group, whereby the liquidity on the PM accounts of the AL group members is aggregated.
- (3) Aggregation of liquidity enables the AL group members to settle payment orders for an amount exceeding the available liquidity on their respective PM accounts, provided that the total value of all such payment orders never exceeds the aggregate amount of the available liquidity on all such PM accounts. The resulting debit position on one or more of these PM accounts constitutes intraday credit, the provision of which is governed by the respective national arrangements, subject to the modifications described in this agreement; in particular, such debit position is collateralised with the available liquidity on the PM accounts of other AL group members.
- (4) The effect of this mechanism is in no way to merge the various PM accounts, which, subject to the limitations described in this agreement, continue to be exclusively held by their respective holders.
- (5) Such a mechanism aims to avoid the fragmentation of liquidity in the different TARGET2 component systems and simplify the liquidity management within a group of credit institutions.
- (6) This mechanism improves the overall efficiency of settlement of payments in TARGET2.
- (7) [Participant], [participant] and [participant] are respectively connected to TARGET2-[insert CB/country reference], TARGET2-[insert CB/country reference], and TARGET2-[insert

---

<sup>24</sup> OJ L 166, 11.6.1998, p. 45.

CB/country reference] and are bound by the [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2] of [insert relevant dates],

Now, therefore, the Parties agree the following:

## **Article 1**

### **Effectiveness of this agreement**

This agreement and any amendment made hereto shall only be effective when the managing NCB, after having obtained any information or documents that it deems appropriate, confirms in writing that this agreement or amendments thereto comply with the requirements laid down in the respective conditions for participation in the TARGET2 component systems.

## **Article 2**

### **Mutual interest of AL group members and of AL NCBs**

1. The AL group members expressly declare and acknowledge that their entry into this agreement serves their mutual economic, social and financial interests since the payment orders of all AL group members may be settled in their respective TARGET2 component systems, up to an amount corresponding to the available liquidity on all the AL group members' PM accounts, thereby leveraging the liquidity available in other TARGET2 component systems.
2. The AL NCBs have a mutual interest in providing intraday credit to the AL group members, as this promotes the overall efficiency of settling payments in TARGET2. The intraday credit is collateralised in accordance with Article 18 of the Statute of the European System of Central Banks and of the European Central Bank since the debit balance resulting from the execution of a payment order is covered by the available liquidity on the PM accounts held by the other AL group members with their respective AL NCBs, which are collateralised for the discharge of the obligations owed by any of the AL group members to the AL NCBs.

## **Article 3**

### **AL group members' rights and obligations**

1. AL group members shall be jointly and severally liable towards all AL NCBs in relation to all claims resulting from the settlement in their respective TARGET2 component system of the payment order of any AL group member. AL group members shall not be entitled to rely on

any internal group arrangements on the division of liabilities to avoid any liability to the AL NCBs in relation to the aggregation of all abovementioned liabilities.

2. The total value of all payment orders settled by the AL group members on their PM accounts may never exceed the aggregate amount of all available liquidity on all such PM accounts.
3. AL group members shall be authorised to use the CAI mode, as described in the [insert the reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2].
4. The AL group members shall ensure that there is an internal agreement between them containing inter alia:
  - (a) the rules of internal organisation of the AL group;
  - (b) the conditions under which the AL group manager has a duty to report to the AL group members;
  - (c) the costs of the AL mode (including their allocation between AL group members); and
  - (d) the fees to be paid as remuneration between the AL group members for the services under the AL agreement and the rules for calculating the financial consideration.

With the exception of subparagraph (d), the AL group members may decide whether or not to disclose this internal agreement or parts of it to the AL NCBs. The AL group members shall disclose information referred to in subparagraph (d) to the AL NCBs.

## **Article 4**

### **AL NCBs' rights and obligations**

1. When an AL group member submits a payment order to its respective TARGET2 component system for an amount exceeding the available liquidity on that AL group member's PM account, its respective AL NCB shall extend intraday credit that is collateralised with the available liquidity on other PM accounts held by the AL group member with its respective AL NCB or on the PM accounts held by the other AL group members with their respective AL NCBs. Such intraday credit shall be governed by the rules applicable to the provision of intraday credit by such AL NCB.
2. Payment orders submitted by any of the AL group members which have the effect of exceeding the available liquidity on all PM accounts of the AL group members shall be queued until sufficient liquidity is available.
3. Except on the opening of insolvency proceedings against one or more AL group members, an AL NCB may claim from each of the AL group members the full discharge of all

obligations resulting from the settlement of payment orders of any AL group member in the latter's TARGET2 component system.

## **Article 5**

### **Designation and role of the AL group manager**

1. The AL group members hereby designate as AL group manager [indicate the participant designated as AL group manager], which shall be the contact point for all administrative matters relating to the AL group.
2. All AL group members shall provide their respective AL NCB, as well as the AL group manager, with any information which may affect the validity, enforceability and implementation of this agreement, including, without limitation, any modification or ending of the links between the AL group members needed to comply with the definition of a group laid down in the [insert reference to the relevant provisions in the arrangement(s) implementing Annex II of Guideline ECB/2007/2], the occurrence of any events of default within the meaning of the [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2] or any event which may affect the validity and/or enforceability of the [insert reference to the pledge, close-out netting provisions or any other relevant provisions of the arrangement(s) implementing Annex II of Guideline ECB/2007/2].
3. The AL group manager shall immediately convey to the managing NCB any information described in paragraph 2 relating to itself or to any other AL group member.
4. The AL group manager shall be responsible in respect of intraday monitoring of the liquidity available within the AL group.
5. The AL group manager shall have power of attorney over the PM accounts of the AL group members and, in particular, shall act as agent of the AL group members in respect of the following operations:
  - (a) any ICM operations in respect of the AL group members' PM accounts, including, but not limited to, any change in priority of a payment order, revocation, change of settlement time, liquidity transfers (including from and to sub-accounts), reordering of queued transactions, reservation of liquidity in respect of the AL group, setting and changes of limits in respect of the AL group and liquidity transfers;
  - (b) all end-of-day liquidity transactions between the PM accounts of the AL group members ensuring that all balances of the AL group members' PM accounts are levelled out, so that none of these accounts have a debit balance at the end of the

day or, where applicable, a debit balance not secured by eligible collateral (hereinafter such procedure is referred to as 'levelling out');

- (c) general instructions according to which automatic levelling out shall be performed, i.e. defining the sequence of AL group members' PM accounts with available liquidity to be debited within the levelling out;
- (d) in the absence of any explicit instructions by the AL group manager, as set out in subparagraphs (b) and (c), automatic levelling out shall be performed starting with the PM account with the highest credit balance towards the PM account with the highest debit balance.

The same criteria as defined in subparagraphs (c) and (d) shall be used if an enforcement event, as defined in [insert reference to the relevant provisions in the arrangement(s) implementing Annex II of Guideline ECB/2007/2], occurs.

- 6. The AL group members explicitly waive any rights they may have against the AL group manager under [insert, if applicable, a reference to the relevant provision of national law], resulting from the combination of such manager's capacity as a PM account holder and AL group member with its capacity as AL group manager.

## **Article 6**

### **Role of the managing NCB**

- 1. The managing NCB shall be the contact point for all administrative matters relating to the AL group.
- 2. All of the AL NCBs shall immediately provide the managing NCB with any information relating to their respective AL group member(s) which may affect the validity, enforceability and implementation of this agreement, including, but not limited to, any modification or ending of the links between the AL group members needed to comply with the definition of a group, the occurrence of any events of default within the meaning of the [insert reference to the arrangement(s) implementing the Harmonised Conditions] or events which may affect the validity and/or enforceability of the [insert reference to the pledge, close-out netting or any other relevant provisions of the arrangement(s) implementing Annex II of Guideline ECB/2007/2].
- 3. The managing NCB shall have access to all relevant information in respect of all PM accounts of the AL group members, including, but not limited to, information in respect of any credit line, the balance, total turnover, settled payments, queued payments, as well as information on the AL group members' limits and liquidity reservations .

## **Article 7**

### **Duration and termination of this agreement**

1. This agreement shall be of unlimited duration.
2. Each of the AL group members may unilaterally terminate its participation in this agreement, provided it gives 14 business days' written notice to the AL NCB in whose TARGET2 component system it participates and to the managing NCB. The managing NCB shall confirm to that AL group member the date of its termination of participation in the AL agreement and shall communicate such date to all AL NCBs which shall inform their AL group members accordingly. If that AL group member was the AL group manager, the remaining AL group members shall immediately appoint a new AL group manager.
3. This agreement or the participation of any AL group member in this agreement, as the case may be, shall automatically be terminated without prior notice and with immediate effect if one or more of the following events occurs:
  - (a) modification or ending of the links between all AL group members needed to comply with the definition of a group, as laid down in the [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2], or affecting one or more AL group members; and/or
  - (b) any other requirements for using the AL mode, as described in the [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2] are no longer met by all AL group members, or one or more AL group members.
4. Notwithstanding the occurrence of any of the events described in paragraph 3, a payment order that has already been submitted by any AL group member into the relevant TARGET2 component system shall remain valid and enforceable in respect of all AL group members and the AL NCBs. [Insert if relevant: In addition, the [insert reference to pledge and/or close-out netting or other relevant security arrangement] shall remain valid after the termination of this agreement until all debit positions on the PM accounts whose liquidity was aggregated are fully discharged by the AL group members.]
5. Without prejudice to paragraph 3, the managing NCB, in agreement with the relevant AL NCB, may at any time terminate without prior notice and with immediate effect the participation of any AL group member in this agreement if such AL group member is in breach of any of the provisions hereof. Such decision shall be addressed in writing to all the AL group members setting out the reasons for the decision. If participation is terminated in this way, the AL group members whose participation in this agreement has not been terminated are entitled to terminate their participation in this agreement provided that they

give the managing NCB and the relevant AL NCB five business days' written notice thereof. If the AL group manager's participation is terminated, the remaining AL group members shall immediately appoint a new AL group manager.

6. The managing NCB, in agreement with the other AL NCBs, may terminate this agreement without prior notice and with immediate effect if the maintenance of it would endanger the overall stability, soundness and safety of TARGET2 or jeopardise the performance by the AL NCBs of their tasks pursuant to the Statute of the European System of Central Banks and of the European Central Bank. Any decision to do so shall be addressed in writing to the AL group members, setting out the reasons for the decision.
7. This agreement shall remain valid for as long as there are at least two AL group members.

## **Article 8**

### **Amendment procedure**

Any change to this agreement, including the extension of the AL group to other participants, shall only be valid and enforceable if expressly agreed to by all parties in writing.

## **Article 9**

### **Governing law**

This agreement shall be governed, construed and implemented in accordance with the [insert reference to the law governing the PM account of the AL group manager held with the managing NCB]. This shall be without prejudice to:

- (a) the relationship between an AL group member and its respective AL NCB governed by the law of the respective AL NCB, and



- (b) the rights and obligations between the AL NCBs governed by the law of the AL NCB which maintains the PM account of the AL group member whose available liquidity is used as collateral.

## **Article 10**

### **Application of the [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2]**

1. In relation to each of the AL group members and their respective AL NCBs, the relevant provisions of the [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2] shall govern any matter not expressly governed by this agreement.
2. [Insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2] and this agreement shall be deemed to form part of the same contractual relationship.

Made, in as many copies as there are parties, the [...*date*....]

## **AGGREGATED LIQUIDITY AGREEMENT – VARIANT B**

### **Template for use of the AL mode by one credit institution**

Between, on the one hand: [name and address of a credit institution] represented by [.....], acting as

[participant], holder of PM account(s) No [.....], with [insert name of CB],

[participant], holder of PM account(s) No [.....], with [insert name of CB],

[participant], holder of PM account(s) No [.....], with [insert name of CB],

(the participants hereinafter mentioned as the 'AL group members')

and on the other hand,

[insert name of AL NCB]

[insert name of AL NCB]

[insert name of AL NCB]

(hereinafter the 'AL NCBs')

(AL group members and AL NCBs hereinafter collectively referred to as the 'Parties')

Whereas:

- (1) TARGET2 is legally structured as a multiplicity of payment systems, each of which is designated as a system under the relevant national legislation implementing Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems<sup>1</sup>.

---

<sup>1</sup> OJ L 166, 11.6.1998, p. 45.

- (2) A credit institution with several PM accounts in one or more TARGET2 component systems may, under certain conditions laid down in the respective conditions for participation in TARGET2 component systems, set up an AL group, whereby the liquidity on such PM accounts of the AL group members is aggregated.
- (3) Aggregation of liquidity enables the AL group members to settle payment orders for an amount exceeding the available liquidity on one PM account, provided that the total value of all such payment orders never exceeds the aggregate amount of the available liquidity on all PM accounts of the AL group members. The resulting debit position on one or more of these PM accounts constitutes intraday credit, the provision of which is governed by the respective national arrangements, subject to the modifications described in this agreement; in particular, such debit position is collateralised with the available liquidity on all PM accounts of the AL group members.
- (4) The effect of this mechanism is in no way to merge the various PM accounts, which, subject to the limitations described in this agreement, continue to be separately held by the AL group members.
- (5) Such a mechanism aims to avoid the fragmentation of liquidity in the different TARGET2 component systems and simplify the liquidity management of the AL group members.
- (6) This mechanism improves the overall efficiency of settlement of payments in TARGET2.
- (7) [Participant], [participant] and [participant] are respectively connected to TARGET2-[insert CB/country reference], TARGET2-[insert CB/country reference], and TARGET2-[insert CB/country reference] and are bound by the [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2] of [insert relevant dates],

Now, therefore, the Parties agree the following:

## **Article 1**

### **Effectiveness of this agreement**

This agreement and any amendment made hereto shall only be effective when the managing NCB, after having obtained any information or documents that it deems appropriate, confirms in writing that this agreement or amendments thereto comply with the requirements laid down in the respective conditions for participation in TARGET2 component systems.

## **Article 2**

### **Mutual interest of AL NCBs**

The AL NCBs have a mutual interest in providing intraday credit to the AL group members, as this promotes the overall efficiency of settling payments in TARGET2. The intraday credit is collateralised in accordance with Article 18 of the Statute of the European System of Central Banks and of the European Central Bank since the debit balance resulting from the execution of a payment order is covered by the available liquidity on the PM accounts held by the AL group members with their respective AL NCBs, which are collateralised for the discharge of the obligations owed by the AL group members to the AL NCBs.

## **Article 3**

### **AL group members' rights and obligations**

1. AL group members shall be liable towards all AL NCBs in relation to all claims resulting from the settlement in their respective TARGET2 component systems of the payment orders of any AL group member.
2. The total value of all payment orders settled by the AL group members on their PM accounts may never exceed the aggregate amount of the available liquidity on all such PM accounts.
3. The AL group members shall be authorised to use the consolidated account information (CAI) mode, as described in the [insert the reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2].

## **Article 4**

### **AL NCBs' rights and obligations**

1. When the AL group member submits a payment order to a TARGET2 component system for an amount exceeding the available liquidity on that AL group member's PM account, the relevant AL NCB shall extend intraday credit that is collateralised with the available liquidity on other PM accounts held by the AL group member with its respective AL NCB or on PM accounts held by other AL group members with their respective AL NCBs. Such intraday credit shall be governed by the rules applicable to the provision of intraday credit by such AL NCBs.
2. Payment orders submitted by the AL group members which have the effect of exceeding the available liquidity on all PM accounts of the AL group members shall be queued until sufficient liquidity is available.

3. Each AL NCB may claim from the AL group members the full discharge of all obligations resulting from the settlement of payment orders of the AL group members in the TARGET2 component systems in which they hold PM accounts.

## **Article 5**

### **Designation and role of the AL group manager**

1. The AL group members hereby designate as AL group manager [indicate the participant designated as AL group manager], which shall be the contact point for all administrative matters relating to the AL group.
2. The AL group members shall provide the relevant AL NCBs with any information which may affect the validity, enforceability and implementation of this agreement, including, without limitation, the occurrence of any events of default within the meaning of the [insert reference to the relevant provisions in the arrangement(s) implementing the Harmonised Conditions] or any event which may affect the validity and/or enforceability of the [insert reference to the pledge, close-out netting provisions or any other relevant provisions of the arrangement(s) implementing Annex II of Guideline ECB/2007/2].
3. The AL group manager shall immediately convey to the managing NCB any information described in paragraph 2.
4. The AL group manager shall be responsible in respect of intraday monitoring of the liquidity available within the AL group.
5. The AL group manager shall have power of attorney over all PM accounts of the AL group members and, in particular, shall conduct the following operations:
  - (a) Any ICM operations in respect of the AL group members' PM accounts, including, but not limited to, any change in priority of a payment order, revocation, change of settlement time, liquidity transfers (including from and to sub-accounts), reordering of queued transactions, reservation of liquidity in respect of the AL group, setting and changes of limits in respect of the AL group and liquidity transfers;
  - (b) all end-of-day liquidity transactions between the PM accounts of the AL group members ensuring that all balances of the AL group members' PM accounts are levelled out, so that none of these accounts have a debit balance at the end of the

day or, where applicable, a debit balance not secured by eligible collateral (hereinafter such procedure is referred to as 'levelling out');

- (c) general instructions according to which an automatic levelling out shall be performed, i.e. defining the sequence of AL group members' PM accounts with available liquidity to be debited within the levelling out;
- (d) in the absence of any explicit instructions by the AL group manager, as set out in subparagraphs (b) and (c), an automatic levelling out shall be performed starting with the PM account with the highest credit balance towards the PM account with the highest debit balance.

The same criteria as defined in subparagraphs (c) and (d) shall be used if an enforcement event, as defined in [insert reference to the relevant provisions in the arrangement(s) implementing Annex II of Guideline ECB/2007/2], occurs.

## **Article 6**

### **Role of the managing NCB**

1. The managing NCB shall be the contact point for all administrative matters relating to the AL group.
2. All of the AL NCBs shall immediately provide the managing NCB with any information relating to the AL group member which may affect the validity, enforceability and implementation of this agreement, including, but not limited to, the occurrence of any events of default within the meaning of the [insert reference to the relevant provisions in the arrangement(s) implementing Annex II of Guideline ECB/2007/2] or events which may affect the validity and/or enforceability of the [insert reference to the pledge, close-out netting or any other relevant provisions of the arrangement(s) implementing Annex II of Guideline ECB/2007/2].
3. The managing NCB shall have access to all relevant information in respect of all PM accounts of the AL group members, including, but not limited to, information in respect of any credit line, the balance, total turnover, settled payments, queued payments, as well as information on the AL group members' limits and liquidity reservations.

## **Article 7**

### **Duration and termination of this agreement**

1. This agreement shall be of unlimited duration.
2. Each of the AL group members may unilaterally terminate its participation in this agreement, provided it gives 14 business days' written notice to the AL NCB in whose TARGET2 component system it participates and to the managing NCB. The managing NCB shall confirm to the AL group member the date of its termination of participation in the AL agreement and shall communicate such date to all AL NCBs which shall inform their AL group members accordingly. If that AL group member was the AL group manager, the remaining AL group members shall immediately appoint a new AL group manager.
3. This agreement shall automatically be terminated without prior notice and with immediate effect if the requirements for using the AL mode, as described in the [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2] are no longer met.
4. Notwithstanding the occurrence of an event described in paragraph 3, a payment order that has already been submitted by the AL group member into the relevant TARGET2 component system shall remain valid and enforceable in respect of all AL group members and the AL NCBs. [Insert if relevant: In addition, the [insert reference to pledge and/or close-out netting or other relevant security arrangement] shall remain valid after the termination of this agreement until all debit positions on the PM accounts whose liquidity was aggregated are fully discharged by the AL group members.]
5. Without prejudice to paragraph 3, the managing NCB, in agreement with the AL NCBs, may at any time terminate this agreement if any AL group member is in breach of any of the provisions hereof. Such decision shall be addressed in writing to all the AL group members setting out the reasons for the decision.
6. The managing NCB, in agreement with the other AL NCBs, may terminate this agreement if the maintenance of it would endanger the overall stability, soundness and safety of TARGET2 or jeopardise the performance by the AL NCBs of their tasks pursuant to the Statute of the European System of Central Banks and of the European Central Bank. Any decision to terminate this agreement shall be addressed in writing to the AL group members, setting out the reasons for the decision.

## **Article 8**

### **Amendment procedure**

Any change to this agreement, including the extension of the AL group to other participants, shall only be valid and enforceable if expressly agreed to by all parties in writing.

## **Article 9**

### **Governing law**

This agreement shall be governed, construed and implemented in accordance with the [insert reference to the law governing the PM account of the AL group manager]. This shall be without prejudice to:

- (a) the relationship between the AL group members and their respective AL NCBs governed by the law of the respective AL NCB, and
- (b) the rights and obligations between the AL NCBs governed by the law of the AL NCB which maintains the PM account in which available liquidity is used as collateral.

## **Article 10**

### **Application of the [insert reference to the arrangement(s) implementing the Harmonised Conditions]**

1. In relation to each of the PM accounts of the AL group members, the relevant provisions of the [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2] shall govern any matter not expressly governed by this agreement.
2. The [insert reference to the arrangement(s) implementing Annex II of Guideline ECB/2007/2] and this agreement shall be deemed to form part of the same contractual relationship.

Made, in as many copies as there are parties, the [...date....]



## HARMONISED CONDITIONS FOR THE OPENING AND OPERATION OF A T2S DEDICATED CASH ACCOUNT (T2S DCA) IN TARGET2

### TITLE I GENERAL PROVISIONS

#### *Article 1*

#### **Definitions**

For the purposes of these Harmonised Conditions (hereinafter the 'Conditions') the following definitions apply: Annex II

- 'Auto-collateralisation' means intraday credit granted by the euro area NCB in central bank money triggered when a T2S DCA holder has insufficient funds to settle securities transactions, whereby such intraday credit is collateralised either with the securities being purchased (collateral on flow), or with securities already held by the T2S DCA holder (collateral on stock). An auto-collateralisation transaction consists of two distinct transactions, one of the granting of auto-collateralisation, one for its reimbursement and may also include a third transaction for any eventual collateral relocation. For the purposes of Article 16 in Annex IIa, all three transactions are deemed to have been entered into the system and deemed to be irrevocable at the same time as the transaction for the granting of the auto-collateralisation,
- 'Immediate liquidity transfer order' means an instruction to make a T2S DCA to PM liquidity transfer order, a PM to T2S DCA liquidity transfer order or a T2S DCA to T2S DCA liquidity transfer order in real-time upon the receipt of the said instruction,
- 'Predefined liquidity transfer order' means an instruction to transfer a specified amount of funds from a T2S DCA to a PM account to be executed only once at a defined time or event,
- 'Liquidity adjustment' means the authorisation given by the T2S DCA holder, to its participating central securities depository (CSD) or the BCL by special contractual arrangement duly documented and registered in the Static Data to initiate liquidity transfers between a T2S DCA and a PM Account, or between two T2S DCAs,
- 'Standing liquidity transfer order' means an instruction to transfer a specified amount of cash or 'all cash' available in the T2S DCA from a T2S DCA to a PM account to be executed repetitively at a defined time or event in the T2S processing cycle until the order is deleted or the validity period expires,
- 'Static Data' means the set of business objects, specific to a T2S DCA holder or central bank, in T2S and owned respectively by that T2S DCA holder or central bank,

that T2S requires to process the transactional data related to that T2S DCA holder or central bank,

- 'ISO country code' means a code as defined by ISO Standard No 3166-1,
- 'business day' or 'TARGET2 business day' means any day on which TARGET2 is open for the settlement of payment orders, as set out in Appendix V,
- 'capacity opinion' means a participant-specific opinion that contains an assessment of a participant's legal capacity to enter into and carry out its obligations under these Conditions,
- 'event of default' means any impending or existing event, the occurrence of which may threaten the performance by a participant of its obligations under these Conditions or any other rules applying to the relationship between that participant and the BCL or any other CB, including:
  - (a) where the participant no longer meets the access criteria laid down in Article 5 or the requirements laid down in Article 6(1)(a)(i);
  - (b) the opening of insolvency proceedings in relation to the participant;
  - (c) the submission of an application relating to the proceedings referred to in point (b);
  - (d) the issue by the participant of a written declaration of its inability to pay all or any part of its debts or to meet its obligations arising in relation to intraday credit;
  - (e) the entry of the participant into a voluntary general agreement or arrangement with its creditors;
  - (f) where the participant is, or is deemed by its CB to be, insolvent or unable to pay its debts;
  - (g) where the participant's credit balance on its PM account, T2S DCA, or TIPS DCA or all or a substantial part of the participant's assets are subject to a freezing order, attachment, seizure or any other procedure that is intended to protect the public interest or the rights of the participant's creditors;
  - (h) where participation of the participant in another TARGET2 component system and/or in an ancillary system has been suspended or terminated;
  - (i) where any material representation or pre-contractual statement made by the participant or which is implied to have been made by the participant under the applicable law is incorrect or untrue;
  - (j) the assignment of all or a substantial part of the participant's assets,
- 'payee', except where used in Article 28 of these Conditions, means a TARGET2 participant whose T2S DCA will be credited as a result of a payment order being settled,
- 'payer', except where used in Article 28 of these Conditions, means a TARGET2 participant whose T2S DCA will be debited as a result of a payment order being settled,

- 'payment order' means a, T2S DCA to PM liquidity transfer order, a PM to T2S DCA liquidity transfer order or a T2S DCA to T2S DCA liquidity transfer order,
- '4CBs' means the Deutsche Bundesbank, the Banque de France, the Banca d'Italia and Banco de España in their capacity as the CBs building and operating the T2S Platform for the Eurosystem's benefit,
- 'T2S GUI' means the module on the T2S Platform which allows T2S DCA holders to obtain on-line information and gives them the possibility to submit payment orders,
- 'available liquidity' means the credit balance on the T2S DCA decreased by the amount of any processed reservations of liquidity or blocking of funds,
- 'participating Central Securities Depository' or 'participating CSD' means a CSD that has signed the T2S Framework Agreement,
- 'A2A' or 'Application-to-application' means a connectivity mode allowing the T2S DCA holder to exchange information with the software application of the T2S Platform,
- 'U2A' or 'User-to-application' means a connectivity mode allowing the T2S DCA holder to exchange information with software applications on the T2S Platform through a graphical user interface,
- 'T2S Distinguished Name' or 'T2S DN' means the network address for the T2S Platform which must be included in all messages intended for the system.

## *Article 2*

### **Scope**

The present Conditions govern the relationship between the relevant euro area NCB and its T2S DCA holder as far the opening and the operation of the T2S DCA is concerned.

## *Article 3*

### **Appendices**

1. The following Appendices form an integral part of these Conditions:
  - Appendix I: Parameters of the T2S Dedicated Cash Accounts - Technical specifications;
  - Appendix II: TARGET2 compensation scheme in relation to the opening and the operation of the T2S DCA;
  - Appendix III: Terms of reference for capacity and country opinions;
  - Appendix IV: Business continuity and contingency procedures;
  - Appendix V: Operating schedule;
  - Appendix VI: Fee schedule.
2. In the event of any conflict or inconsistency between the content of any appendix and the content of any other provision in these Conditions, the latter shall prevail.

## *Article 4*

### **General description of T2S and TARGET2**

1. TARGET2 provides real-time gross settlement for payments in euro, with settlement in central bank money across PM accounts, T2S DCAs for the purpose of securities transactions and TIPS DCAs for the purpose of instant payments.
2. The following transactions are processed in TARGET2-LU:
  - (a) transactions directly resulting from or made in connection with Eurosystem monetary policy operations;
  - (b) settlement of the euro leg of foreign exchange operations involving the Eurosystem;
  - (c) settlement of euro transfers resulting from transactions in cross-border large-value netting systems;
  - (d) settlement of euro transfers resulting from transactions in euro retail payment systems of systemic importance;
  - (e) settlement of the cash leg of securities transactions;
  - (f) T2S DCA to T2S DCA liquidity transfer orders, T2S DCA to PM liquidity transfer orders and PM to T2S DCA liquidity transfer orders;
    - (fa) instant payment orders;
    - (fb) positive recall answers;
    - (fc) TIPS DCA to PM liquidity transfer orders and PM to TIPS DCA liquidity transfer orders; and
  - (g) any other transactions in euro addressed to TARGET2 participants.
3. TARGET2 provides real-time gross settlement for payments in euro, with settlement in central bank money across PM accounts, T2S DCAs and TIPS DCAs. TARGET2 is established and functions on the basis of the SSP through which payment orders are submitted and processed and through which payments are ultimately received in the same technical manner. As far as the technical operation of the T2S DCAs is concerned, TARGET2 is technically established and functions on the basis of the T2S Platform. As far as the technical operation of the TIPS DCAs is concerned, TARGET2 is technically established and functions on the basis of the TIPS Platform. The BCL is the provider of services under these Conditions. Acts and omissions of the SSP-providing NCBs and the 4CBs shall be considered acts and omissions of the BCL, for which it shall assume liability in accordance with Article 21 below. Participation pursuant to these Conditions shall not create a contractual relationship between T2S DCA holders and the SSP-providing NCBs or the 4CBs when any of the latter acts in that capacity. Instructions, messages or information which a T2S DCA holder receives from, or sends to, the SSP or T2S Platform in relation to the services provided under these Conditions are deemed to be received from, or sent to, the BCL.
4. TARGET2 is legally structured as a multiplicity of payment systems composed of all the TARGET2 component systems, which are designated as “systems” under the

national laws implementing Directive 98/26/EC. TARGET2-LU is designated as a “system” under the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems.

5. Participation in TARGET2 takes effect via participation in a TARGET2 component system. These Conditions describe the mutual rights and obligations of T2S DCA holders in TARGET2-LU and the BCL. The rules on the processing of payment orders under these Conditions (Title IV and Appendix I) refer to all payment orders submitted or payments received by any T2S DCA holder.

## TITLE II PARTICIPATION

### *Article 5*

#### **Access criteria**

1. The following types of entities are eligible to become a T2S DCA holder upon request in TARGET2-LU:
  - (a) credit institutions established in the Union or the EEA, including when they act through a branch established in the Union or the EEA;
  - (b) credit institutions established outside the EEA, provided that they act through a branch established in the Union or the EEA;
  - (c) NCBs of Member States and the ECB;provided that the entities referred to in points (a) and (b) are not subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to Article 65(1)(b), Article 75 or Article 215 of the Treaty, the implementation of which, in the view of the BCL after informing the ECB, is incompatible with the smooth functioning of TARGET2.
2. The BCL may, at its discretion, also admit the following entities as T2S DCA holders:
  - (a) treasury departments of central or regional governments of Member States;
  - (b) public sector bodies of Member States authorised to hold accounts for customers;
  - (c) (i) investment firms established in the Union or the EEA, including when they act through a branch established in the Union or the EEA; and  
(ii) investment firms established outside the EEA, provided that they act through a branch established in the Union or the EEA;
  - (d) entities managing ancillary systems and acting in that capacity; and
  - (e) credit institutions or any of the entities of the types listed in points (a) to (d), in both cases where these are established in a country with which the Union has

entered into a monetary agreement allowing access by any of such entities to payment systems in the Union subject to the conditions set out in the monetary agreement and provided that the relevant legal regime applying in the country is equivalent to the relevant Union legislation.

3. Electronic money institutions, within the meaning of Article 1(17) of the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems, as amended by Article 1(1)(f) of the Law of 20 May 2011 implementing Article 2(1) of Directive 2009/110/EC of the European Parliament and of the Council<sup>2</sup>, are not entitled to participate in TARGET2-LU.

## *Article 6*

### **Application procedure**

1. In order for the BCL to open a T2S DCA for an entity, such entity must comply with the access criteria of the provisions of the BCL implementing Article 5 and shall:
  - (a) fulfil the following technical requirements:
    - (i) install, manage, operate and monitor and ensure the security of the necessary IT infrastructure to provide a technical connection to the SSP and/or the T2S Platform and submit payment orders to it. In doing so, applicant participants may involve third parties, but retain sole liability. In particular, when connecting directly to the T2S Platform, applicant T2S DCA holders shall enter into an agreement with a T2S network service provider to obtain the necessary connection and admissions, in accordance with the technical specifications in Appendix I; and
    - (ii) have passed the certification testing and obtained the authorisation required by the BCL; and
  - (b) fulfil the following legal requirements:
    - (i) provide a capacity opinion in the form specified in Appendix III, unless the information and representations to be provided in such capacity opinion have already been obtained by the BCL in another context; and
    - (ii) for credit institutions or investment firms established outside the EEA, acting through a branch established in the Union or the EEA, provide a country opinion in the form specified in Appendix III, unless the information and representations to be provided in such country opinion have already been obtained by the BCL in another context.

---

<sup>2</sup> Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC (OJ L 267, 10.10.2009, p. 7).

2. Entities wishing to open a T2S DCA shall apply in writing to the BCL, as a minimum enclosing the following documents/information:
  - (a) completed static data collection forms as provided by BCL,
  - (b) the capacity opinion, if required by the BCL, and
  - (c) the country opinion, if required by the BCL.
3. The BCL may also request any additional information it deems necessary to decide on the application to open a T2S DCA.
4. The BCL shall reject the application to open a T2S DCA if:
  - (a) access criteria referred to in Article 5 are not met;
  - (b) one or more of the participation criteria referred to in paragraph 1 are not met; and/or
  - (c) in the BCL's assessment, opening a T2S DCA would endanger the overall stability, soundness and safety of TARGET2-LU or of any other TARGET2 component system, or would jeopardise the BCL's performance of its tasks as described in its Organic Law of 23 December 1998, as amended, and the Statute of the European System of Central Banks and of the European Central Bank, or poses risks on the grounds of prudence.
5. The BCL shall communicate its decision on the application to open a T2S DCA to the applicant T2S DCA holder within one month of the BCL's receipt thereof. Where the BCL requests additional information pursuant to paragraph 3, the decision shall be communicated within one month of the BCL's receipt of this information from the applicant T2S DCA holder. Any rejection decision shall contain reasons for the rejection.

#### *Article 7*

#### **T2S DCA holders**

T2S DCA holders in TARGET2-LU shall comply with the requirements set out in Article 6. They shall have at least one T2S DCA with the BCL.

#### *Article 8*

#### **Links between securities accounts and T2S DCAs**

1. A T2S DCA holder may request the BCL to link its T2S DCA to one or more securities account(s) held on its own behalf or on behalf of its clients which hold securities accounts in one or more participating CSD.
2. T2S DCA holders linking their T2S DCA to securities account(s) on behalf of clients as set out in paragraph 1 are responsible for establishing and maintaining the list of

linked securities accounts and, where relevant, the set-up of the client-collateralisation feature.

3. As a result of the request under paragraph 1, the T2S DCA holder is deemed to have given a mandate to the CSD where such linked securities accounts are maintained to debit the T2S DCA with the amounts resulting from securities transactions taking place on these securities accounts.
4. Paragraph 3 shall apply regardless of any agreements the T2S DCA holder has with the CSD and/or the securities account holders.

### TITLE III OBLIGATIONS OF THE PARTIES

#### *Article 9*

#### **Obligations of the BCL and the T2S DCA holders**

1. The BCL shall open upon request of the T2S DCA holder and operate one or more T2S DCA(s) denominated in euro. Save where otherwise provided in these Conditions or required by law, the BCL shall use all reasonable means within its power to perform its obligations under these Conditions, without guaranteeing a result.
2. The fees for T2S DCA services are laid down in Appendix VI. The holder of the Main PM account to which the T2S DCA is linked is liable for paying these fees.
3. T2S DCA holders shall ensure that they are connected to TARGET2-LU on business days, in accordance with the operating schedule in Appendix V.
4. The T2S DCA holder represents and warrants to the BCL that the performance of its obligations under these Conditions does not breach any law, regulation or by-law applicable to it or any agreement by which it is bound.
5. T2S DCA holders shall ensure that the liquidity in the T2S DCA during the day is properly managed. This obligation shall include but is not limited to obtaining regular information on their liquidity position. The BCL shall provide a daily statement of accounts to any T2S DCA holder that has opted for such service on the T2S Platform provided that the T2S DCA holder is connected to the T2S Platform via a T2S network service provider.

#### *Article 10*

#### **Cooperation and information exchange**

1. In performing their obligations and exercising their rights under these Conditions, the BCL and T2S DCA holders shall cooperate closely to ensure the stability, soundness and safety of TARGET2-LU. They shall provide each other with any information or documents relevant for the performance of their respective obligations and the



exercise of their respective rights under these Conditions, without prejudice to any banking secrecy obligations.

2. The BCL shall establish and maintain a system support desk to assist T2S DCA holders in relation to difficulties arising in connection with system operations.
3. Up-to-date information on the operational status of the SSP and the T2S Platform shall be available on the TARGET2 Information System (T2IS) and the TARGET2-Securities Information System, respectively, on dedicated webpages on the ECB's website. The T2IS and the TARGET2 Securities Information System may be used to obtain information on any event affecting the normal operation of the respective platforms.
4. The BCL may either communicate messages to T2S DCA holders by means of broadcast messages or by any other means of communication. T2S DCA holders may collect information via the ICM, to the extent they also hold a PM account, or otherwise via the T2S GUI.
5. T2S DCA holders are responsible for the timely update of existing static data collection forms and the submission of new static data collection forms to the BCL. T2S DCA holders are responsible for verifying the accuracy of information relating to them that is entered into TARGET2-LU by the BCL.
6. The BCL shall be deemed to be authorised to communicate to the SSP-providing NCBs or the 4CBs any information relating to T2S DCA holders which the former may need in their role as service administrators, in accordance with the contract entered into with the TARGET2 network service provider and/or the T2S network service provider.
7. T2S DCA holders shall inform the BCL about any change in their legal capacity and relevant legislative changes affecting issues covered by the country opinion relating to them.
8. T2S DCA holders shall inform the BCL of:
  - (a) any new holder of a securities account linked to the T2S DCA pursuant to Article 8(1), which they accept; and
  - (b) any changes related to the holders of securities accounts listed in point (a).
9. T2S DCA holders shall immediately inform the BCL if an event of default occurs in relation to themselves or if they are subject to crisis prevention measures or crisis management measures within the meaning of Directive 2014/59/EU or any other equivalent applicable legislation.

#### *Article 11*

#### **Designation, suspension or termination of the Main PM account**

1. The T2S DCA holder shall designate a Main PM account to which the T2S DCA is linked. The Main PM account may be held in a TARGET2 component system other than BCL and may belong to a different legal entity from the T2S DCA holder.
2. A participant using internet based access cannot be designated as a Main PM account holder.
3. If the holder of the Main PM account and the holder of the T2S DCA are different legal entities and in the event that the participation of that designated Main PM account holder is suspended or terminated, the BCL and the T2S DCA holder shall take all reasonable and practicable steps to mitigate any ensuing damage or loss. The T2S DCA holder shall take all necessary steps to designate a new Main PM account without undue delay which will then be liable for any outstanding invoices. On the day of the suspension or termination of the Main PM account holder and until a new Main PM account holder has been designated, any funds remaining on the T2S DCA at the end of the day shall be moved to an account of BCL. These funds will be subject to the remuneration conditions of Article 12(5) of the Harmonised Conditions for the Opening and Operation of a PM account in TARGET2 (Annex II of these Conditions) as updated from time to time.
4. BCL shall not be liable for any losses incurred by the T2S DCA holder as a consequence of the suspension or termination of the Main PM account holder's participation.

## TITLE IV

### OPENING AND MANAGEMENT OF THE T2S DCA AND PROCESSING OF OPERATIONS

#### *Article 12*

#### **Opening and management of the T2S DCA**

1. The BCL shall open and operate at least one T2S DCA for each T2S DCA holder. A T2S DCA shall be identified by means of a unique account number of up to 34 characters which will be structured as follows.

	<b>Name</b>	<b>Format</b>	<b>Content</b>
Part A	Account type	1 char. exactly	'C' for cash account
	Country code of the central bank	2 char. exactly	ISO country code 3166-1
	Currency code	3 char. exactly	EUR
Part B	Account holder	11 char. exactly	BIC Code
Part C	Sub-classification of the account	Up to 17 char.	Free text (alphanumeric) to be provided by the T2S DCA holder

2. No debit balance shall be allowed on T2S DCAs.
3. The T2S DCA shall not hold any funds overnight. At the beginning and end of a business day, there shall be a zero balance on the T2S DCAs. T2S DCA holders shall be deemed to have instructed the BCL to transfer any remaining balance at the end of a business day as defined in Appendix V to the Main PM account referred to in Article 11(1).
4. The T2S DCA shall only be used within the period between the T2S start-of-day and T2S end-of-day as defined in the T2S User Detailed Functional Specifications (UDFS).
5. T2S DCAs shall be interest free.

#### *Article 13*

##### **Operations that may be carried out through the T2S DCA**

Subject to the T2S DCA holder designating the necessary securities account(s), the T2S DCA holder may carry out the following operations through the T2S DCA either on its own behalf or on behalf of its customers:

- (a) T2S DCA to PM liquidity transfer orders;
- (b) T2S DCA to T2S DCA liquidity transfer orders;
- (c) the settlement of cash instructions stemming from the T2S Platform; and
- (d) cash transfers between the T2S DCA and the T2S DCA of BCL in the particular context of paragraphs 8 and 9 of Annex IIIa.

#### *Article 14*

##### **Acceptance and rejection of payment orders**

1. Payment orders submitted by T2S DCA holders are deemed accepted by the BCL if:
  - (a) the payment message complies with the rules established by the T2S network service provider;
  - (b) the payment message complies with the formatting rules and conditions of TARGET2-LU and passes the double-entry check described in Appendix I; and
  - (c) in cases where a payer or a payee has been suspended, the suspended participant's CB's explicit consent has been obtained.
2. The BCL shall immediately reject any payment order that does not fulfil the conditions laid down in paragraph 1. The BCL shall inform the T2S DCA holder of any rejection of a payment order, as specified in Appendix I.
3. The T2S Platform attaches its timestamp for the processing of payment orders in the sequence of their receipt.

#### *Article 15*

##### **Reservation and blocking of liquidity**

1. Participants may reserve or block liquidity on their T2S DCA. This does not constitute a settlement guarantee vis-à-vis any third party.
2. By requesting to reserve or block an amount of liquidity, a participant instructs the BCL to decrease the available liquidity by this amount.
3. A reservation request is an instruction by which, if the available liquidity is equal to or higher than the amount to be reserved, the reservation is processed. If the available liquidity is lower, it is reserved and the shortfall may be met by incoming liquidity until the full amount of the reservation is available.
4. A blocking request is an instruction by which, if the available liquidity is equal to or higher than the amount to be blocked, the blocking request is processed. If the available liquidity is lower, no amount is blocked and the blocking request is resubmitted, until the full amount of the blocking request can be met by available liquidity.
5. The participant may at any time during the business day on which a request to reserve or block liquidity has been processed, instruct the BCL to cancel the reservation or blocking. Partial cancelation shall not be permitted.
6. All requests for reservation or blocking of liquidity under this article shall expire at the end of the business day.

#### *Article 16*

##### **Moment of entry, moment of irrevocability**

1. For the purposes of the first sentence of Article 3(1) and Article 5 of Directive 98/26/EC and Article 111 of the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems, as amended, T2S DCA to T2S DCA liquidity transfer orders or T2S DCA to PM liquidity transfer orders are deemed entered into TARGET2-LU and are irrevocable at the moment that the relevant T2S DCA holder's T2S DCA is debited. PM to T2S DCA liquidity transfer orders are governed by the Harmonised Conditions for the Opening and Operation of a PM account in TARGET2 applicable to the TARGET2 component system from which they originate.
2. For the purposes of the first sentence of Article 3(1) and Article 5 of Directive 98/26/EC and Article 111 of the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems, and for all transactions settling on T2S DCAs, the following rules apply.
  - (a) for all transactions settling on T2S DCAs and which are subject to matching of two separate transfer orders, such transfer orders are deemed entered into TARGET2-LU at the moment at which they have been declared compliant with the technical rules of T2S by the T2S Platform and irrevocable at the moment the transaction has been given the status 'matched' on the T2S Platform; or

- (b) as an exception to point (a), for transactions involving one participating CSD having a separate matching component where transfer orders are sent directly to that participating CSD to be matched in its separate matching component, transfer orders are deemed entered into TARGET2-LU at the moment at which they have been declared compliant with the technical rules of T2S by that participating CSD and irrevocable from the moment the transaction has been given the status 'matched' on the T2S Platform. A list of CSDs for which this point (b) applies is available on the website of the ECB.

## TITLE V

### SECURITY REQUIREMENTS, CONTINGENCY ISSUES AND USER INTERFACES

#### *Article 17*

##### **Business continuity and contingency procedures**

In the event of an abnormal external event or any other event which affects transactions on the T2S DCAs, the business continuity and contingency procedures described in Appendix IV shall apply.

#### *Article 18*

##### **Security requirements**

1. T2S DCA holders shall implement adequate security controls to protect their systems from unauthorised access and use. T2S DCA holders shall be exclusively responsible for the adequate protection of the confidentiality, integrity and availability of their systems.
2. T2S DCA holders shall inform the BCL of any security-related incidents in their technical infrastructure and, where appropriate, security-related incidents that occur in the technical infrastructure of the third party providers. The BCL may request further information about the incident and, if necessary, request that the T2S DCA holders take appropriate measures to prevent a recurrence of such an event.
3. The BCL may impose additional security requirements, in particular with regard to cybersecurity or the prevention of fraud, on all T2S DCA holders and/or on T2S DCA holders that are considered critical by the BCL.

#### *Article 19*

##### **User interfaces**

1. The T2S DCA holder, or the Main PM account holder acting on its behalf, shall use either one or both of the following means to access that T2S DCA:
  - (a) direct connection to the T2S Platform in either U2A or A2A modes; or
  - (b) the ICM in combination with TARGET2 value-added services for T2S.
2. A direct connection to the T2S Platform allows T2S DCA holders:
  - (a) to access and, when applicable, amend information relating to their accounts;
  - (b) to manage liquidity and to initiate liquidity transfer orders from the T2S DCAs.
3. The ICM in combination with TARGET2 value-added services for T2S allows the holder of the Main PM account:
  - (a) to access information relating to their accounts;
  - (b) to manage liquidity and to initiate liquidity transfer orders to and from the T2S DCAs.

Further technical details relating to the ICM are contained in Appendix I to Annex II to these Conditions.

## TITLE VI

### **COMPENSATION, LIABILITY REGIME AND EVIDENCE**

#### *Article 20*

##### **Compensation scheme**

In the event that funds remain overnight on a T2S DCA due to a technical malfunction of either the SSP or the T2S Platform, the BCL shall offer to compensate the participants concerned in accordance with the special procedure laid down in Appendix II.

#### *Article 21*

##### **Liability regime**

1. In performing their obligations pursuant to these Conditions, the BCL and the T2S DCA holders shall be bound by a general duty of reasonable care in relation to each other.
2. The BCL shall be liable to its T2S DCA holders in cases of fraud (including but not limited to wilful misconduct) or gross negligence, for any loss arising out of the operation of TARGET2-LU. In cases of ordinary negligence, the BCL's liability shall be limited to the T2S DCA holder's direct loss, i.e. the amount of the transaction in question and/or the loss of interest thereon, excluding any consequential loss.

3. The BCL is not liable for any loss that results from any malfunction or failure in the technical infrastructure (including but not limited to the BCL's computer infrastructure, programmes, data, applications or networks), if such malfunction or failure arises in spite of the BCL having adopted those measures that are reasonably necessary to protect such infrastructure against malfunction or failure, and to resolve the consequences of such malfunction or failure (the latter including but not limited to initiating and completing the business continuity and contingency procedures referred to in Appendix IV).
4. The BCL shall not be liable:
  - (a) to the extent that the loss is caused by the T2S DCA holder; or
  - (b) if the loss arises out of external events beyond the BCL's reasonable control (*force majeure*).
5. Notwithstanding the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems, implementing Directive (EU) 2015/2366 of the European Parliament and of the Council<sup>3</sup>, paragraphs 1 to 4 shall apply to the extent that the BCL's liability can be excluded.

.
6. The BCL and the T2S DCA holders shall take all reasonable and practicable steps to mitigate any damage or loss referred to in this Article.
7. In performing some or all of its obligations under these Conditions, the BCL may commission third parties in its own name, particularly telecommunications or other network providers or other entities, if this is necessary to meet the BCL's obligations or is standard market practice. The BCL's obligation shall be limited to the due selection and commissioning of any such third parties and the BCL's liability shall be limited accordingly. For the purposes of this paragraph, the SSP-providing NCBs and the 4CBs shall not be considered as third parties.

## *Article 22*

### **Evidence**

1. Unless otherwise provided in these Conditions, all payment and payment processing-related messages in relation to the T2S DCAs, such as confirmations of debits or credits, or statement messages, between the BCL and the T2S DCA holders shall be made through the T2S network service provider.

---

<sup>3</sup> Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (OJ L 337, 23.12.2015, p. 35).

2. Electronic or written records of the messages retained by the BCL or by the T2S network service provider shall be accepted as a means of evidence of the payments processed through the BCL. The saved or printed version of the original message of the T2S network service provider shall be accepted as a means of evidence, regardless of the form of the original message.
3. If a T2S DCA holder's connection to the T2S network service provider fails, the T2S DCA holder shall use an alternative means of transmission of messages agreed with BCL. In such cases, the saved or printed version of the message produced by the BCL shall have the same evidential value as the original message, regardless of its form.
4. The BCL shall keep complete records of payment orders submitted and payments received by T2S DCA holders for a period of 10 years from the time at which such payment orders are submitted and payments are received, provided that such complete records shall cover a minimum of five years for any T2S DCA holder in TARGET2 that is subject to continuous vigilance pursuant to restrictive measures adopted by the Council of the European Union or Member States, or more if required by specific regulations.
5. The BCL's own books and records (whether kept on paper, microfilm, microfiche, by electronic or magnetic recording, in any other mechanically reproducible form or otherwise) shall be accepted as a means of evidence of any obligations of the T2S DCA holders and of any facts and events that the parties rely on.

## TITLE VII

### TERMINATION AND CLOSURE OF T2S DCAS

#### *Article 23*

##### **Duration and ordinary termination of T2S DCAs**

1. Without prejudice to Article 24, a T2S DCA in TARGET2-LU is opened for an indefinite period of time.
2. A T2S DCA holder may terminate its T2S DCA in TARGET2-LU at any time giving 14 business days' notice thereof, unless it agrees a shorter notice period with the BCL.
3. The BCL may terminate a T2S DCA holder's T2S DCA in TARGET2-LU at any time giving three months' notice thereof, unless it agrees a different notice period with that T2S DCA holder.
4. On termination of the T2S DCA, the confidentiality duties laid down in Article 27 remain in force for a period of five years starting on the date of termination.
5. On termination of the T2S DCA, it shall be closed in accordance with Article 25.



## Article 24

### **Suspension and extraordinary termination of participation**

1. A T2S DCA holder's participation in TARGET2-LU shall be immediately terminated without prior notice or suspended if one of the following events of default occurs:
  - (a) the opening of insolvency proceedings; and/or
  - (b) the T2S DCA holder no longer meets the access criteria laid down in Article 5.

For the purposes of this paragraph, the taking of crisis prevention measures or crisis management measures within the meaning of Directive 2014/59/EU against a T2S DCA holder shall not automatically qualify as the opening of insolvency proceedings.
2. The BCL may terminate without prior notice or suspend the T2S DCA holder's participation in TARGET2-LU if:
  - (a) one or more events of default (other than those referred to in paragraph 1) occur;
  - (b) the T2S DCA holder is in material breach of these Conditions;
  - (c) the T2S DCA holder fails to carry out any material obligation to the BCL;
  - (d) the T2S DCA holder is excluded from, or otherwise ceases to be a member of, a T2S Closed Group of Users (CGU); and/or
  - (e) any other event related to the T2S DCA holder occurs which, in the BCL's assessment, would threaten the overall stability, soundness and safety of TARGET2-LU or of any other TARGET2 component system, or which would jeopardise the BCL's performance of its tasks as described in its Organic Law of 23 December 1998, as amended and the Statute of the European System of Central Banks and of the European Central Bank, or poses risks on the grounds of prudence.
3. In exercising its discretion under paragraph 2, the BCL shall take into account, *inter alia*, the seriousness of the event of default or events mentioned in points (a) to (c).
4.
  - (a) In the event that the BCL suspends or terminates a T2S DCA holder's participation in TARGET2-LU under paragraph 1 or 2, the BCL shall immediately inform, by means of an ICM broadcast message or a T2S broadcast message, that T2S DCA holder, other CBs and T2S DCA holders and PM account holders in all of the TARGET2 component systems of such suspension or termination. Such message shall be deemed to have been issued by the home NCB of the T2S DCA holder that receives the message.
  - (b) In the event that the BCL is informed by another CB of a suspension or termination of a participant in another TARGET2 component system, the BCL shall immediately inform its participants of such suspension or termination by means of an ICM broadcast message or of a T2S broadcast message depending on which technical option provided for in Article 19 the T2S DCA holder uses.

- (c) Once such an ICM broadcast message (in the case of PM account holders) or T2S broadcast message (in the case of T2S DCA holders) has been received by the participants, such participants shall be deemed informed of the termination/suspension of a T2S DCA holder's participation in TARGET2-LU or another TARGET2 component system. The participants shall bear any losses arising from the submission of a payment order to participants whose participation has been suspended or terminated if such payment order was entered into TARGET2-LU after receipt of the ICM broadcast message or of the T2S broadcast message depending on which technical option provided for in Article 19 the T2S DCA holder uses.
5. Upon termination of a T2S DCA holder's participation, TARGET2-LU shall not accept any new payment orders to or from that T2S DCA holder.
  6. If a T2S DCA holder is suspended from TARGET2-LU on grounds other than those specified in paragraph (1)(a), all of its incoming and outgoing payment orders shall only be presented for settlement after they have been explicitly accepted by the suspended T2S DCA holder's CB.
  7. If a T2S DCA holder is suspended from TARGET2-LU on the grounds specified in paragraph (1)(a), any outgoing payment orders from that T2S DCA holder shall only be processed on the instructions of its representatives, including those appointed by a competent authority or a court, such as the T2S DCA holder's insolvency administrator, or pursuant to an enforceable decision of a competent authority or a court providing instructions as to how the payments are to be processed. All incoming payments shall be processed in accordance with paragraph (6).'

#### *Article 25*

##### **Closure of T2S DCAs**

1. T2S DCA holders may request the BCL to close their T2S DCAs at any time provided they give the BCL 14 business days' notice thereof.
2. On termination of participation, pursuant to either Article 23 or 24, the BCL shall close the T2S DCA of the T2S DCA holder concerned, after having settled or returned any unsettled payment orders and made use of its rights of pledge and set-off under Article 26.

TITLE VIII  
**FINAL PROVISIONS**

*Article 26*

**The BCL's rights of pledge and set-off**

1. The BCL shall have a preferred pledge over the T2S DCA holder's existing and future credit balances on its T2S DCAs, thereby collateralising any current and future claims arising out of the legal relationship between the parties.
  - 1a. A T2S DCA holder's current and future claims towards the BCL arising from a credit balance on the T2S DCA shall be transferred to the BCL as collateral, i.e. as a fiduciary transfer, for any current or future claim of the BCL towards the participant arising out of these Conditions. Such collateral shall be established by the mere fact that the funds have been credited to the T2S DCA holder's T2S DCA.
  - 1b. The BCL shall have the right referred to in paragraph 1 even if its claims are only contingent or not yet due.
2. The participant, acting in its capacity as a T2S DCA holder, hereby acknowledges the creation of a pledge in favour of BCL, with whom that T2S DCA has been opened; this acknowledgement shall constitute the provision of pledged assets to the BCL referred to under Luxembourg law. Any amounts paid into the T2S DCA whose balance is pledged shall, by the mere fact of being paid in, be irrevocably pledged, without any limitation whatsoever, as collateral security for the full performance of the secured obligations.
3. On the occurrence of:
  - (a) an event of default referred to in Article 24(1); or
  - (b) any other event of default or event referred to in Article 24(2) that has led to the termination or suspension of the T2S DCA holder's participation, notwithstanding the commencement of any insolvency proceedings in respect of a T2S DCA holder and notwithstanding any assignment, judicial or other attachment or other disposition of or in respect of the T2S DCA holder's rights;all obligations of the T2S DCA holder shall be automatically and immediately accelerated, without prior notice and without the need for any prior approval of any authority, so as to be immediately due. In addition, the mutual obligations of the T2S DCA holder and the BCL shall automatically be set off against each other, and the party owing the higher amount shall pay to the other the difference.
4. The BCL shall promptly give the T2S DCA holder notice of any set-off pursuant to paragraph 4 after such set-off has taken place.

5. The BCL may without prior notice debit any T2S DCA holder's T2S DCA by any amount which the T2S DCA holder owes the BCL resulting from the legal relationship between the T2S DCA holder and the BCL.

#### *Article 27*

#### **Confidentiality**

1. The BCL shall keep confidential all sensitive or secret information, including when such information relates to payment, technical or organisational information belonging to the T2S DCA holder or the T2S DCA holder's customers, unless the T2S DCA holder or its customer has given its written consent to disclose or such disclosure is permitted or required under Luxembourg law.
  - 1a. By derogation from paragraph 1, the T2S DCA holder agrees that information on any action taken under Article 24 shall not be considered as confidential.
2. By derogation from paragraph 1, the T2S DCA holder agrees that the BCL may disclose payment, technical or organisational information regarding the T2S DCA holder, other T2S DCAs held by T2S DCA holders of the same group, or the T2S DCA holder's customers obtained in the course of the operation of TARGET2-LU to (a) other CBs or third parties that are involved in the operation of TARGET2-LU, to the extent that this is necessary for the efficient functioning of TARGET2, or the monitoring of the T2S DCA holder's or its group's exposure; (b) other CBs in order to carry out the analyses necessary for market operations, monetary policy functions, financial stability or financial integration; or (c) supervisory, resolution and oversight authorities of Member States and the Union, including CBs, to the extent that this is necessary for the performance of their public tasks, and provided in all such cases that the disclosure is not in conflict with the applicable law. The BCL shall not be liable for the financial and commercial consequences of such disclosure.
3. By derogation from paragraph 1 and provided that this does not make it possible, whether directly or indirectly, to identify the T2S DCA holder or the T2S DCA holder's customers, the BCL may use, disclose or publish payment information regarding the T2S DCA holder or the T2S DCA holder's customers for statistical, historical, scientific or other purposes in the exercise of its public functions or of functions of other public entities to which the information is disclosed.
4. Information relating to the operation of TARGET2-LU to which T2S DCA holders have had access, may only be used for the purposes laid down in these Conditions. T2S DCA holders shall keep such information confidential, unless the BCL has explicitly given its written consent to disclose. T2S DCA holders shall ensure that any third parties to whom they outsource, delegate or subcontract tasks which have or may have an impact on the performance of their obligations under these Conditions are bound by the confidentiality requirements in this Article.

5. The BCL shall be authorised, in order to settle payment orders, to process and transfer the necessary data to the T2S network service provider.

#### *Article 28*

#### **Data protection, prevention of money laundering, administrative or restrictive measures and related issues**

1. T2S DCA holders shall be deemed to be aware of, and shall comply with, all obligations on them relating to legislation on data protection, prevention of money laundering and the financing of terrorism, proliferation-sensitive nuclear activities and the development of nuclear weapons delivery systems, in particular in terms of implementing appropriate measures concerning any payments debited or credited on their T2S DCAs. Prior to entering into the contractual relationship with its T2S network service provider, T2S DCA holders shall acquaint themselves with its data retrieval policy.
2. T2S DCA holders shall be deemed to have authorised the BCL to obtain any information relating to them from any financial or supervisory authority or trade body, whether national or foreign, if such information is necessary for the T2S DCA holders' participation in TARGET2-LU.
3. T2S DCA holders, when acting as the payment service provider of a payer or payee, shall comply with all requirements resulting from administrative or restrictive measures imposed pursuant to Articles 75 or 215 of the Treaty to which they are subject, including with respect to notification and/or the obtaining of consent from a competent authority in relation to the processing of transactions. In addition:
  - (a) when the BCL is the payment service provider of a T2S DCA holder that is a payer:
    - (i) the T2S DCA holder shall make the required notification or obtain consent on behalf of the central bank that is primarily required to make notification or obtain consent, and shall provide the BCL with evidence of having made a notification or having received consent;
    - (ii) the T2S DCA holder shall not enter any T2S DCA to PM liquidity transfer order or T2S DCA to T2S DCA liquidity transfer order, with the exception of such liquidity transfer orders between different accounts of the same T2S DCA holder, into TARGET2 until it has obtained confirmation from the BCL that the required notification has been made or the consent has been obtained by or on behalf of the payment service provider of the payee;
  - (b) when the BCL is a payment service provider of a T2S DCA holder that is a payee, the T2S DCA holder shall make the required notification or obtain consent on behalf of the central bank that is primarily required to make notification or obtain consent, and shall provide the BCL with evidence of having made a notification or having received consent.

For the purposes of this paragraph, the terms 'payment service provider', 'payer' and 'payee' shall have the meanings ascribed to them in the applicable administrative or restrictive measures.

#### *Article 29*

##### **Notices**

1. Except where otherwise provided for in these Conditions, all notices required or permitted pursuant to these Conditions shall be sent by registered post, facsimile or otherwise in writing or by an authenticated message through the T2S network service provider. Notices to the BCL shall be submitted to the head of **Banking Operations Department** of the **BCL, 2, boulevard Royal, L-2983 Luxembourg** or to the BIC address: BCLXLULL Notices to the T2S DCA holder shall be sent to it at the address, fax number or its BIC address as the T2S DCA holder may from time to time notify to the BCL.
2. To prove that a notice has been sent, it shall be sufficient to prove that the notice was delivered to the relevant address or that the envelope containing such notice was properly addressed and posted.
3. All notices shall be given in English.
4. T2S DCA holders shall be bound by all forms and documents of the BCL that the T2S DCA holders have filled in and/or signed, including but not limited to static data collection forms, as referred to in Article 6(2)(a), and information provided under Article 10(5), which were submitted in compliance with paragraphs 1 and 2 and which the BCL reasonably believes to have received from the T2S DCA holders, their employees or agents.

#### *Article 30*

##### **Contractual relationship with T2S network service provider**

1. Each T2S DCA holder may enter into a separate agreement with a T2S network service provider regarding the services to be provided in relation to the T2S DCA holder's use of the T2S DCA. The legal relationship between a T2S DCA holder and the T2S network service provider shall be exclusively governed by the terms and conditions of their separate agreement.
2. The services to be provided by the T2S network service provider shall not form part of the services to be performed by the BCL in respect of TARGET2.
3. The BCL shall not be liable for any acts, errors or omissions of the T2S network service provider (including its directors, staff and subcontractors), or for any acts, errors or omissions of third parties selected by T2S DCA holders to gain access to the T2S network service provider's network.

### *Article 31*

#### **Amendment procedure**

The BCL may at any time unilaterally amend these Conditions, including their Appendices. Amendments to these Conditions, including their Appendices, shall be announced in accordance with the provisions of the General Terms and Conditions of the BCL. Amendments shall be deemed to have been accepted unless the T2S DCA holder expressly objects within 14 days of being informed of such amendments. In the event that a T2S DCA holder objects to the amendment, the BCL is entitled immediately to terminate and close that T2S DCA holder's T2S DCA in TARGET2-LU.

### *Article 32*

#### **Third party rights**

1. Any rights, interests, obligations, responsibilities and claims arising from or relating to these Conditions shall not be transferred, pledged or assigned by T2S DCA holders to any third party without the BCL's written consent.
2. These Conditions do not create any rights in favour of or obligations in relation to any entity other than the BCL and T2S DCA holders in TARGET2-LU.

### *Article 33*

#### **Governing law, jurisdiction and place of performance**

1. The bilateral relationship between the BCL and T2S DCA holders in TARGET2-LU shall be governed by Luxembourg law.
2. Without prejudice to the competence of the Court of Justice of the European Union, any dispute arising from a matter relating to the relationship referred to in paragraph 1 falls under the exclusive competence of the competent courts of the Grand Duchy of Luxembourg.
3. The place of performance concerning the legal relationship between the BCL and the T2S DCA holders shall be Luxembourg.

### *Article 34*

#### **Severability**

If any provision in these Conditions is or becomes invalid, this shall not prejudice the applicability of all the other provisions of these Conditions.

### *Article 35*

#### **Entry into force and binding nature**

1. These Conditions become effective from 30 November 2018.

2. By requesting a T2S DCA in TARGET2-LU, applying entities automatically agree to these Conditions between themselves and in relation to the BCL.



## **PARAMETERS OF THE T2S DEDICATED CASH ACCOUNTS – TECHNICAL SPECIFICATIONS**

In addition to the Conditions, the following rules shall apply to the interaction with the T2S Platform:

1. **Technical requirements for participation in TARGET2-LU regarding infrastructure, network and formats**
  - (1) T2S uses the services of a T2S network service provider for the exchange of messages. Each T2S DCA holder using a direct connection shall have a connection to at least one T2S network service provider's secure IP network.
  - (2) Each T2S DCA holder shall pass a series of tests to prove its technical and operational competence before it may participate in TARGET2-LU.
  - (3) For the submission of liquidity transfer orders in the T2S DCA the services of the T2S network service providers shall be used. Liquidity transfer orders shall be directly addressed to the T2S DN and must contain the following information:
    - (a) in the case of liquidity transfers between two T2S DCAs, the unique 34 character account numbers of both the sending and the receiving T2S DCA holder; or
    - (b) in the case of liquidity transfers from a T2S DCA to a PM account, the unique 34 character account number of the sending T2S DCA holder and the account number of the receiving PM account.
  - (4) For the exchange of information with the T2S Platform either A2A or U2A modes may be used. The security of the message exchange between T2S DCA and the T2S Platform shall rely on the Public Key Infrastructure (PKI) service offered by a T2S network service provider. Information on the PKI service is available in the documentation provided by such T2S network service provider.
  - (5) T2S DCA holders shall comply with the ISO20022 message structure and field specifications. All messages shall include a Business Application Header (BAH). Message structure, field specifications and BAHs are defined in the ISO documentation, under the restrictions set out for T2S, as described in Chapter 3.3.3 Cash Management (camt) of the T2S UDFS.
  - (6) Field contents shall be validated at the level of the T2S Platform in accordance with the T2S UDFS requirements.

## 2. Message types

- (1) The following system message types are processed, subject to subscription:

Message Type	Description
(camt.003)	GetAccount
(camt.004)	ReturnAccount
(camt.005)	GetTransaction
(camt.006)	ReturnTransaction
(camt.009)	GetLimit
(camt.010)	ReturnLimit
(camt.011)	ModifyLimit
(camt.012)	DeleteLimit
(camt.018)	GetBusinessDayInformation
(camt.019)	ReturnBusinessDayInformation
(camt.024)	ModifyStandingOrder
(camt.025)	Receipt
(camt.050)	LiquidityCreditTransfer
(camt.051)	LiquidityDebitTransfer
(camt.052)	BankToCustomerAccountReport
(camt.053)	BankToCustomerStatement
(camt.054)	BankToCustomerDebitCreditNotification
(camt.064)	LimitUtilisationJournalQuery
(camt.065)	LimitUtilisationJournalReport
(camt.066)	IntraBalanceMovementInstruction
(camt.067)	IntraBalanceMovementStatusAdvice
(camt.068)	IntraBalanceMovementConfirmation
(camt.069)	GetStandingOrder
(camt.070)	ReturnStandingOrder
(camt.071)	DeleteStandingOrder
(camt.072)	IntraBalanceMovementModificationRequest
(camt.073)	IntraBalanceMovementModificationRequestStatusAdvice
(camt.074)	IntraBalanceMovementCancellationRequest
(camt.075)	IntraBalanceMovementCancellationRequestStatusAdvice
(camt.078)	IntraBalanceMovementQuery
(camt.079)	IntraBalanceMovementQueryResponse
(camt.080)	IntraBalanceModificationQuery
(camt.081)	IntraBalanceModificationReport
(camt.082)	IntraBalanceCancellationQuery
(camt.083)	IntraBalanceCancellationReport
(camt.084)	IntraBalanceMovementPostingReport
(camt.085)	IntraBalanceMovementPendingReport

## 3. Double-entry check

- (1) All liquidity transfer orders shall pass a double-entry check, the aim of which is to reject liquidity transfer orders that have been submitted more than once.
- (2) The following parameters shall be checked:
- Order Reference (End to End Id);
  - Debit and Credit Account (T2S DCA or PM account); and
  - instructed Amount.

- (3) If all the fields described in point (2) in a newly submitted liquidity transfer order are identical to those in a liquidity transfer order which has been accepted but not yet settled or a liquidity transfer order that has been settled within the past three business days, the newly submitted liquidity transfer order shall be rejected.

#### 4. **Error codes**

If a liquidity transfer order is rejected on grounds of non-compliance with the fields in paragraph 3(2), the T2S DCA holder shall receive a status advice message [camt.025], as described in Chapter 4.1 of the T2S UDFS.

#### 5. **Settlement triggers**

- (1) For immediate liquidity transfer orders, no specific XML tag is required;
- (2) Predefined liquidity transfer orders and standing liquidity transfer orders may be triggered by a specific time or event on the day of settlement:
  - for settlement at a specific time, the XML tag 'Time(/ExctnTp/Tm/)' shall be used;
  - for settlement upon occurrence of a specific event, the XML tag '(EventType/ExctnTp/Evt/)' shall be used.
- (3) The validity period for standing liquidity transfer orders shall be set by the following XML tags: 'FromDate/VldtyPrd/FrDt/' and 'ToDate/VldtyPrd/ToDt/'.

#### 6. **Settlement of liquidity transfer orders**

Liquidity transfer orders are not recycled, queued or offset.

The different statuses for liquidity transfer orders are described in Chapter 1.6.4 of the T2S UDFS.

#### 7. **Use of the U2A and A2A mode**

- (1) The U2A and A2A modes may be used for obtaining information and managing liquidity. The T2S network service providers' networks shall be the underlying technical communications networks for exchanging information and running control measures. The following modes shall be available for use by T2S DCA holders:

- (a) **Application-to-application mode (A2A)**

In A2A, information and messages are transferred between the T2S Platform and the T2S DCA holder's internal application. The T2S DCA holder therefore has to ensure that an appropriate application is available for the exchange of XML messages (requests and responses).

- (b) **User-to-application mode (U2A)**

U2A permits direct communication between a T2S DCA holder and the T2S GUI. The information is displayed in a browser running on a PC system. For U2A access the IT infrastructure has to be able to support cookies and JavaScript. Further details are described in the T2S User Handbook.

- (2) Static data shall be available to view in U2A mode. The screens shall be offered in English only.
- (3) Information shall be provided in 'pull' mode, which means that each T2S DCA holder has to ask to be provided with information.
- (4) Access rights to the U2A and A2A mode shall be granted by using T2S GUI.
- (5) The 'Non Repudiation of Origin' (NRO) signature allows the recipient of a message to prove that such message has been issued and has not been altered.
- (6) If a T2S DCA holder has technical problems and is unable to submit any liquidity transfer order, it may contact its central bank which will on a best efforts basis act on behalf of the T2S DCA holder.

8. **Relevant documentation**

Further details and examples explaining the above rules are contained in the T2S UDFS and the T2S User Handbook, as amended from time to time and published on the ECB's website in English.

## **TARGET2 COMPENSATION SCHEME IN RELATION TO THE OPENING AND THE OPERATION OF THE T2S DCA**

### **1. General principles**

- (a) If there is a technical malfunction of TARGET2, T2S DCA holders may submit claims for compensation in accordance with the TARGET2 compensation scheme laid down in this Appendix.
- (b) Unless otherwise decided by the ECB's Governing Council, the TARGET2 compensation scheme shall not apply if the technical malfunction of TARGET2 arises out of external events beyond the reasonable control of the CBs concerned or as a result of acts or omissions by third parties.
- (c) Compensation under the TARGET2 compensation scheme shall be the only compensation procedure offered in the event of a technical malfunction of the TARGET2. T2S DCA holders may, however, use other legal means to claim for losses. If a T2S DCA holder accepts a compensation offer under the TARGET2 compensation scheme, this shall constitute the T2S DCA holder's irrevocable agreement that it thereby waives all claims in relation to the payment orders concerning which it accepts compensation (including any claims for consequential loss) it may have against any CB, and that the receipt by it of the corresponding compensation payment constitutes full and final settlement of all such claims. The T2S DCA holder shall indemnify the CBs concerned, up to a maximum of the amount received under the TARGET2 compensation scheme, in respect of any further claims which are raised by any other participant or any other third party in relation to the payment order or payment concerned.
- (d) The making of a compensation offer shall not constitute an admission of liability by the BCL or any other CB in respect of a technical malfunction of the TARGET2.

### **2. Conditions for compensation offers**

- (a) A payer may submit a claim for an administration fee and interest compensation if, due to a technical malfunction of TARGET2, a liquidity transfer order was not settled on the business day on which it was accepted.
- (b) A payee may submit a claim for an administration fee if, due to a technical malfunction of TARGET2, it did not receive a payment that it was expecting to receive on a particular business day. The payee may also submit a claim for interest compensation if one or more of the following conditions are met:

- (i) in the case of participants that have access to the marginal lending facility: due to a technical malfunction of TARGET2, a payee had recourse to the marginal lending facility; and/or
  - (ii) in the case of all participants: it was technically impossible to have recourse to the money market or such refinancing was impossible on other, objectively reasonable grounds.
- 3. Calculation of compensation
  - (a) With respect to a compensation offer for a payer:
    - (i) the administration fee shall be EUR 50 for the first non-settled payment order, EUR 25 for each of the next four such payment orders and EUR 12,50 for each further such payment order. The administration fee shall be calculated separately in relation to each payee;
    - (ii) interest compensation shall be determined by applying a reference rate to be fixed from day to day. This reference rate shall be the lower of the euro overnight index average (EONIA) rate and the marginal lending rate. The reference rate shall be applied to the amount of the payment order not settled as a result of the technical malfunction of the TARGET2 for each day in the period from the date of the actual or, in relation to payment orders referred to in paragraph 2(b)(ii), intended submission of the payment order until the date on which the payment order was or could have been successfully settled. Any interest or charges resulting from the placing of any non-settled payment orders on deposit with the Eurosystem shall be deducted from or charged to the amount of any compensation, as the case may be; ; and
    - (iii) no interest compensation shall be payable if and in so far as funds resulting from non-settled payment orders were placed in the market or used to fulfil minimum reserve requirements.
  - (b) With respect to a compensation offer for a payee:
    - (i) the administration fee shall be EUR 50 for the first non-settled payment order, EUR 25 for each of the next four such payment orders and EUR 12,50 for each further such payment order. The administration fee shall be calculated separately in relation to each payer;
    - (ii) the method set out in point (a)(ii) for calculating interest compensation shall apply except that interest compensation shall be payable at a rate equal to the difference between the marginal lending rate and the reference rate, and shall be calculated on the amount of any recourse to the marginal lending facility occurring as a result of the technical malfunction of TARGET2.
- 4. Procedural rules

- (a) A claim for compensation shall be submitted on the claim form available on the website of the BCL in English (see [www.bcl.lu](http://www.bcl.lu)). Payers shall submit a separate claim form in respect of each payee and payees shall submit a separate claim form in respect of each payer. Sufficient additional information and documents shall be provided to support the information indicated in the claim form. Only one claim may be submitted in relation to a specific payment or payment order.
- (b) Within four weeks of a technical malfunction of TARGET2, T2S DCA holders shall submit their claim forms to the BCL. Any additional information and evidence requested by the BCL shall be supplied within two weeks of such request being made.
- (c) The BCL shall review the claims and forward them to the ECB. Unless otherwise decided by the ECB's Governing Council and communicated to the T2S DCA holders, all received claims shall be assessed no later than 14 weeks after the technical malfunction of TARGET2 occurs.
- (d) The BCL shall communicate the result of the assessment referred to in point (c) to the relevant T2S DCA holders. If the assessment entails a compensation offer, the T2S DCA holders concerned shall, within four weeks of the communication of such offer, either accept or reject it, in respect of each payment or payment order comprised within each claim, by signing a standard letter of acceptance (in the form available on the website of the BCL (see [www.bcl.lu](http://www.bcl.lu))). If such letter has not been received by the BCL within four weeks, the T2S DCA holders concerned shall be deemed to have rejected the compensation offer.
- (e) The BCL shall make compensation payments on receipt of a T2S DCA holder's letter of acceptance of compensation. No interest shall be payable on any compensation payment

## TERMS OF REFERENCE FOR CAPACITY AND COUNTRY OPINIONS

### Terms of reference for capacity opinions for T2S DCA holders in TARGET2

[Insert name of CB]

[address]

#### **Participation in the [name of the system]**

[location]

[date]

Dear Sir or Madam,

We have been asked to provide this Opinion as [in-house or external] legal advisers to [specify name of T2S DCA holder or branch of T2S DCA holder] in respect of issues arising under the laws of [jurisdiction in which the T2S DCA holder is established; hereinafter the 'jurisdiction'] in connection with the participation of [specify name of T2S DCA holder] (hereinafter the 'T2S DCA holder') in the [name of the TARGET2 component system] (hereinafter the 'System').

This Opinion is confined to the laws of [jurisdiction] as they exist as on the date of this Opinion. We have made no investigation of the laws of any other jurisdiction as a basis for this Opinion, and do not express or imply any opinion in this regard. Each of the statements and opinions presented below applies with equal accuracy and validity under the laws of [jurisdiction], whether or not the T2S DCA holder acts through its head office or one or more branches established inside or outside of [jurisdiction] in submitting liquidity transfer orders and receiving liquidity transfers.

#### **I. DOCUMENTS EXAMINED**

For the purposes of this Opinion, we have examined:

- (1) a certified copy of the [specify relevant constitutional documents] of the T2S DCA holder such as is/are in effect on the date hereof;
- (2) [if applicable] an extract from the [specify relevant company register] and [if applicable] [register of credit institutions or analogous register];
- (3) [to the extent applicable] a copy of the T2S DCA holder's licence or other proof of authorisation to provide banking, investment, funds transfer or other financial services in [jurisdiction];
- (4) [if applicable] a copy of a resolution adopted by the board of directors or the relevant governing body of the T2S DCA holder on [insert date], [insert year], evidencing the T2S DCA holder's agreement to adhere to the System Documents, as defined below; and



- (5) [specify all powers of attorney and other documents constituting or evidencing the requisite power of the person or persons signing the relevant System Documents (as defined below) on behalf of the T2S DCA holder];

and all other documents relating to the T2S DCA holder's constitution, powers, and authorisations necessary or appropriate for the provision of this Opinion (hereinafter the 'T2S DCA holder's Documents').

For the purposes of this Opinion, we have also examined:

- (1) the [insert reference to the arrangements implementing the Harmonised Conditions for Opening and Operation of a Dedicated Cash Account in TARGET2] for the System dated [insert date] (hereinafter the 'Rules'); and
- (2) [...].

The Rules and the [...] shall be referred to hereinafter as the 'System Documents' (and collectively with the T2S DCA holder's Documents as the 'Documents').

## II. ASSUMPTIONS

For the purposes of this Opinion we have assumed in relation to the Documents that:

- (1) the System Documents with which we have been provided are originals or true copies;
- (2) the terms of the System Documents and the rights and obligations created by them are valid and legally binding under the laws of [insert reference to the Member State of the System] by which they are expressed to be governed, and the choice of the laws of [insert reference to the Member State of the System] to govern the System Documents is recognised by the laws of [insert reference to the Member State of the System];
- (3) the T2S DCA holder's Documents are within the capacity and power of and have been validly authorised, adopted or executed and, where necessary, delivered by the relevant parties; and
- (4) the T2S DCA holder's Documents are binding on the parties to which they are addressed, and there has been no breach of any of their terms.

## III. OPINIONS REGARDING THE T2S DCA HOLDER

- A. The T2S DCA holder is a corporation duly established and registered or otherwise duly incorporated or organised under the laws of [jurisdiction].
- B. The T2S DCA holder has all the requisite corporate powers to execute and perform the rights and obligations under the System Documents to which it is party.
- C. The adoption or execution and the performance by the T2S DCA holder of the rights and obligations under the System Documents to which the T2S DCA holder is party will not in any way breach any provision of the laws or regulations of [jurisdiction] applicable to the T2S DCA holder or the T2S DCA holder Documents.

- D. No additional authorisations, approvals, consents, filings, registrations, notarisations or other certifications of or with any court or governmental, judicial or public authority that is competent in [jurisdiction] are required by the T2S DCA holder in connection with the adoption, validity or enforceability of any of the System Documents or the execution or performance of the rights and obligations thereunder.
- E. The T2S DCA holder has taken all necessary corporate action and other steps necessary under the laws of [jurisdiction] to ensure that its obligations under the System Documents are legal, valid and binding.

This Opinion is stated as of its date and is addressed solely to [insert name of CB] and the [T2S DCA holder]. No other persons may rely on this Opinion, and the contents of this Opinion may not be disclosed to persons other than its intended recipients and their legal counsel without our prior written consent, with the exception of the European Central Bank and the national central banks of the European System of Central Banks [and [the national central bank/relevant regulatory authorities] of [jurisdiction]].

Yours faithfully,

[signature]

#### **Terms of reference for country opinions for non-EEA T2S DCA holders in TARGET2**

[Insert name of CB]

[address]

[name of the system]

[location],

[date]

Dear Sir or Madam,

We have been asked as [external] legal advisers to [specify name of T2S DCA holder or branch of T2S DCA holder] (the 'T2S DCA holder') in respect of issues arising under the laws of [jurisdiction in which the T2S DCA holder is established; hereinafter the 'jurisdiction'] to provide this Opinion under the laws of [jurisdiction] in connection with the participation of the T2S DCA holder in a system which is a component of TARGET2 (hereinafter the 'System'). References herein to the laws of [jurisdiction] include all applicable regulations of [jurisdiction]. We express an opinion herein under the law of [jurisdiction], with particular regard to the T2S DCA holder established outside [insert reference to the Member State of the System] in relation to rights and obligations arising from participation in the System, as presented in the System Documents defined below.

This Opinion is confined to the laws of [jurisdiction] as they exist on the date of this Opinion. We have made no investigation of the laws of any other jurisdiction as a basis for this Opinion, and do not express or imply any opinion in this regard. We have assumed that there is nothing in the laws of another jurisdiction which affects this Opinion.

## 1. DOCUMENTS EXAMINED

For the purposes of this Opinion, we have examined the documents listed below and such other documents as we have deemed necessary or appropriate:

- (1) the [insert reference to the arrangements implementing the Harmonised Conditions for Opening and Operation of a Dedicated Cash Account in TARGET2] for the System dated [insert date] (hereinafter the 'Rules'); and
- (2) any other document governing the System and/or the relationship between the T2S DCA holder and other participants in the System, and between the participants in the System and the [insert name of CB].

The Rules and the [ . ] shall be referred to hereinafter as the 'System Documents'.

## 2. ASSUMPTIONS

For the purposes of this Opinion we have assumed in relation to the System Documents that:

- (1) the System Documents are within the capacity and power of and have been validly authorised, adopted or executed and, where necessary, delivered by the relevant parties;
- (2) the terms of the System Documents and the rights and obligations created by them are valid and legally binding under the laws of [insert reference to the Member State of the System], by which they are expressed to be governed, and the choice of the laws of [insert reference to the Member State of the System] to govern the System Documents is recognised by the laws of [insert reference to the Member State of the System];
- (3) the documents submitted to us in copy or as specimens conform to the originals.

## 3. OPINION

Based on and subject to the foregoing, and subject in each case to the points set out below, we are of the opinion that:

### 3.1 **Country-specific legal aspects [to the extent applicable]**

The following characteristics of the legislation of [jurisdiction] are consistent with and in no way set aside the obligations of the T2S DCA holder arising out of the System Documents: [list of country-specific legal aspects].

### 3.2 **General insolvency and crisis management issues**

#### 3.2.a. *Types of insolvency and crisis management proceedings*

The only types of insolvency proceedings (including composition or rehabilitation) which, for the purpose of this Opinion, shall include all proceedings in respect of the T2S DCA holder's assets or any branch it may have in [jurisdiction] to which the T2S DCA holder may

become subject in [jurisdiction], are the following: [list proceedings in original language and English translation] (together collectively referred to as ‘Insolvency Proceedings’).

In addition to Insolvency Proceedings, the T2S DCA holder, any of its assets, or any branch it may have in [jurisdiction] may become subject in [jurisdiction] to [list any applicable moratorium, receivership, or any other proceedings as a result of which payment orders to and/or from the T2S DCA holder may be suspended, or limitations can be imposed in relation to such payment orders, or similar proceedings, including crisis prevention and crisis management measures equivalent to those defined in Directive 2014/59/EU, in original language and English translation] (hereinafter collectively referred to as ‘Proceedings’).

### 3.2.b. *Insolvency treaties*

[jurisdiction] or certain political subdivisions within [jurisdiction], as specified, is/are party to the following insolvency treaties: [specify, if applicable which have or may have an impact on this Opinion].

## 3.3 **Enforceability of System Documents**

Subject to the points set out below, all provisions of the System Documents will be binding and enforceable in accordance with their terms under the laws of [jurisdiction], in particular in the event of the opening of any Insolvency Proceedings or Proceedings with respect to the T2S DCA holder.

In particular, we are of the opinion that:

### 3.3.a. *Processing of liquidity transfer orders*

The provisions on processing of liquidity transfer orders [list of sections] of the Rules are valid and enforceable. In particular, all liquidity transfer orders processed pursuant to such sections will be valid, binding and will be enforceable under the laws of [jurisdiction]. The provision of the Rules which specifies the precise point in time at which liquidity transfer orders become enforceable and irrevocable ([add section of the Rules]) is valid, binding and enforceable under the laws of [jurisdiction].

### 3.3.b. *Authority of the [insert name of CB] to perform its functions*

The opening of Insolvency Proceedings or Proceedings in respect of the T2S DCA holder will not affect the authority and powers of the [insert name of CB] arising out of the System Documents. [Specify [to the extent applicable] that: the same opinion is also applicable in respect of any other entity which provides the T2S DCA holders with services directly and necessarily required for participation in the System, e.g. network service providers].

### 3.3.c. *Remedies in the event of default*

[Where applicable to the T2S DCA holder, the provisions contained in [list of sections] of the Rules regarding accelerated performance of claims which have not yet matured, the set-off of claims for using the deposits of the T2S DCA holder, the enforcement of a pledge, suspension and termination of participation, claims for default interest, and termination of

agreements and transactions ([insert other relevant clauses of the Rules or the System Documents]) are valid and enforceable under the laws of [jurisdiction].]

#### *3.3.d. Suspension and termination*

Where applicable to the T2S DCA holder, the provisions contained in [list of sections] of the Rules (in respect of suspension and termination of the T2S DCA holder's participation in the System on the opening of Insolvency Proceedings or Proceedings or other events of default, as defined in the System Documents, or if the T2S DCA holder represents any kind of systemic risk or has serious operational problems) are valid and enforceable under the laws of [jurisdiction].

#### *3.3.e. Assignment of rights and obligations*

The rights and obligations of the T2S DCA holder cannot be assigned, altered or otherwise transferred by the T2S DCA holder to third parties without the prior written consent of the [insert name of CB].

#### *3.3.f. Choice of governing law and jurisdiction*

The provisions contained in [list of sections] of the Rules, and in particular in respect of the governing law, the resolution of a dispute, competent courts, and service of process are valid and enforceable under the laws of [jurisdiction].

### **3.4 Voidable preferences**

We are of the opinion that no obligation arising out of the System Documents, the performance thereof, or compliance therewith prior to the opening of any Insolvency Proceedings or Proceedings in respect of the T2S DCA holder may be set aside in any such proceedings as a preference, voidable transaction or otherwise under the laws of [jurisdiction].

In particular, and without limitation to the foregoing, we express this opinion in respect of any transfer orders submitted by any participant in the System. In particular, we are of the opinion that the provisions of [list of sections] of the Rules establishing the enforceability and irrevocability of transfer orders will be valid and enforceable and that a transfer order submitted by any participant and processed pursuant to [list of sections] of the Rules may not be set aside in any Insolvency Proceedings or Proceedings as a preference, voidable transaction or otherwise under the laws of [jurisdiction].

### **3.5 Attachment**

If a creditor of the T2S DCA holder seeks an attachment order (including any freezing order, order for seizure or any other public or private law procedure that is intended to protect the public interest or the rights of the T2S DCA holder's creditors) — hereinafter referred to as an 'Attachment' — under the laws of [jurisdiction] from a court or governmental, judicial or public authority that is competent in [jurisdiction], we are of the opinion that [insert the analysis and discussion].

### **3.6 Collateral [if applicable]**

#### *3.6.a. Assignment of rights or deposit of assets for collateral purposes, pledge and/or repo*

Assignments for collateral purposes will be valid and enforceable under the laws of [jurisdiction]. Specifically, the creation and enforcement of a pledge or repo under the [insert reference to the relevant arrangement with the CB] will be valid and enforceable under the laws of [jurisdiction].

*3.6.b. Priority of assignees', pledgees' or repo purchasers' interest over that of other claimants*

In the event of Insolvency Proceedings or Proceedings in respect of the T2S DCA holder, the rights or assets assigned for collateral purposes, or pledged by the T2S DCA holder in favour of the [insert reference to CB] or other participants in the System, will rank in priority of payment above the claims of all other creditors of the T2S DCA holder and will not be subject to priority or preferential creditors.

*3.6.c. Enforcing title to security*

Even in the event of Insolvency Proceedings or Proceedings in respect of the T2S DCA holder, other participants in the System and the [insert name of CB] as [assignees, pledgees or repo purchasers as applicable] will still be free to enforce and collect the T2S DCA holder's rights or assets through the action of the [insert name of CB] pursuant to the Rules.

*3.6.d. Form and registration requirements*

There are no form requirements for the assignment for collateral purposes of, or the creation and enforcement of a pledge or repo over the T2S DCA holder's rights or assets and it is not necessary for the [assignment for collateral purposes, pledge or repo, as applicable], or any particulars of such [assignment, pledge or repo, as applicable,] to be registered or filed with any court or governmental, judicial or public authority that is competent in [jurisdiction].

**3.7 Branches [to the extent applicable]**

*3.7.a. Opinion applies to action through branches*

Each of the statements and opinions presented above with regard to the T2S DCA holder applies with equal accuracy and validity under the laws of [jurisdiction] in situations where the T2S DCA holder acts through its one or more of its branches established outside [jurisdiction].

*3.7.b. Conformity with law*

Neither the execution and performance of the rights and obligations under the System Documents nor the submission, transmission or receipt of payment orders by a branch of the T2S DCA holder will in any respect breach the laws of [jurisdiction].

*3.7.c. Required authorisations*

Neither the execution and performance of the rights and obligations under the System Documents nor the submission, transmission or receipt of payment orders by a branch of a T2S DCA holder will require any additional authorisations, approvals, consents, filings, registrations, notarisations or other certifications of or with any court or governmental, judicial or public authority that is competent in [jurisdiction].

This Opinion is stated as of its date and is addressed solely to the [insert name of CB] and the [T2S DCA holder]. No other persons may rely on this Opinion, and the contents of this Opinion may not be disclosed to persons other than its intended recipients and their legal counsel without our prior written consent, with the exception of the European Central Bank and the national central banks of the European System of Central Banks [and [the national central bank/relevant regulatory authorities] of [jurisdiction]].

Yours faithfully,  
[signature]

## **BUSINESS CONTINUITY AND CONTINGENCY PROCEDURES**

### **1. General provisions**

- (a) This Appendix sets out the arrangements between the BCL and T2S DCA holders, if one or more components of TARGET2 or a network service provider fail or are affected by an abnormal external event, or if the failure affects any T2S DCA holder.
- (b) All references to specific times in this Appendix are to the local time at the seat of the ECB, i.e. Central European Time (CET<sup>4</sup>).

### **2. Measures of business continuity**

- (a) In the event that an abnormal external event occurs and/or there is a failure of the SSP, the T2S Platform or a network service provider which affects the normal operation of TARGET2, the BCL shall be entitled to adopt business continuity measures.
- (b) The following main business continuity and contingency measures shall be available for the SSP:
  - (i) relocating the operation of the SSP to an alternative site;
  - (ii) changing the SSP's operating hours; and
  - (iii) initiating contingency processing of very critical and critical payment orders, as defined in paragraph 6(c) and (d) of Appendix IV to Annex II.
- (c) The following main business continuity and contingency measures shall be available for the T2S Platform:
  - (i) relocating the operation of the T2S Platform to an alternative site;
  - (ii) rescheduling events in the T2S Settlement day.
- (d) In relation to business continuity processing measures, the BCL shall have full discretion regarding what measures are adopted.

### **3. Incident communication**

- (a) Information about a failure of the TARGET2 and/or an abnormal external event shall be communicated to T2S DCA holders through the domestic communication channels, the ICM, the T2S GUI and the T2S-information system as defined in the T2S UDFS. In particular, communications to T2S DCA holders shall include the following information:
  - (i) a description of the event;

---

<sup>4</sup> CET takes into account the change to Central European Summer Time.



- (ii) the anticipated delay in processing (if known);
    - (iii) information on the measures already taken.
  - (b) In addition, the BCL may notify T2S DCA holders of any other existing or anticipated event which has the potential to affect the normal operation of TARGET2.
4. **Relocation of the operation of the SSP and/or T2S Platform to an alternative site**
- (a) In the event that any of the events referred to in paragraph 2(a) occurs, the operation of the SSP and/or the T2S Platform may be relocated to an alternative site, either within the same region or in another region.
  - (b) In the event that the operation of the T2S Platform is relocated to another region, the T2S DCA holders shall (i) refrain from sending new instructions to the T2S Platform and (ii) at the request of BCL perform a reconciliation and resubmit any instructions identified as missing submitted within a maximum of five minutes prior to the time of failure or the occurrence of the abnormal external event and provide the BCL with all relevant information in this respect.
5. **Change of operating hours**
- (a) The daytime processing of TARGET2 may be extended or the opening time of a new business day may be delayed. During any extended operating time of TARGET2, payment orders shall be processed in accordance with this Appendix.
  - (b) TARGET2 daytime processing may be extended and the closing time thereby delayed, if a T2S Platform or SSP failure has occurred during the day but has been resolved before 18.00. Such a closing time delay shall in normal circumstances not exceed two hours and shall be announced as early as possible to T2S DCA holders. Once such a delay is announced it may not be withdrawn.
6. **Failures linked to T2S DCA holders**
- (a) In the event that a T2S DCA holder has a problem that prevents it from settling payment orders in TARGET2-LU, it shall be its responsibility to resolve the problem.
  - (b) In the event that a T2S DCA holder unexpectedly submits an abnormally high number of messages, which threaten the stability of the T2S Platform, and does not, upon request of the BCL, refrain from such behaviour without delay, the BCL may block from the T2S Platform all further messages submitted by such T2S DCA holder.
7. **Other provisions**
- (a) In the event of a failure of the BCL, some or all of its technical functions in relation to TARGET2-LU may be performed by other Eurosystem CBs.

- (b) The BCL may require that the T2S DCA holders participate in regular or ad hoc testing of business continuity and contingency processing measures, training or any other preventative arrangements, as deemed necessary by the BCL. Any costs incurred by the T2S DCA holders as a result of such testing or other arrangements shall be borne solely by the T2S DCA holders.

### OPERATING SCHEDULE

1. TARGET2 is open on all days, except Saturdays, Sundays, New Year's Day, Good Friday and Easter Monday (according to the calendar applicable at the seat of the ECB), 1 May, 25 December and 26 December.
2. The reference time for the system is the local time at the seat of the ECB, i.e. CET<sup>5</sup>.
3. The current business day is opened during the evening of the previous business day and operates according to the schedule set out in the T2S Scope Defining Set of Documents.
4. The T2S Platform is available for U2A and A2A mode during the whole settlement day, except during the technical maintenance period from 03:00 until 05:00. During the technical maintenance period messages sent using the A2A mode will be queued. It will not be possible to submit messages via the U2A mode.
5. The operating hours may be changed in the event that business continuity measures are adopted in accordance with paragraph 2 of Appendix IV.
6. An overview of the operating hours and significant business events during the day is shown in the following table:

SSP schedule		T2S schedule (applicable to T2S DCAs)	
Time	Description	Time	Description
18:45 – 19:00 <sup>(1)</sup>	Start of day processing (sending of GL files shortly after 18:45)	18:45 – 20:00	Start of day: - Change of business date - Deadline for acceptance of CMS data feeds (19:00) - Preparation of the night time settlement
19:00 – 19:30 <sup>(1)</sup>	Night-time settlement: provision of liquidity from SF to HAM and PM; from HAM to PM and from PM to T2S DCA.	20:00 – 03:00	Night-time settlement: - First Night-time settlement cycle - Last Night-time settlement cycle (Sequence X includes the partial settlement of unsettled Settlement Instructions eligible for partial settlement and that have failed to settle due to a lack of securities; Sequence Y includes the

<sup>5</sup> CET takes into account the change to Central European Summer Time.

			reimbursement of multiple liquidity providers at the end of cycle)
19:30 <sup>(1)</sup> – 22:00	Night-time settlement (NTS1): - Start-of-procedure message; - Setting aside of liquidity on the basis of standing orders for the night-time processing (ancillary system settlement procedure 6 and T2S)		
22:00 – 01:00	Technical maintenance window <sup>(2)</sup>	03:00 – 05:00	Technical maintenance window <sup>(3)</sup>
01:00 – 07:00	Night-time processing (ancillary system settlement procedure 6 and T2S)	05:00 – 18:00	Day trade/Real-time settlement <sup>(4)</sup> : - Real-time settlement preparation <sup>(4)</sup> - Partial settlement windows at 14:00 and 15:45 <sup>(5)</sup> (for 15 minutes - <b>16:00</b> : DvP cut-off - <b>16:30</b> : Automatic auto-collateralisation reimbursement, followed by the optional cash sweep - <b>17:40</b> : Cut-off for Bilaterally agreed treasury management operations (BATM) and central bank operations (CBO) cut-off - <b>17:45</b> : inbound liquidity transfer cut-off Automated cash sweep after 17:45 - <b>18:00</b> : FOP cut-off
06:45 – 07:00	Business window to prepare daylight operations		
07:00 – 18:00	Day trade phase: - <b>17:00</b> : Cut-off for customer payments - <b>17:45</b> : cut-off for liquidity transfers to T2S DCAs - <b>18:00</b> : Cut-off for interbank payments and incoming liquidity transfers from T2S DCAs		
18:00 – 18:45	- 18:15 <sup>(1)</sup> : Cut-off for the use of standing facilities Data needed to update the accounting system is available for central banks, shortly after 18:30	18:00 – 18:45	- End of T2S settlement processing - Recycling and purging - End of day reporting and statements

	18:40 <sup>(1)</sup> : Cut-off for use of marginal lending (NCBs only) End-of-day processing		
--	---	--	--

Notes to table:

- (1) Plus 15 minutes on the last day of the reserve maintenance period.
  - (2) Over a weekend or on a holiday, the technical window will last throughout the weekend or the holiday, i.e., from 22:00 on Friday until 1:00 on Monday or, in the case of a holiday, from 22:00 on the last business day until 1:00 on the next business day.
  - (3) Over a weekend or on a holiday, the technical window will last throughout the weekend or the holiday, i.e., from 03:00 a.m. on Saturday until 05:00 a.m. on Monday or, in the case of a holiday, from 03:00 a.m. on the holiday until 05:00 a.m. on the next business day.
  - (4) Real-time settlement preparation and real-time settlement may start before the maintenance window if the last night-time settlement cycle ends before 03:00 am.
  - (5) Each partial settlement window last for 15 minutes. The partial settlement applies to unsettled Settlement Instructions eligible for partial settlement and that have failed to settle due to a lack of securities.
7. Up-to-date information on the operational status of the SSP and the T2S Platform shall be available on the TARGET2 Information System (T2IS) and the TARGET2-Securities Information System, respectively, on dedicated webpages on the ECB's website. The information on the operational status of the SSP and the T2S Platform on T2IS, TARGET2-Securities Information System and the ECB's website shall only be updated during normal business hours.

## FEE SCHEDULE

### Fees for T2S services

The following fees for T2S services connected with T2S DCAs shall be charged to the Main PM account holders:

Tariff items	Price	Explanation
<b>Settlement services</b>		
T2S DCA to T2S DCA liquidity transfer orders	14,1 euro cent	per transfer
Intra-balance movement (i.e. blocking, unblocking, reservation of liquidity etc)	9,4 euro cent	per transaction
<b>Information services</b>		
A2A reports	0,4 euro cent	Per business item in any A2A report generated
A2A queries	0,7 euro cent	Per queried business item in any A2A query generated
U2A queries	10 euro cent	Per executed search function
U2A queries downloaded	0,7 euro cent	Per queried business item in any U2A query generated and downloaded.
Messages bundled into a file	0,4 euro cent	Per message in a file
Transmissions	1,2 euro cent	Per transmission

**HARMONISED CONDITIONS FOR THE OPENING AND OPERATION OF A TIPS  
DEDICATED CASH ACCOUNT  
(TIPS DCA) IN TARGET2**

TITLE I  
GENERAL PROVISIONS

*Article 1*

**Definitions**

For the purposes of these Harmonised Conditions (hereinafter the 'Conditions'), the following definitions apply, in addition to the definitions provided in Article 2 of the main text of the Terms and Conditions for Participation in TARGET2-LU:

- "authorised account user" means an entity which: (a) holds a Business Identifier Code (BIC); (b) is registered as such by a TIPS DCA holder; and (c) is addressable through the TIPS Platform for the settlement of instant payments,
- "business day" or "TARGET2 business day" means any day on which TARGET2 is open for the settlement of payment orders, as set out in Appendix III,
- "capacity opinion" means a participant-specific opinion that contains an assessment of a participant's legal capacity to enter into and carry out its obligations under these Conditions,
- "credit memorandum balance (CMB)" means a limit set by the TIPS DCA holder for the use of liquidity on the TIPS DCA by a specific reachable party,
- "event of default" means any impending or existing event, the occurrence of which may threaten the performance by a participant of its obligations under these Conditions or any other rules applying to the relationship between that participant and the BCL or any other CB, including:
  - (a) where the participant no longer meets the access criteria laid down in Article 5 or the requirements laid down in Article 6(1)(a)(i) or Article 6(1)(b)(iii);
  - (b) the opening of insolvency proceedings in relation to the participant;
  - (c) the submission of an application relating to the proceedings referred to in point (b);
  - (d) the issue by the participant of a written declaration of its inability to pay all or any part of its debts or to meet its obligations arising in relation to intraday credit;
  - (e) the entry of the participant into a voluntary general agreement or arrangement with its creditors;
  - (f) where the participant is, or is deemed by its CB to be, insolvent or unable to pay its debts;
  - (g) where the participant's credit balance on its TIPS DCA, PM account, or T2S DCA, or all or a substantial part of the participant's assets are subject to a freezing order, attachment, seizure or any other procedure that is intended to protect the public interest or the rights of the participant's creditors;
  - (h) where participation of the participant in another TARGET2 component system and/or

- in an ancillary system has been suspended or terminated;
- (i) where any material representation or pre-contractual statement made by the participant or which is implied to have been made by the participant under the applicable law is incorrect or untrue;
  - (j) the assignment of all or a substantial part of the participant's assets,
- “Information and Control Module (ICM)” means the SSP module that allows TIPS DCA holders that also hold a Linked PM account to obtain online information and gives them the possibility to submit PM to TIPS DCA liquidity transfer orders and TIPS DCA to PM liquidity transfer orders, and to manage liquidity,
  - “TIPS GUI” means the module on the TIPS Platform which allows TIPS DCA holders to obtain online information and gives them the possibility to submit TIPS DCA to PM liquidity transfer orders,
  - “reachable party” means an entity which: (a) holds a BIC; (b) is designated as such by a TIPS DCA holder; (c) is a correspondent, customer or branch of a TIPS DCA holder; and (d) is addressable through the TIPS Platform and is able to submit payment orders and receive payment orders either via the TIPS DCA holder or, if so authorised by the TIPS DCA holder, directly,
  - “instructing party” means an entity which has been designated as such by a TIPS DCA holder and which is allowed to send payment orders to the TIPS Platform and/or receive payment orders from the TIPS Platform on behalf of that TIPS DCA holder or a reachable party of that TIPS DCA holder,
  - “participant” (or “direct participant”) means an entity that holds at least one TIPS DCA (TIPS DCA holder) and/or one PM account (PM account holder) and/or one T2S DCA (T2S DCA holder) with a Eurosystem CB,
  - “payee”, except where used in Article 30 of this Annex, means a TIPS DCA holder whose TIPS DCA will be credited as a result of a payment order being settled,
  - “payer”, except where used in Article 30 of this Annex, means a TIPS DCA holder whose TIPS DCA will be debited as a result of a payment order being settled,
  - “payment order”, except where used in Articles 16 to 18 of this Annex, means an instant payment order, a positive recall answer, a PM to TIPS DCA liquidity transfer order or a TIPS DCA to PM liquidity transfer order,
  - “public sector body” means an entity within the ‘public sector’, the latter term as defined in Article 3 of Council Regulation (EC) No 3603/93<sup>6</sup>,
  - “static data collection form” means a form developed by the BCL for the purpose of registering applicant TIPS DCA holders for TARGET2-LU services and registering any changes in relation to the provision of such services,
  - “technical malfunction of TARGET2” means any difficulty, defect or failure in the technical infrastructure and/or the computer systems used by TARGET2-LU, or any other event that

---

<sup>6</sup> Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty (OJ L 332, 31.12.1993, p. 1).



- makes it impossible to execute payments in TARGET2-LU,
- “TIPS Distinguished Name (TIPS DN)” means the network address for the TIPS Platform which must be included in all messages intended for the system,
- “User Detailed Functional Specifications (UDFS)” means the most up-to-date version of the UDFS, which is the technical documentation that details how a TIPS DCA holder interacts with TARGET2.

## *Article 2*

### **Scope**

The present Conditions govern the relationship between the relevant euro area NCB and its TIPS DCA holder as far as the opening and the operation of the TIPS DCA is concerned.

## *Article 3*

### **Appendices**

1. The following Appendices form an integral part of these Conditions:  
Appendix I: Parameters of the TIPS DCA – Technical specifications  
Appendix II: Terms of reference for capacity and country opinions  
Appendix III: Operating schedule  
Appendix IV: Fee schedule  
Appendix V: TIPS connectivity technical requirements
2. In the event of any conflict or inconsistency between the content of any appendix and the content of any other provision in these Conditions, the latter shall prevail.

## *Article 4*

### **General description of TARGET2**

1. TARGET2 provides real-time gross settlement for payments in euro, with settlement in central bank money across PM accounts, T2S DCAs for the purpose of securities transactions and TIPS DCAs for the purpose of instant payments.
2. The following transactions are processed in TARGET2-LU:
  - (a) transactions directly resulting from or made in connection with Eurosystem monetary policy operations;
  - (b) settlement of the euro leg of foreign exchange operations involving the Eurosystem;
  - (c) settlement of euro transfers resulting from transactions in cross-border large-value netting systems;
  - (d) settlement of euro transfers resulting from transactions in euro retail payment systems of systemic importance;
  - (e) settlement of the cash leg of securities transactions;
  - (f) T2S DCA to T2S DCA liquidity transfer orders, T2S DCA to PM liquidity transfer orders and PM to T2S DCA liquidity transfer orders;
  - (g) instant payment orders;
  - (h) positive recall answers;
  - (i) TIPS DCA to PM liquidity transfer orders and PM to TIPS DCA liquidity transfer

orders; and

- (j) any other transactions in euro addressed to TARGET2 participants.
- 3. TARGET2 provides real-time gross settlement for payments in euro, with settlement in central bank money across PM accounts, T2S DCAs and TIPS DCAs. TARGET2 is established and functions on the basis of the SSP through which payment orders are submitted and processed and through which payments are ultimately received in the same technical manner. As far as the technical operation of the TIPS DCAs is concerned, TARGET2 is technically established and functions on the basis of the TIPS Platform. As far as the technical operation of the T2S DCAs is concerned, TARGET2 is technically established and functions on the basis of the T2S Platform.
- 4. The BCL is the provider of services under these Conditions. Acts and omissions of the TIPS Platform-providing NCBs shall be considered acts and omissions of the BCL, for which it shall assume liability in accordance with Article 23 of this Annex. Participation pursuant to these Conditions shall not create a contractual relationship between TIPS DCA holders and the TIPS Platform-providing NCBs when any of the latter acts in that capacity. Instructions, messages or information which a TIPS DCA holder receives from, or sends to, the SSP or TIPS Platform in relation to the services provided under these Conditions are deemed to be received from, or sent to, the BCL.
- 5. TARGET2 is legally structured as a multiplicity of payment systems composed of all the TARGET2 component systems, which are designated as 'systems' under the national laws implementing Directive 98/26/EC. TARGET2-LU is designated as a 'system' under the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems.
- 6. Participation in TARGET2 takes effect via participation in a TARGET2 component system. These Conditions describe the mutual rights and obligations of TIPS DCA holders in TARGET2-LU and the BCL. The rules on the processing of payment orders under these Conditions (Title IV and Appendix I) refer to all payment orders submitted or payments received by any TIPS DCA holder.

## TITLE II PARTICIPATION

### *Article 5*

#### **Access criteria**

- 1. The following types of entities are eligible to become a TIPS DCA holder in TARGET2-LU:
  - (a) credit institutions established in the Union or the EEA, including when they act through a branch established in the Union or the EEA;
  - (b) credit institutions established outside the EEA, provided that they act through a branch established in the Union or the EEA;
  - (c) NCBs of Member States and the ECB;provided that the entities referred to in points (a) and (b) are not subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to

Article 65(1)(b), Article 75 or Article 215 of the Treaty, the implementation of which, in the view of the BCL after informing the ECB, is incompatible with the smooth functioning of TARGET2.

2. The BCL may, at its discretion, also admit the following entities as TIPS DCA holders:
  - (a) treasury departments of central or regional governments of Member States;
  - (b) public sector bodies of Member States authorised to hold accounts for customers;
  - (c) (i) investment firms established in the Union or the EEA, including when they act through a branch established in the Union or the EEA; and  
(ii) investment firms established outside the EEA, provided that they act through a branch established in the Union or the EEA;
  - (d) entities managing ancillary systems and acting in that capacity; and
  - (e) credit institutions or any of the entities of the types listed in points (a) to (d), in both cases where these are established in a country with which the Union has entered into a monetary agreement allowing access by any of such entities to payment systems in the Union subject to the conditions set out in the monetary agreement and provided that the relevant legal regime applying in the country is equivalent to the relevant Union legislation.
3. Electronic money institutions, within the meaning of Article 1(17) of the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems, as amended by Article 1(1)(f) of the Law of 20 May 2011 implementing Article 2(1) of Directive 2009/110/EC of the European Parliament and of the Council<sup>7</sup>, are not entitled to participate in TARGET2-LU.

#### *Article 6*

##### **Application procedure**

1. In order for the BCL to open a TIPS DCA for an entity, such entity must comply with the access criteria of the provisions of the BCL implementing Article 5 and shall:
  - (a) fulfil the following technical requirements:
    - (i) install, manage, operate and monitor and ensure the security of the necessary IT infrastructure to connect to the TIPS Platform and submit payment orders to it. In doing so, applicant TIPS DCA holders may involve third parties, but retain sole liability. In particular, applicant TIPS DCA holders shall enter into an agreement with one or more TIPS network service providers to obtain the necessary connection and admissions, in accordance with the technical specifications and requirements in Appendices I and V; and
    - (ii) have passed the tests required by the BCL; and

---

<sup>7</sup> Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC (OJ L 267, 10.10.2009, p. 7).

- (b) fulfil the following legal requirements:
  - (i) provide a capacity opinion in the form specified in Appendix II, unless the information and representations to be provided in such capacity opinion have already been obtained by the BCL in another context;
  - (ii) for credit institutions or investment firms established outside the EEA, acting through a branch established in the Union or the EEA, provide a country opinion in the form specified in Appendix II, unless the information and representations to be provided in such country opinion have already been obtained by the BCL in another context; and
  - (iii) have adhered to the SCT Inst scheme by signing the SEPA Instant Credit Transfer Adherence Agreement.
- 2. Entities wishing to open a TIPS DCA shall apply in writing to the BCL as a minimum enclosing the following documents/information:
  - (a) completed static data collection forms as provided by the BCL;
  - (b) the capacity opinion, if required by the BCL;
  - (c) the country opinion, if required by the BCL; and
  - (d) evidence of their adherence to the SCT Inst scheme.
- 3. The BCL may also request any additional information it deems necessary to decide on the application to open a TIPS DCA.
- 4. The BCL shall reject the application to open a TIPS DCA if:
  - (a) access criteria referred to in Article 5 are not met;
  - (b) one or more of the participation criteria referred to in paragraph 1 are not met; and/or
  - (c) in the BCL's assessment, opening a TIPS DCA would endanger the overall stability, soundness and safety of TARGET2-LU or of any other TARGET2 component system, or would jeopardise the BCL's performance of its tasks as described in its Organic Law of 23 December 1998, as amended, and the Statute of the European System of Central Banks and of and the Statute of the European System of Central Banks and of the European Central Bank, or poses risks on the grounds of prudence.
- 5. The BCL shall communicate its decision on the application to open a TIPS DCA to the applicant TIPS DCA holder within one month of the BCL's receipt thereof. Where the BCL requests additional information pursuant to paragraph 3, the decision shall be communicated within one month of the BCL's receipt of this information from the applicant TIPS DCA holder. Any rejection decision shall contain reasons for the rejection.

## *Article 7*

### **TIPS DCA holders**

- 1. TIPS DCA holders in TARGET2-LU shall comply with the requirements set out in Article 6. They shall have at least one TIPS DCA with the BCL.
- 2. In order to send messages to the TIPS Platform, TIPS DCA holders may access the TIPS Platform:
  - (a) directly, and/or
  - (b) using one or more instructing parties.

For both of these methods of access, the TIPS DCA holder shall use one or more TIPS DNs.

3. In order to receive messages from the TIPS Platform, TIPS DCA holders shall access the TIPS Platform:
  - (a) directly; or
  - (b) using one instructing party.

For both of these methods of access, the TIPS DCA holder shall use one TIPS DN to receive instant payment orders.

4. If the TIPS DCA holder chooses to interact with the TIPS Platform via an instructing party, as set out in paragraphs 2 and 3, messages received or sent via the instructing party are deemed to be received from or sent to the TIPS DCA holder. The TIPS DCA holder shall be bound by such actions, regardless of the content of, or any non-compliance with, the contractual or other arrangements between that TIPS DCA holder and any designated instructing party.

#### *Article 8*

##### **Reachable parties**

1. TIPS DCA holders may designate one or more reachable parties. Reachable parties must have adhered to the SCT Inst scheme and signed the SEPA Instant Credit Transfer Adherence Agreement.
2. TIPS DCA holders shall provide evidence to the BCL of each designated reachable party's adherence to the SCT Inst scheme.
3. A TIPS DCA holder shall inform the BCL if any designated reachable party no longer adheres to the SCT Inst scheme and shall, without undue delay, take steps to prevent the reachable party from accessing the TIPS DCA.
4. The TIPS DCA holder may designate one or more instructing parties for its designated reachable parties.
5. If a TIPS DCA holder designates one or more reachable parties and/or one or more instructing parties in accordance with paragraphs 1 or 4, respectively, messages received from these reachable parties or, if applicable, via these instructing parties are deemed to be received from the TIPS DCA Holder. Similarly, messages sent to these reachable parties or, if applicable, via these instructing parties are deemed to be sent to the TIPS DCA Holder. The TIPS DCA holder shall be bound by such actions, regardless of the content of, or any non-compliance with, the contractual or other arrangements between that TIPS DCA holder and any of the entities referred to in paragraphs 1 and 4.

#### *Article 9*

##### **TIPS network service providers**

1. Participants shall use one or more TIPS network service providers to exchange messages with the TIPS Platform and shall enter into a separate agreement with such providers to that end.
2. A list of TIPS network service providers, as amended from time to time, is available on the

ECB's website. This list is provided for information purposes only. In the event that a TIPS network service provider is removed from the list of TIPS network service providers, the BCL shall inform the TIPS DCA holders using that network service provider accordingly.

3. The BCL shall not be liable for any acts, errors or omissions of a TIPS network service provider (including its directors, staff and subcontractors) as provider of TIPS network services, or for any acts, errors or omissions of the TIPS network service provider selected by participants to gain access to the TIPS Platform. The BCL shall also not be liable for any loss or damages as a result of the TIPS network service provider ceasing to provide a connection to the TIPS platform, whether due to the TIPS network service providers' non-compliance with the connectivity requirements set out in and referred to in Appendix V or termination of the TIPS connectivity hosting terms and conditions or any other reason.

#### *Article 10*

##### **Sponsorship of network service providers**

1. If a TIPS DCA holder wishes to use the services of a network service provider which is not on the list of TIPS network service providers, as referred to in Article 9(2), the TIPS DCA holder may request the BCL to initiate the assessment of whether a network service provider may operate as a TIPS network service provider.
2. A network service provider may operate as a TIPS network service provider provided that it successfully passed the assessment conducted in accordance with the rules and procedure set out in Appendix V and after having signed the TIPS connectivity hosting terms and conditions as published on the ECB's website and as amended from time to time.
3. The BCL shall inform the TIPS DCA holder of the outcome of the assessment referred to in paragraphs 1 and 2 within 120 calendar days from the date of the receipt of the request. In the event of the rejection of the network service provider, the BCL shall inform the TIPS DCA holder of the reasons for the rejection.
4. The requests referred to in paragraph 1 may be submitted to the BCL from 1 June 2019.

#### *Article 11*

##### **TIPS directory**

1. The TIPS directory is the list of TIPS DCA holders and reachable parties. It shall be updated daily.
2. TIPS DCA holders may only distribute the TIPS directory to their branches, their designated reachable parties and their instructing parties. Reachable parties may only distribute the TIPS directory to their branches.
3. A specific BIC can only appear once in the TIPS directory.
4. TIPS DCA holders acknowledge that the BCL and other CBs may publish their names and BICs. In addition, the BCL and other CBs may publish names and BICs of reachable parties designated by TIPS DCA holders and TIPS DCA holders shall ensure that reachable parties have agreed to such publication.

### TITLE III OBLIGATIONS OF THE PARTIES

#### *Article 12*

##### **Obligations of the BCL and the TIPS DCA holders**

1. The BCL shall open upon request of the TIPS DCA holder and operate one or more TIPS DCA(s) denominated in euro. Save where otherwise provided in these Conditions or required by law, the BCL shall use all reasonable means within its power to perform its obligations under these Conditions, without guaranteeing a result.
2. Actions taken by reachable parties and instructing parties are deemed to be those of the TIPS DCA holder, including for the purposes of Directive 98/26/EC.
3. The TIPS DCA holder shall register itself and its reachable parties as authorised account users for settlement purposes. For that purpose it shall only register its own BIC and/or that of a reachable party.
4. The fees for TIPS DCA services are laid down in Appendix IV. The holder of the Linked PM account is liable for paying these fees.
5. TIPS DCA holders shall ensure that at all times they are connected to the TIPS Platform via the TIPS DN used for the purpose of receiving messages under Article 7(3).
6. TIPS DCA holders which have designated a reachable party shall ensure that at all times this reachable party is connected to the TIPS Platform via the TIPS DN used for the purpose of receiving messages under Article 8.
7. The TIPS DCA holder represents and warrants to the BCL that the performance of its obligations under these Conditions does not breach any law, regulation or by-law applicable to it or any agreement by which it is bound.
8. TIPS DCA holders shall ensure that the liquidity in the TIPS DCA is properly managed. This obligation shall include but is not limited to obtaining regular information on their liquidity position. The BCL shall provide a daily statement of accounts to any TIPS DCA holder that has opted for such service on the TIPS Platform. Daily statements are provided for each TARGET2 business day.
9. It shall be incumbent upon TIPS DCA holders, in their own interest and under their separate agreement with their TIPS network service provider, to monitor that at all times their chosen TIPS network service provider continues to provide an active connection to the TIPS Platform and maintains its status of TIPS network service provider. This connection must be in compliance with the conditions laid out in the connectivity requirements set out and referred to in Appendix V.

#### *Article 13*

##### **Designation, suspension or termination of a Linked PM account**

1. The TIPS DCA holder shall designate a Linked PM account. The Linked PM account may be held in a TARGET2 component system other than TARGET2-LU and may belong to a different legal entity from the TIPS DCA holder. A Linked PM account may be linked to a maximum of 10 TIPS DCAs.



2. A PM account holder using internet-based access cannot be designated as a Linked PM account holder.
3. If the holder of the Linked PM account and the holder of the TIPS DCA are different legal entities and the participation of that Linked PM account holder is suspended or terminated, the BCL and the TIPS DCA holder shall take all reasonable and practicable steps to mitigate any damage or loss. The TIPS DCA holder shall take all necessary steps to designate a new Linked PM account without undue delay which will then be liable for any outstanding invoices.
4. The BCL shall not be liable for any losses incurred by the TIPS DCA holder as a consequence of the suspension or termination of the Linked PM account holder's participation.

#### *Article 14*

##### **Cooperation and information exchange**

1. In performing their obligations and exercising their rights under these Conditions, the BCL and TIPS DCA holders shall cooperate closely to ensure the stability, soundness and safety of TARGET2- LU. They shall provide each other with any information or documents relevant for the performance of their respective obligations and the exercise of their respective rights under these Conditions, without prejudice to any banking secrecy obligations.
2. The BCL shall establish and maintain a system support desk to assist TIPS DCA holders in relation to difficulties arising in connection with system operations.
3. Up-to-date information on the operational status of the TIPS Platform and the SSP shall be available on the TARGET2 Information System (T2IS) and on the TIPS Information System on dedicated webpages on the ECB's website. The T2IS and the TIPS Information System may be used to obtain information on any event affecting the normal operation of the SSP and the TIPS Platform.
4. The BCL may either communicate messages to TIPS DCA holders by means of ICM broadcast messages where they also hold a PM account, or otherwise by any other means.
5. TIPS DCA holders are responsible for the timely update of existing static data collection forms and the submission of new static data collection forms to the BCL. TIPS DCA holders are responsible for verifying the accuracy of information relating to them that is entered into TARGET2-LU by the BCL.
6. TIPS DCA holders shall inform the BCL about any change in their legal capacity and relevant legislative changes affecting issues covered by the country opinion relating to them. TIPS DCA holders shall also inform the BCL if they no longer fulfill the requirements for adhering to the SCT Inst scheme.
7. TIPS DCA holders shall inform the BCL of any new reachable party which they register and any changes related to such registered reachable parties.
8. TIPS DCA holders shall immediately inform the BCL if an event of default occurs in relation to themselves or if they are subject to crisis prevention measures or crisis management measures within the meaning of Directive 2014/59/EU or any other equivalent applicable



TITLE IV  
MANAGEMENT OF TIPS DCAs AND PROCESSING OF PAYMENT ORDERS

*Article 15*

**Opening and management of TIPS DCAs**

1. The BCL shall open and operate at least one TIPS DCA for each TIPS DCA holder. A TIPS DCA shall be identified by means of a unique account number of up to 34 characters which will be structured as follows.

	Name	Format	Content
Part A	Account type	1 char. exactly	'I' for instant payment account
	Country code of the central bank	2 char. exactly	ISO country code 3166-1
	Currency code	3 char. exactly	EUR
Part B	Account holder	11 char.	BIC
Part C	Sub-classification of the account	Up to 17 char.	Free text (alphanumeric) to be provided by the TIPS DCA holder

2. No debit balance shall be allowed on TIPS DCAs.
3. For the purpose of calculation of minimum reserves, remuneration of overnight balances and automatic recourse to marginal lending facility, the TIPS DCA holder shall link its TIPS DCA with a PM account/Home Account as applicable which it holds with the BCL.
4. If the TIPS DCA holder holds its minimum reserve directly, any end-of-day balance on its TIPS DCA recorded in accordance with Appendix III shall be taken into account for the purpose of its minimum reserves. If the TIPS DCA holder holds its minimum reserve indirectly, its TIPS DCA cannot be linked to a PM account or another account held by its intermediary, because where minimum reserves are indirectly held, the accounts of the TIPS DCA holder cannot be aggregated with the accounts held by the intermediary through which the TIPS DCA holder fulfils its minimum reserve requirements.
5. TIPS DCAs shall either be remunerated at 0 % or the deposit facility rate, whichever is lower, unless they are used to hold required minimum reserves. In such a case, the calculation and payment of remuneration of holdings of minimum reserves shall be

governed by Council Regulation (EC) No 2531/98<sup>8</sup> and Regulation (EC) No 1745/2003 of the European Central Bank (ECB/2003/9)<sup>9</sup>.

#### *Article 16*

##### **Types of payment orders in TIPS DCA**

The following are classified as payment orders for the purposes of the TIPS service:

- (a) instant payment orders;
- (b) positive recall answers; and
- (c) TIPS DCA to PM liquidity transfer orders.

#### *Article 17*

##### **Acceptance and rejection of payment orders**

1. Payment orders within the meaning of Article 16 and submitted by TIPS DCA holders are deemed accepted by the BCL if:
  - (a) the payment message has been delivered to the TIPS Platform by the respective TIPS network service provider; and
  - (b) the payment message complies with the formatting rules and conditions of TARGET2-LU and passes the double-entry check described in Appendix I.
2. The BCL shall immediately reject any payment order that does not fulfil the conditions laid down in paragraph 1. The BCL shall inform the TIPS DCA holders of any rejection of a payment order, as specified in Appendix I. For the avoidance of doubt, if the payment order was submitted via an instructing party or by a reachable party on behalf of the TIPS DCA holder, the instructing or reachable party will receive the rejection.

#### *Article 18*

##### **Processing of payment orders on TIPS DCAs**

1. The TIPS Platform attaches its timestamp for the processing of payment orders in the sequence of their receipt.
2. All payment orders submitted to the TARGET2-LU shall be processed on a first in-first out basis without prioritisation or reordering.
3. After an instant payment order has been accepted as set out in Article 17, the TARGET2-LU shall check if sufficient funds are available on the payer's TIPS DCA.
  - (a) If sufficient funds are not available, the instant payment order shall be rejected;
  - (b) If sufficient funds are available, the corresponding amount shall be reserved while awaiting the payee's response. In the event of acceptance by the payee, the instant payment order shall be settled and the reservation shall be simultaneously lifted. In

---

<sup>8</sup> Council Regulation (EC) No 2531/98 of 23 November 1998 concerning the application of minimum reserves by the European Central Bank (OJ L 318, 27.11.1998, p. 1).

<sup>9</sup> Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 on the application of minimum reserves (ECB/2003/9) (OJ L 250, 2.10.2003, p. 10).

the event of rejection by the payee or the absence of a timely response, within the meaning of the SCT Inst scheme, the instant payment order shall be cancelled and the reservation shall be simultaneously lifted.

4. Funds reserved in accordance with paragraph 3(b) shall not be available for the settlement of subsequent payment orders. For the purposes of Article 15(4) and (5), funds reserved shall count towards the fulfillment of the minimum reserves and remuneration of the overnight balance of the TIPS DCA holder.
5. Without prejudice to paragraph 3(b), the TARGET2-LU shall reject instant payment orders if the amount of the instant payment order exceeds any applicable CMB.
6. After a TIPS DCA to PM liquidity transfer order has been accepted as set out in Article 17, the TARGET2-LU shall check if sufficient funds are available on the payer's TIPS DCA. If sufficient funds are not available the liquidity transfer order shall be rejected. If sufficient funds are available the liquidity transfer order shall be settled immediately.
7. After a positive recall answer has been accepted as set out in Article 17, TARGET2-LU shall check if sufficient funds are available on the TIPS DCA to be debited. If sufficient funds are not available the positive recall answer shall be rejected. If sufficient funds are available the positive recall answer shall be settled immediately.
8. Without prejudice to paragraph 7, TARGET2-LU shall reject positive recall answers if the amount of the positive recall answer exceeds any applicable CMB.

#### *Article 19*

##### **Recall request**

1. A TIPS DCA holder may enter a recall request.
2. The recall request shall be forwarded to the payee of the settled instant payment order which may answer positively with a positive recall answer, or negatively with a negative recall answer.

#### *Article 20*

##### **Moment of entry, moment of irrevocability**

1. For the purposes of the first sentence of Article 3(1) and Article 5 of Directive 98/26/EC and Article 111 of the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems:
  - (a) instant payment orders are deemed entered into TARGET2-LU and irrevocable at the moment that the relevant funds on the TIPS DCA of the TIPS DCA holder are reserved;
  - (b) TIPS DCA to PM liquidity transfer orders and positive recall answers are deemed entered into TARGET2-LU and irrevocable at the moment that the relevant TIPS DCA is debited.
2. PM to TIPS DCA liquidity transfer orders are governed by the Harmonised Conditions for the opening and operation of a PM account in TARGET2 as set out in Annex II to Guideline ECB/2012/27 applicable to the TARGET2 component system from which they originate.

TITLE V  
SECURITY REQUIREMENTS, BUSINESS CONTINUITY AND USER INTERFACE

*Article 21*

**Security requirements and business continuity**

1. TIPS DCA holders shall implement adequate security controls to protect their systems from unauthorised access and use. TIPS DCA holders shall be exclusively responsible for the adequate protection of the confidentiality, integrity and availability of their systems.
2. TIPS DCA holders shall inform the BCL of any security-related incidents in their technical infrastructure and, where appropriate, security-related incidents that occur in the technical infrastructure of the third party providers. The BCL may request further information about the incident and, if necessary, request that the TIPS DCA holders take appropriate measures to prevent a recurrence of such an event.
3. In the event that a TIPS DCA holder has a problem that prevents it from settling instant payment orders and positive recall answers in TARGET2-LU, it shall be its responsibility to resolve the problem.
4. In the event that a TIPS DCA holder unexpectedly submits an abnormally high number of messages, which threaten the stability of the TIPS Platform, and does not, upon request of the BCL, refrain from such behaviour without delay, the BCL may block from the TIPS Platform all further messages submitted by such TIPS DCA holder.
5. The BCL may impose additional security requirements, in particular with regard to cybersecurity or the prevention of fraud, on all TIPS DCA holders.
6. TIPS DCA holders using instructing parties in line with Article 7(2) or (3), or allowing access to their TIPS DCA as set out in Article 8(1), shall be deemed to have addressed the risk stemming from such use or access in accordance with the additional security requirements imposed upon them.

*Article 22*

**User interfaces**

1. The TIPS DCA holder, or the Linked PM account holder acting on its behalf, shall use either one or both of the following means to access that TIPS DCA:
  - (a) a direct connection to the TIPS Platform in either U2A or A2A modes; or
  - (b) the ICM liquidity management features for the TIPS service.
2. A direct connection to the TIPS Platform allows TIPS DCA holders:
  - (a) to access information relating to their accounts and to manage CMBs;
  - (b) to initiate TIPS DCA to PM liquidity transfer orders; and
  - (c) to manage certain static data.
3. The ICM liquidity management features for the TIPS service allows the holder of the Linked PM account:
  - (a) to access information relating to the balance of the TIPS DCAs;

(b) to manage liquidity and to initiate liquidity transfer orders to and from the TIPS DCAs. Further technical details relating to the user interfaces are contained in Appendix I. As regards the ICM, further technical details are contained in Appendix I to Annex II.

## TITLE VI LIABILITY REGIME AND EVIDENCE

### *Article 23*

#### **Liability regime**

1. In performing their obligations pursuant to these Conditions, the BCL and the TIPS DCA holders shall be bound by a general duty of reasonable care in relation to each other.
2. The BCL shall be liable to its TIPS DCA holders in cases of fraud (including but not limited to willful misconduct) or gross negligence, for any loss arising out of the operation of TARGET2-LU. In cases of ordinary negligence, the BCL's liability shall be limited to the TIPS DCA holder's direct loss, i.e. the amount of the transaction in question and/or the loss of interest thereon, excluding any consequential loss.
3. The BCL is not liable for any loss that results from any malfunction or failure in the technical infrastructure (including but not limited to the BCL's computer infrastructure, programmes, data, applications or networks), if such malfunction or failure arises in spite of the BCL having adopted those measures that are reasonably necessary to protect such infrastructure against malfunction or failure, and to resolve the consequences of such malfunction or failure.
4. The BCL shall not be liable:
  - (a) to the extent that the loss is caused by the TIPS DCA holder; or
  - (b) if the loss arises out of external events beyond the BCL's reasonable control (*force majeure*).
5. Notwithstanding the the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems, implementing Directive (EU) 2015/2366 of the European Parliament and of the Council<sup>10</sup>, paragraphs 1 to 4 shall apply to the extent that the BCL's liability can be excluded.
6. The BCL and the TIPS DCA holders shall take all reasonable and practicable steps to mitigate any damage or loss referred to in this Article.
7. In performing some or all of its obligations under these Conditions, the BCL may commission third parties in its own name, particularly telecommunications or other network providers or other entities, if this is necessary to meet the BCL's obligations or is standard

---

<sup>10</sup> Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (OJ L 337, 23.12.2015, p. 35).

market practice. The BCL's obligation shall be limited to the due selection and commissioning of any such third parties and the BCL's liability shall be limited accordingly. For the purposes of this paragraph, the SSP-providing NCBs and the TIPS Platform-providing NCBs shall not be considered as third parties.

#### *Article 24*

##### **Evidence**

1. Unless otherwise provided in these Conditions, all payment and payment processing-related messages in relation to TIPS DCAs, such as confirmations of debits or credits, or statement messages, between the BCL and TIPS DCA holders shall be made through the TIPS network service provider.
2. Electronic or written records of the messages retained by the BCL or by the TIPS network service provider shall be accepted as a means of evidence of the payments processed through the BCL. The saved or printed version of the original message of the TIPS network service provider shall be accepted as a means of evidence, regardless of the form of the original message.
3. The BCL shall keep complete records of payment orders submitted and payments received by TIPS DCA holders for a period of 10 years from the time at which such payment orders are submitted and payments are received, provided that such complete records shall cover a minimum of five years for any TIPS DCA holder in TARGET2 that is subject to continuous vigilance pursuant to restrictive measures adopted by the Council of the European Union or Member States, or more if required by specific regulations.
4. The BCL's own books and records (whether kept on paper, microfilm, microfiche, by electronic or magnetic recording, in any other mechanically reproducible form or otherwise) shall be accepted as a means of evidence of any obligations of the TIPS DCA holders and of any facts and events that the parties rely on.

#### **TITLE VII**

##### **TERMINATION AND CLOSURE OF TIPS DCAs**

#### *Article 25*

##### **Duration and ordinary termination of TIPS DCAs**

1. Without prejudice to Article 26, a TIPS DCA in TARGET2-LU is opened for an indefinite period of time.
2. A TIPS DCA holder may terminate its TIPS DCA in TARGET2-LU at any time giving 14 business days' notice thereof, unless it agrees a shorter notice period with the BCL.
3. The BCL may terminate a TIPS DCA holder's TIPS DCA in TARGET2-LU at any time giving three months' notice thereof, unless it agrees a different notice period with that TIPS DCA holder.
4. On termination of the TIPS DCA, the confidentiality duties laid down in Article 29 remain in force for a period of five years starting on the date of termination.
5. On termination of the TIPS DCA, it shall be closed in accordance with Article 27.

## Article 26

### **Suspension and extraordinary termination of participation**

1. A TIPS DCA holder's participation in TARGET2-LU shall be immediately terminated without prior notice or suspended if one of the following events of default occurs:
  - (a) the opening of insolvency proceedings; and/or
  - (b) the TIPS DCA holder no longer meets the access criteria laid down in Article 5.For the purposes of this paragraph, the taking of crisis prevention measures or crisis management measures within the meaning of Directive 2014/59/EU of the European Parliament and of the Council<sup>11</sup> against a TIPS DCA holder shall not automatically qualify as the opening of insolvency proceedings.
2. The BCL may terminate without prior notice or suspend the TIPS DCA holder's participation in TARGET2-LU if:
  - (a) one or more events of default (other than those referred to in paragraph 1) occur;
  - (b) the TIPS DCA holder is in material breach of these Conditions;
  - (c) the TIPS DCA holder fails to carry out any material obligation to the BCL;
  - (d) the TIPS DCA holder no longer has a valid agreement with a TIPS network service provider to obtain the necessary connection to the TIPS Platform;
  - (e) any other TIPS DCA holder-related event occurs which, in the BCL's assessment, would threaten the overall stability, soundness and safety of TARGET2-LU or of any other TARGET2 component system, or which would jeopardise the BCL's performance of its tasks as described in its Organic Law of 23 December 1998, as amended, and the Statute of the European System of Central Banks and of the European Central Bank, or poses risks on the grounds of prudence.
3. In exercising its discretion under paragraph 2, the BCL shall take into account, inter alia, the seriousness of the event of default or events mentioned in points 2(a) to (c).
4. In the event that the BCL suspends or terminates a TIPS DCA holder's participation in TARGET2-LU under paragraph 1 or 2, the BCL shall immediately inform, by means of a ICM broadcast message, other CBs and PM account holders in all of the TARGET2 component systems of such suspension or termination. Such message shall be deemed to have been issued by the home CB of the PM account holder that received the message. Linked PM account holders shall have the responsibility to inform their Linked TIPS DCA holders of the suspension or termination of any TIPS DCA holder's participation in TARGET2-LU.

In the event that the suspension or termination of a TIPS DCA holder's participation in TARGET2-LU occurs during the technical maintenance window, the ICM broadcast message shall be sent after the start of daytime processing on the next TARGET2 business

---

<sup>11</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).



- day.
5. Upon termination of a TIPS DCA holder's participation, TARGET2-LU shall not accept any new payment orders to or from that TIPS DCA holder.
  6. If a TIPS DCA holder is suspended from TARGET2-LU on grounds other than those specified in paragraph (1)(a), the suspended TIPS DCA holder's CB shall either:
    - (a) reject all of its incoming payment orders;
    - (b) reject all of its outgoing payment orders; or
    - (c) reject both its incoming and outgoing payment orders.
  7. If a TIPS DCA holder is suspended from TARGET2-LU on the grounds specified in paragraph (1)(a), the suspended TIPS DCA holder's CB shall reject all incoming and outgoing payment orders.
  8. The BCL shall process instant payment orders of a TIPS DCA holder whose participation in TARGET2-LU has been suspended or terminated under paragraph 1 or 2 and in relation to which the BCL has reserved funds on a TIPS DCA pursuant to Article 18(3)(b) prior to the suspension or termination.

#### *Article 27*

##### **Closure of TIPS DCAs**

1. TIPS DCA holders may request the BCL to close their TIPS DCAs at any time provided they give the BCL 14 business days' notice thereof.
2. On termination of participation, pursuant to either Article 25 or 26, the BCL shall close the TIPS DCAs of the TIPS DCA holders concerned, after having:
  - (a) settled any instant payment order accepted by the payee for which funds have already been reserved; and
  - (b) made use of its rights of pledge and set-off under Article 28.

#### TITLE VIII

##### FINAL PROVISIONS

#### *Article 28*

##### **The BCL's rights of pledge and set-off**

1. The BCL shall have a pledge over the TIPS DCA holder's existing and future credit balances on its TIPS DCAs, thereby collateralising any current and future claims arising out of the legal relationship between the parties.
2. A TIPS DCA holder's current and future claims towards the BCL arising from a credit balance on the TIPS DCA shall be transferred to the BCL as collateral, i.e. as a fiduciary transfer, for any current or future claim of the BCL towards the TIPS DCA holder arising out of these Conditions. Such collateral shall be established by the mere fact that the funds have been credited to the TIPS DCA holder's TIPS DCA.
3. The BCL shall have the right referred to in paragraph 1 even if its claims are only contingent or not yet due.
4. The participant, acting in its capacity as a TIPS DCA holder, hereby acknowledges the



creation of a pledge in favour of BCL, with whom that TIPS DCA has been opened; this acknowledgement shall constitute the provision of pledged assets to the BCL referred to under Luxembourg law. Any amounts paid into the TIPS DCA whose balance is pledged shall, by the mere fact of being paid in, be irrevocably pledged, without any limitation whatsoever, as collateral security for the full performance of the secured obligations.

5. On the occurrence of:

- (a) an event of default, referred to in Article 26(1); or
- (b) any other event of default or event referred to in Article 26(2) that has led to the termination or suspension of the TIPS DCA holder's participation, notwithstanding the commencement of any insolvency proceedings in respect of a TIPS DCA holder and notwithstanding any assignment, judicial or other attachment or other disposition of or in respect of the TIPS DCA holder's rights;

all obligations of the TIPS DCA holder shall be automatically and immediately accelerated, without prior notice and without the need for any prior approval of any authority, so as to be immediately due. In addition, the mutual obligations of the TIPS DCA holder and the BCL shall automatically be set off against each other, and the party owing the higher amount shall pay to the other the difference.

6. The BCL shall promptly give the TIPS DCA holder notice of any set-off pursuant to paragraph 6 after such set-off has taken place.
7. The BCL may without prior notice debit any TIPS DCA holder's TIPS DCA by any amount which the TIPS DCA holder owes the BCL resulting from the legal relationship between the TIPS DCA holder and the BCL.

#### *Article 29*

#### **Confidentiality**

1. The BCL shall keep confidential all sensitive or secret information, including when such information relates to payment, technical or organisational information belonging to the TIPS DCA holder, TIPS DCA holders from the same group or the TIPS DCA holder's customers, unless the TIPS DCA holder or a TIPS DCA holder's customer has given its written consent to disclose or such disclosure is permitted or required under Luxembourg law.
2. By derogation from paragraph 1, the TIPS DCA holder agrees that information on any action taken under Article 26 shall not be considered as confidential.
3. By derogation from paragraph 1, the TIPS DCA holder agrees that the BCL may disclose payment, technical or organisational information regarding the TIPS DCA holder, other TIPS DCAs held by TIPS DCA holders from the same group or the TIPS DCA holder's customers obtained in the course of the operation of TARGET2-LU to:
- (a) other CBs or third parties that are involved in the operation of TARGET2-LU, to the extent that this is necessary for the efficient functioning of TARGET2 or the monitoring of the TIPS DCA holder's or its group's exposure;
  - (b) other CBs in order to carry out the analysis necessary for market operations, monetary policy functions, financial stability or financial integration; or

- (c) supervisory, resolution and oversight authorities of Member States and the Union, including CBs, to the extent that this is necessary for the performance of their public tasks, and provided in all such cases that the disclosure is not in conflict with the applicable law.

The BCL shall not be liable for the financial and commercial consequences of such disclosure.

- 4. By derogation from paragraph 1 and provided that this does not make it possible, whether directly or indirectly, to identify the TIPS DCA holder or the TIPS DCA holder's customers, the BCL may use, disclose or publish payment information regarding the TIPS DCA holder or the TIPS DCA holder's customers for statistical, historical, scientific or other purposes in the exercise of its public functions or of functions of other public entities to which the information is disclosed.
- 5. Information relating to the operation of TARGET2-LU to which TIPS DCA holders have had access, may only be used for the purposes laid down in these Conditions. TIPS DCA holders shall keep such information confidential, unless the BCL has explicitly given its written consent to disclose. TIPS DCA holders shall ensure that any third parties to whom they outsource, delegate or subcontract tasks which have or may have an impact on the performance of their obligations under these Conditions are bound by the confidentiality requirements in this Article.
- 6. The BCL shall be authorised, in order to settle payment orders, to process and transfer the necessary data to any TIPS network service provider.

### *Article 30*

#### **Data protection, prevention of money laundering, administrative or restrictive measures and related issues**

- 1. TIPS DCA holders shall be deemed to be aware of, and shall comply with, all obligations on them relating to legislation on data protection, prevention of money laundering and the financing of terrorism, proliferation-sensitive nuclear activities and the development of nuclear weapons delivery systems, in particular in terms of implementing appropriate measures concerning any payments debited or credited on their TIPS DCAs. TIPS DCA holders shall also acquaint themselves with their chosen TIPS network service provider's data retrieval policy prior to entering into a contractual relationship with that TIPS network service provider.
- 2. TIPS DCA holders shall be deemed to have authorised the BCL to obtain any information relating to them from any financial or supervisory authority or trade body, whether national or foreign, if such information is necessary for the TIPS DCA holders' participation in TARGET2-LU.
- 3. TIPS DCA holders, when acting as the payment service provider of a payer or payee, shall comply with all requirements resulting from administrative or restrictive measures imposed pursuant to Articles 75 or 215 of the Treaty to which they are subject, including with respect to notification and/or the obtaining of consent from a competent authority in relation to the processing of transactions. In addition:

- (a) when the BCL is the payment service provider of a TIPS DCA holder that is a payer:
  - (i) the TIPS DCA holder shall make the required notification or obtain consent on behalf of the central bank that is primarily required to make notification or obtain consent, and shall provide the BCL with evidence of having made a notification or having received consent;
  - (ii) the TIPS DCA holder shall not enter any payment order into TARGET2 with the exception of payment orders concerning the transfer of liquidity between different accounts of the same TIPS DCA holder, until it has obtained confirmation from the BCL that the required notification has been made or the consent has been obtained by or on behalf of the payment service provider of the payee;
- (b) when the BCL is a payment service provider of a TIPS DCA holder that is a payee, the TIPS DCA holder shall make the required notification or obtain consent on behalf of the central bank that is primarily required to make notification or obtain consent, and shall provide the BCL with evidence of having made a notification or having received consent.

For the purposes of this paragraph, the terms “payment service provider”, “payer” and “payee” shall have the meanings ascribed to them in the applicable administrative or restrictive measures.

#### *Article 31*

##### **Notices**

1. Except where otherwise provided for in these Conditions, all notices required or permitted pursuant to these Conditions shall be sent by registered post, facsimile or otherwise in writing. Notices to the BCL shall be submitted to the head of **Banking Operations Department** of the **BCL, 2, boulevard Royal, L-2983 Luxembourg** or to the BIC address: BCLXLULL. Notices to the TIPS DCA holder shall be sent to it at the address, fax number or its BIC address as the TIPS DCA holder may from time to time notify to the BCL.
2. To prove that a notice has been sent, it shall be sufficient to prove that the notice was delivered to the relevant address or that the envelope containing such notice was properly addressed and posted.
3. All notices shall be given in English.
4. TIPS DCA holders shall be bound by all forms and documents of the BCL that the TIPS DCA holders have filled in and/or signed, including but not limited to static data collection forms, as referred to in Article 6(2)(a), and information provided under Article 14(5), which were submitted in compliance with paragraphs 1 and 2 and which the BCL reasonably believes to have received from the TIPS DCA holders, their employees or agents.

#### *Article 32*

##### **Amendment procedure**

The BCL may at any time unilaterally amend these Conditions, including the Appendices. Amendments to these Conditions, including the Appendices, shall be announced in accordance

with the provisions of the General Terms and Conditions of the BCL. Amendments shall be deemed to have been accepted unless the TIPS DCA holder expressly objects within 14 days of being informed of such amendments. In the event that a TIPS DCA holder objects to the amendment, the BCL is entitled immediately to terminate and close that TIPS DCA holder's TIPS DCA in TARGET2- LU.

#### *Article 33*

##### **Third party rights**

1. Any rights, interests, obligations, responsibilities and claims arising from or relating to these Conditions shall not be transferred, pledged or assigned by TIPS DCA holders to any third party without the BCL's written consent.
2. These Conditions do not create any rights in favour of or obligations in relation to any entity other than the BCL and TIPS DCA holders in TARGET2-LU.

#### *Article 34*

##### **Governing law, jurisdiction and place of performance**

1. The bilateral relationship between the BCL and TIPS DCA holders in TARGET2-LU shall be governed by Luxembourg law.
2. Without prejudice to the competence of the Court of Justice of the European Union, any dispute arising from a matter relating to the relationship referred to in paragraph 1 falls under the exclusive competence of the competent courts of the Grand Duchy of Luxembourg.
3. The place of performance concerning the legal relationship between the [insert reference to CB] and the TIPS DCA holders shall be Luxembourg.

#### *Article 35*

##### **Severability**

If any provision in these Conditions is or becomes invalid, this shall not prejudice the applicability of all the other provisions of these Conditions.

#### *Article 36*

##### **Entry into force and binding nature**

1. These Conditions become effective from 30 November 2018.
2. By requesting a TIPS DCA in TARGET2-LU, applicant TIPS DCA holders automatically agree to these Conditions between themselves and in relation to the BCL.

## Appendix I

### **PARAMETERS OF THE TIPS DCAs — TECHNICAL SPECIFICATIONS**

In addition to the Conditions, the following rules shall apply to the interaction with the TIPS Platform:

#### **1. *Technical requirements for participation in TARGET2-LU regarding infrastructure, network and formats***

- (1) A TIPS DCA holder shall use the services of at least one TIPS network service provider for the exchange of messages.
- (2) A TIPS DCA holder shall specify a TIPS DN to receive messages relevant for the TIPS DCA holder, such as in relation to reports, and floor/ceiling notifications. This may be different from the TIPS DN used for the exchange of instant payments orders.
- (3) Each TIPS DCA holder shall pass a series of tests to prove its technical and operational competence before it may participate in TARGET2-LU.
- (4) For the submission of TIPS DCA to PM liquidity transfer orders the services of a TIPS network service provider or the ICM shall be used. Liquidity transfer orders shall include, inter alia, the unique account number of up to 34 characters of the sending TIPS DCA holder and the BIC of the receiving PM account.
- (5) For the exchange of information with the TIPS Platform either A2A or U2A modes may be used. The security of the message exchange between the TIPS DCA and the TIPS Platform shall rely on the Public Key Infrastructure (PKI) service offered by the TIPS network service provider used. Information on the PKI service is available in the documentation provided by such TIPS network service provider.
- (6) For the exchange of information with the Common Reference Data Management component U2A mode shall be used. The Common Reference Data Management component allows users to configure, create and maintain reference data needed in TIPS service.
- (7) TIPS DCA holders shall comply with the ISO20022 message structure and field specifications. Message structure and field specifications are described in Chapter 3.3.2 of the TIPS UDFS.
- (8) Field contents shall be validated at the level of the TIPS Platform in accordance with the TIPS UDFS requirements.

#### **2. *Message types***

The following system message types are processed, subject to subscription:

Message Type	Message Name
Pacs.002	FItoFIPayment Status Report
Pacs.004	PaymentReturn
Pacs.008	FItoFICustomerCreditTransfer
Pacs.028	FItoFIPaymentStatusRequest
camt.003	GetAccount
camt.004	ReturnAccount

camt.011	ModifyLimit
camt.019	ReturnBusinessDayInformation
camt.025	Receipt
camt.029	ResolutionOfInvestigation
camt.050	LiquidityCreditTransfer
camt.052	BankToCustomerAccountReport
camt.053	BankToCustomerStatement
camt.054	BankToCustomerDebitCreditNotification
camt.056	FItoFIPaymentCancellationRequest
acmt.010	AccountRequestAcknowledgement
acmt.011	AccountRequestRejection
acmt.015	AccountExcludedMandateMaintenanceRequest
reda.016	PartyStatusAdviceV01
reda.022	PartyModificationRequestV01

### 3. **Double-entry check**

All payment orders shall pass a double-entry check, the aim of which is to reject payment orders that have been submitted more than once.

### 4. **Error codes**

If an instant payment order or a positive recall answer is rejected for any reason, the TIPS DCA holder shall receive a payment status report (pacs.002), as described in Chapter 4.2 of the TIPS UDFS. If a liquidity transfer order is rejected for any reason, the TIPS DCA holder shall receive a rejection (camt.025), as described in Chapter 1.6 of the TIPS UDFS.

### 5. **Settlement of liquidity transfer orders**

Liquidity transfer orders are not recycled, queued or offset. The different statuses for liquidity transfer orders are described in Chapter 1.4.2 of the TIPS UDFS.

### 6. **Use of the U2A and A2A mode**

- (1) The U2A and A2A modes may be used for obtaining information and managing liquidity. The TIPS network service providers' networks shall be the underlying technical communications networks for exchanging information and running control measures. The following modes shall be available for use by TIPS DCA holders:

- (a) Application-to-application mode (A2A)

In A2A, information and messages are transferred between the TIPS Platform and the TIPS DCA holder's internal application. The TIPS DCA holder therefore has to ensure that an appropriate application is available for the exchange of XML messages (requests and responses).

- (b) User-to-application mode (U2A)

U2A permits direct communication between a TIPS DCA holder and the TIPS GUI. The information is displayed in a browser running on a PC system. For U2A access the IT infrastructure has to be able to support cookies and JavaScript. Further details are described in the TIPS User Handbook.

- (2) The “Non-Repudiation of Origin” (NRO) signature allows the recipient of a message to prove that such message has been issued and has not been altered.
- (3) If a TIPS DCA holder has technical problems and is unable to submit a TIPS DCA to PM liquidity transfer order, it may contact its central bank which will on a best efforts basis act on behalf of the TIPS DCA holder.

#### **7. *Relevant documentation***

Further details and examples explaining the above rules are contained in the User Handbooks and UDFS as relevant for TIPS, as amended from time to time and published on the ECB's website in English.

**Appendix II**  
**TERMS OF REFERENCE FOR CAPACITY AND COUNTRY OPINIONS**

**TERMS OF REFERENCE FOR CAPACITY OPINIONS FOR TIPS DCA HOLDERS IN  
TARGET2**

[Insert name of CB]

[address]

*Participation in the [name of the system]*

[location]

[date]

Dear Sir or Madam,

We have been asked to provide this Opinion as [in-house or external] legal advisers to [specify name of TIPS DCA holder or branch of TIPS DCA holder] in respect of issues arising under the laws of [jurisdiction in which the TIPS DCA holder is established; hereinafter the “jurisdiction”] in connection with the participation of [specify name of TIPS DCA holder] (hereinafter the “TIPS DCA holder”) in the [name of the TARGET2 component system] (hereinafter the “System”).

This Opinion is confined to the laws of [jurisdiction] as they exist as on the date of this Opinion. We have made no investigation of the laws of any other jurisdiction as a basis for this Opinion, and do not express or imply any opinion in this regard. Each of the statements and opinions presented below applies with equal accuracy and validity under the laws of [jurisdiction], whether or not the TIPS DCA holder acts through its head office or one or more branches established inside or outside of [jurisdiction] in submitting liquidity transfer orders and receiving liquidity transfers.

***I. DOCUMENTS EXAMINED***

For the purposes of this Opinion, we have examined:

- (1) a certified copy of the [specify relevant constitutional documents] of the TIPS DCA holder such as is/are in effect on the date hereof;
- (2) [if applicable] an extract from the [specify relevant company register] and [if applicable] [register of credit institutions or analogous register];
- (3) [to the extent applicable] a copy of the TIPS DCA holder's licence or other proof of authorisation to provide banking, investment, funds transfer or other financial services in [jurisdiction];
- (4) [if applicable] a copy of a resolution adopted by the board of directors or the relevant governing body of the TIPS DCA holder on [insert date], [insert year], evidencing the TIPS DCA holder's agreement to adhere to the System Documents, as defined below; and
- (5) [specify all powers of attorney and other documents constituting or evidencing the requisite power of the person or persons signing the relevant System Documents (as defined below) on behalf of the TIPS DCA holder];



and all other documents relating to the TIPS DCA holder's constitution, powers, and authorisations necessary or appropriate for the provision of this Opinion (hereinafter the "TIPS DCA holder's Documents").

For the purposes of this Opinion, we have also examined:

- (1) the [insert reference to the arrangements implementing the Harmonised Conditions for Opening and Operation of a TIPS Dedicated Cash Account in TARGET2] for the System dated [insert date] (hereinafter the "Rules"); and
- (2) [...].

The Rules and the [...] shall be referred to hereinafter as the "System Documents" (and collectively with the TIPS DCA holder's Documents as the "Documents").

## *II. ASSUMPTIONS*

For the purposes of this Opinion we have assumed in relation to the Documents that:

- (1) the System Documents with which we have been provided are originals or true copies;
- (2) the terms of the System Documents and the rights and obligations created by them are valid and legally binding under the laws of [insert reference to the Member State of the System] by which they are expressed to be governed, and the choice of the laws of [insert reference to the Member State of the System] to govern the System Documents is recognised by the laws of [insert reference to the Member State of the System];
- (3) the TIPS DCA holder's Documents are within the capacity and power of and have been validly authorised, adopted or executed and, where necessary, delivered by the relevant parties; and
- (4) the TIPS DCA holder's Documents are binding on the parties to which they are addressed, and there has been no breach of any of their terms.

## *III. OPINIONS REGARDING THE TIPS DCA HOLDER*

- A. The TIPS DCA holder is a corporation duly established and registered or otherwise duly incorporated or organised under the laws of [jurisdiction].
- B. The TIPS DCA holder has all the requisite corporate powers to execute and perform the rights and obligations under the System Documents to which it is party.
- C. The adoption or execution and the performance by the TIPS DCA holder of the rights and obligations under the System Documents to which the TIPS DCA holder is party will not in any way breach any provision of the laws or regulations of [jurisdiction] applicable to the TIPS DCA holder or the TIPS DCA holder Documents.
- D. No additional authorisations, approvals, consents, filings, registrations, notarisations or other certifications of or with any court or governmental, judicial or public authority that is competent in [jurisdiction] are required by the TIPS DCA holder in connection with the adoption, validity or enforceability of any of the System Documents or the execution or performance of the rights and obligations thereunder.
- E. The TIPS DCA holder has taken all necessary corporate action and other steps necessary under the laws of [jurisdiction] to ensure that its obligations under the System Documents are legal, valid and binding.

This Opinion is stated as of its date and is addressed solely to [insert name of CB] and the [TIPS DCA holder]. No other persons may rely on this Opinion, and the contents of this Opinion may not be disclosed to persons other than its intended recipients and their legal counsel without our prior written consent, with the exception of the European Central Bank and the national central banks of the European System of Central Banks [and [the national central bank/relevant regulatory authorities] of [jurisdiction]].

Yours faithfully,  
[signature]

## **TERMS OF REFERENCE FOR COUNTRY OPINIONS FOR NON-EEA TIPS DCA HOLDERS IN TARGET2**

[Insert name of CB]  
[address]  
[name of the system]  
[location],  
[date]

Dear Sir or Madam,

We have been asked as [external] legal advisers to [specify name of TIPS DCA holder or branch of TIPS DCA holder] (the “TIPS DCA holder”) in respect of issues arising under the laws of [jurisdiction in which the TIPS DCA holder is established; hereinafter the “jurisdiction”] to provide this Opinion under the laws of [jurisdiction] in connection with the participation of the TIPS DCA holder in a system which is a component of TARGET2 (hereinafter the “System”). References herein to the laws of [jurisdiction] include all applicable regulations of [jurisdiction]. We express an opinion herein under the law of [jurisdiction], with particular regard to the TIPS DCA holder established outside [insert reference to the Member State of the System] in relation to rights and obligations arising from participation in the System, as presented in the System Documents defined below.

This Opinion is confined to the laws of [jurisdiction] as they exist on the date of this Opinion. We have made no investigation of the laws of any other jurisdiction as a basis for this Opinion, and do not express or imply any opinion in this regard. We have assumed that there is nothing in the laws of another jurisdiction which affects this Opinion.

### **1. DOCUMENTS EXAMINED**

For the purposes of this Opinion, we have examined the documents listed below and such other documents as we have deemed necessary or appropriate:

- (1) the [insert reference to the arrangements implementing the Harmonised Conditions for Opening and Operation of a TIPS Dedicated Cash Account in TARGET2] for the System dated [insert date] (hereinafter the “Rules”); and
- (2) any other document governing the System and/or the relationship between the TIPS DCA holder and other participants in the System, and between the participants in the System and the [insert name of CB].

The Rules and the [.] shall be referred to hereinafter as the “System Documents”.

## 2. ASSUMPTIONS

For the purposes of this Opinion we have assumed in relation to the System Documents that:

- (1) the System Documents are within the capacity and power of and have been validly authorised, adopted or executed and, where necessary, delivered by the relevant parties;
- (2) the terms of the System Documents and the rights and obligations created by them are valid and legally binding under the laws of [insert reference to the Member State of the System], by which they are expressed to be governed, and the choice of the laws of [insert reference to the Member State of the System] to govern the System Documents is recognised by the laws of [insert reference to the Member State of the System];
- (3) the documents submitted to us in copy or as specimens conform to the originals.

## 3. OPINION

Based on and subject to the foregoing, and subject in each case to the points set out below, we are of the opinion that:

### 3.1 *Country-specific legal aspects [to the extent applicable]*

The following characteristics of the legislation of [jurisdiction] are consistent with and in no way set aside the obligations of the TIPS DCA holder arising out of the System Documents: [list of country-specific legal aspects].

### 3.2. *General insolvency and crisis management issues*

#### 3.2.a. *Types of insolvency and crisis management proceedings*

The only types of insolvency proceedings (including composition or rehabilitation) which, for the purpose of this Opinion, shall include all proceedings in respect of the TIPS DCA holder's assets or any branch it may have in [jurisdiction] to which the TIPS DCA holder may become subject in [jurisdiction], are the following: [list proceedings in original language and English translation] (together collectively referred to as 'Insolvency Proceedings').

In addition to Insolvency Proceedings, the TIPS DCA holder, any of its assets, or any branch it may have in [jurisdiction] may become subject in [jurisdiction] to [list any applicable moratorium, receivership, or any other proceedings as a result of which payment orders to and/or from the TIPS DCA holder may be suspended, or limitations can be imposed in relation to such payment orders, or similar proceedings, including crisis prevention and crisis management measures equivalent to those defined in Directive 2014/59/EU, in original language and English translation] (hereinafter collectively referred to as "Proceedings").

#### 3.2.b. *Insolvency treaties*

[jurisdiction] or certain political subdivisions within [jurisdiction], as specified, is/are party to the following insolvency treaties: [specify, if applicable which have or may have an impact on this Opinion].

### 3.3. *Enforceability of System Documents*

Subject to the points set out below, all provisions of the System Documents will be binding and enforceable in accordance with their terms under the laws of [jurisdiction], in particular

in the event of the opening of any Insolvency Proceedings or Proceedings with respect to the TIPS DCA holder.

In particular, we are of the opinion that:

*3.3.a. Processing of payment orders*

The provisions on processing of payment orders [list of sections] of the Rules are valid and enforceable. In particular, all payment orders processed pursuant to such sections will be valid, binding and will be enforceable under the laws of [jurisdiction]. The provision of the Rules which specifies the precise point in time at which payment orders become enforceable and irrevocable ([add section of the Rules]) is valid, binding and enforceable under the laws of [jurisdiction].

*3.3.b. Authority of the [insert name of CB] to perform its functions*

The opening of Insolvency Proceedings or Proceedings in respect of the TIPS DCA holder will not affect the authority and powers of the [insert name of CB] arising out of the System Documents. [Specify [to the extent applicable] that: the same opinion is also applicable in respect of any other entity which provides the TIPS DCA holders with services directly and necessarily required for participation in the System, e.g. TIPS network service provider].

*3.3.c. Remedies in the event of default*

[Where applicable to the TIPS DCA holder, the provisions contained in [list of sections] of the Rules regarding accelerated performance of claims which have not yet matured, the set-off of claims for using the deposits of the TIPS DCA holder, the enforcement of a pledge, suspension and termination of participation, claims for default interest, and termination of agreements and transactions ([insert other relevant clauses of the Rules or the System Documents]) are valid and enforceable under the laws of [jurisdiction].]

*3.3.d. Suspension and termination*

Where applicable to the TIPS DCA holder, the provisions contained in [list of sections] of the Rules (in respect of suspension and termination of the TIPS DCA holder's participation in the System on the opening of Insolvency Proceedings or Proceedings or other events of default, as defined in the System Documents, or if the TIPS DCA holder represents any kind of systemic risk or has serious operational problems) are valid and enforceable under the laws of [jurisdiction].

*3.3.e. Assignment of rights and obligations*

The rights and obligations of the TIPS DCA holder cannot be assigned, altered or otherwise transferred by the TIPS DCA holder to third parties without the prior written consent of the [insert name of CB].

*3.3.f. Choice of governing law and jurisdiction*

The provisions contained in [list of sections] of the Rules, and in particular in respect of the governing law, the resolution of a dispute, competent courts, and service of process are valid and enforceable under the laws of [jurisdiction].

*3.4. Voidable preferences*

We are of the opinion that no obligation arising out of the System Documents, the performance thereof, or compliance therewith prior to the opening of any Insolvency Proceedings or Proceedings in respect of the TIPS DCA holder may be set aside in any

such proceedings as a preference, voidable transaction or otherwise under the laws of [jurisdiction].

In particular, and without limitation to the foregoing, we express this opinion in respect of any transfer orders submitted by any participant in the System. In particular, we are of the opinion that the provisions of [list of sections] of the Rules establishing the enforceability and irrevocability of transfer orders will be valid and enforceable and that a transfer order submitted by any participant and processed pursuant to [list of sections] of the Rules may not be set aside in any Insolvency Proceedings or Proceedings as a preference, voidable transaction or otherwise under the laws of [jurisdiction].

### 3.5. *Attachment*

If a creditor of the TIPS DCA holder seeks an attachment order (including any freezing order, order for seizure or any other public or private law procedure that is intended to protect the public interest or the rights of the TIPS DCA holder's creditors) — hereinafter referred to as an 'Attachment' — under the laws of [jurisdiction] from a court or governmental, judicial or public authority that is competent in [jurisdiction], we are of the opinion that [insert the analysis and discussion].

### 3.6. *Collateral [if applicable]*

#### 3.6.a. *Assignment of rights or deposit of assets for collateral purposes, pledge and/or repo*

Assignments for collateral purposes will be valid and enforceable under the laws of [jurisdiction]. Specifically, the creation and enforcement of a pledge or repo under the [insert reference to the relevant arrangement with the CB] will be valid and enforceable under the laws of [jurisdiction].

#### 3.6.b. *Priority of assignees', pledgees' or repo purchasers' interest over that of other claimants*

In the event of Insolvency Proceedings or Proceedings in respect of the TIPS DCA holder, the rights or assets assigned for collateral purposes, or pledged by the TIPS DCA holder in favour of the [insert reference to CB] or other participants in the System, will rank in priority of payment above the claims of all other creditors of the TIPS DCA holder and will not be subject to priority or preferential creditors.

#### 3.6.c. *Enforcing title to security*

Even in the event of Insolvency Proceedings or Proceedings in respect of the TIPS DCA holder, other participants in the System and the [insert name of CB] as [assignees, pledgees or repo purchasers as applicable] will still be free to enforce and collect the TIPS DCA holder's rights or assets through the action of the [insert name of CB] pursuant to the Rules.

#### 3.6.d. *Form and registration requirements*

There are no form requirements for the assignment for collateral purposes of, or the creation and enforcement of a pledge or repo over the TIPS DCA holder's rights or assets and it is not necessary for the [assignment for collateral purposes, pledge or repo, as applicable], or any particulars of such [assignment, pledge or repo, as applicable,] to be registered or filed with any court or governmental, judicial or public authority that is competent in [jurisdiction].

3.7. *Branches [to the extent applicable]*

3.7.a. *Opinion applies to action through branches*

Each of the statements and opinions presented above with regard to the TIPS DCA holder applies with equal accuracy and validity under the laws of [jurisdiction] in situations where the TIPS DCA holder acts through its one or more of its branches established outside [jurisdiction].

3.7.b. *Conformity with law*

Neither the execution and performance of the rights and obligations under the System Documents nor the submission, transmission or receipt of payment orders by a branch of the TIPS DCA holder will in any respect breach the laws of [jurisdiction].

3.7.c. *Required authorisations*

Neither the execution and performance of the rights and obligations under the System Documents nor the submission, transmission or receipt of payment orders by a branch of a TIPS DCA holder will require any additional authorisations, approvals, consents, filings, registrations, notarisations or other certifications of or with any court or governmental, judicial or public authority that is competent in [jurisdiction].

This Opinion is stated as of its date and is addressed solely to the [insert name of CB] and the [TIPS DCA holder]. No other persons may rely on this Opinion, and the contents of this Opinion may not be disclosed to persons other than its intended recipients and their legal counsel without our prior written consent, with the exception of the European Central Bank and the national central banks of the European System of Central Banks [and [the national central bank/relevant regulatory authorities] of [jurisdiction]].

Yours faithfully,

[signature]

### **Appendix III**

#### **OPERATING SCHEDULE**

1. The TIPS Platform is operated and available in U2A and A2A mode 24 hours a day, every day of the year.
2. After the completion of the last algorithms in TARGET2, a message is sent to the TIPS platform after which the change of business day is initiated. After the start of the new business day the TIPS Platform sends a record to the SSP of the balances on the TIPS DCAs as they stood at the time of the change of business day.
3. The SSP is operated on all days, except Saturdays, Sundays, New Year's Day, Good Friday and Easter Monday (according to the calendar applicable at the seat of the ECB), 1 May, 25 December and 26 December.
4. The reference time for the system is the local time at the seat of the ECB, i.e. CET<sup>36</sup>.
5. The operating hours may be changed in the event that business continuity measures are adopted.
6. An overview of the operating hours and significant business events during the day is shown in the following table. Settlement of instant payment orders continues without interruption 24/7/365. Liquidity transfers are possible at all times except those indicated in the table:

SSP schedule		TIPS schedule (applicable to TIPS DCAs)	
Time	Description	Time	Description
6.45-7.00	Business window to prepare daytime operations <sup>1</sup>		
7.00-18.00	Daytime processing		
17.00	Cut-off time for customer payments		
18.00	Cut-off time for interbank payments Cut-off time for liquidity transfers <sup>2</sup>	18.00	Cut-off time for liquidity transfers <sup>2</sup>
Shortly after 18.00	Completion of last algorithms		
Upon completion of last algorithms	Send message to TIPS to inform that change of business day can be performed	Upon receipt of message from SSP	- Change of business day in TIPS - Snapshot of balances on TIPS DCAs and

<sup>36</sup> CET takes into account the change to Central European Summer Time.

			generation of End-of-day files (General Ledger)
18.00-18.45 <sup>3</sup>	End-of-day processing		
18.15 <sup>3</sup>	General cut-off time for the use of standing facilities		
(Shortly after) 18.30 <sup>4</sup>	Data for the update of accounting systems are available to CBs		
18.45-19.30 <sup>4</sup>	Start-of-day processing (new business day)		
19.00 <sup>5</sup> - 19.30 <sup>3</sup>	Provision of liquidity on the PM account		
19.30 <sup>3</sup>	“Start-of-procedure” message and settlement of the standing orders to transfer liquidity from the PM accounts to the subaccounts/technical account (ancillary system-related settlement) & Start of liquidity transfers between TARGET2 and TIPS	19.30	Start of liquidity transfers between TARGET2 and TIPS
19.30 <sup>4</sup> -22.00	Execution of additional liquidity transfers via the ICM for settlement procedure 6 real-time; execution of additional liquidity transfers via the ICM before the ancillary system sends the ‘start of cycle’ messages for settlement procedure 6 interfaced; settlement period of night-time ancillary system operations (only for ancillary system settlement procedure 6 real-time and settlement procedure 6 interfaced)		
22.00-1.00	Technical maintenance window <sup>6</sup>	22.00 – 1.00	Liquidity transfers not possible as the SSP is closed
1.00-7.00	Settlement procedure of night-time ancillary system operations (only for ancillary		



	system settlement procedure 6 real-time and settlement procedure 6 interfaced) Liquidity transfers between TARGET2 and TIPS		
--	---	--	--

<sup>1</sup> "Daytime operations" means daytime processing and end-of-day processing.

<sup>2</sup> Liquidity transfers entered into the system before the cut-off time will be processed.

<sup>3</sup> Ends 15 minutes later on the last day of the Eurosystem reserve maintenance period.

<sup>4</sup> Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.

<sup>5</sup> Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.

<sup>6</sup> Over a weekend or on a holiday, the technical maintenance window will last throughout the weekend or the holiday, i.e., from 22.00 on Friday until 1.00 on Monday or, in the case of a holiday, from 22.00 on the last business day until 1.00 on the next business day.

7. Up-to-date information on the operational status of the SSP and the TIPS Platform shall be available on the TARGET2 Information System (T2IS) and on the TIPS Information System on dedicated webpages on the ECB's website. The information on the operational status of the SSP and the TIPS Platform on T2IS and the ECB's website shall only be updated during normal business hours.

**Appendix IV**  
**FEE SCHEDULE**

***Fees for the TIPS service***

1. The following fees for the TIPS service connected with TIPS DCAs shall be charged to the Linked PM account holders:

Tariff items	Price	Explanation
<i>Settlement services</i>		
Instant payment order	0,20 euro cent	To be charged also for unsettled transactions
Recall request	0,00	
Negative recall answer	0,00	
Positive recall answer	0,20 euro cent	To be charged to the holder of the Linked PM account associated with the TIPS DCA to be credited (also for unsettled transactions)

2. Up to the first ten million instant payment orders and positive recall answers, cumulatively, received by the TIPS Platform by the end of 2019, shall be free of charge. The BCL shall charge Linked PM account holders for any further instant payment orders and positive recall answers received by the TIPS Platform by the end of 2019, in the following year.

3. PM to TIPS DCA liquidity transfer orders sent from a participant's PM account and TIPS DCA to PM liquidity transfer orders received on a participant's PM account shall be charged to the Linked PM account holder in accordance with Appendix VI to Annex II.

**APPENDIX V**  
***TIPS CONNECTIVITY TECHNICAL REQUIREMENTS***

**Services of the TIPS network service provider**

**General service description**

1. The TIPS network service provider connects the TIPS DCA holder and/or its reachable party to the TIPS platform and provides a secure messaging service based on a Closed Group of Users (CGU) and PKI, as well as support and incident management services.
2. All the services provided by the TIPS network service provider to the TIPS DCA holders shall be offered under a separate agreement entered into between them and in accordance with the detailed requirements for network service providers set out in the connectivity documentation as it shall read from time to time (hereinafter the “connectivity documentation”). The connectivity documentation is available on the ECB’s website and consists of: (a) the document entitled “Connectivity – technical requirements” and the following attachments to it: “MEPT – Message Exchange Processing for TIPS” and “NSP Compliance Check Procedure”; and (b) the TIPS connectivity hosting terms and conditions. The TIPS DCA holders are invited to include the connectivity documentation in their agreement with the TIPS network service provider.
3. In order for a network service provider to enter into an agreement with a TIPS DCA holder as a TIPS network service provider, a compliance check of the network service provider shall be carried out to ensure that such provider is technically compliant with the requirements set out in the document “Connectivity – technical requirements”. This check shall include, first, an evaluation of the network service provider’s technical offer. If this evaluation is positive, a second stage of the compliance check shall be carried out, which includes a series of tests of the network service provider’s technical solution. The compliance check is described in further detail in the “NSP Compliance Check Procedure” referred to in paragraph 2.
4. If the network service provider successfully completes the compliance check, it signs the TIPS connectivity hosting terms and conditions with Banca d’Italia. Such TIPS network service provider may then be used by any TIPS DCA holders, under a separate agreement entered into by the former and the latter, and their names will be published on the ECB’s website, solely for information purposes. The compliance check referred to in paragraph 3 shall be carried out within 120 calendar days from the date of the official notification of the start of that procedure to the TIPS DCA holder.
5. If a network service provider does not successfully complete any stage of the compliance check referred to in paragraph 3, the BCL shall inform the TIPS DCA holder at whose request the assessment referred to in paragraph 3 was initiated, of the rejection and the reasons for it.

6. It shall be incumbent upon TIPS DCA holders, in their own interest and under their separate agreement with their TIPS network service provider, to monitor whether the connectivity services to be provided by their TIPS network service provider fulfil all the technical and operational requirements as referred to in paragraph 2 at the time of the compliance check procedure, and for the entire period of time that the TIPS DCA holders are connected to the TIPS Platform.
7. Any TIPS platform-providing NCBs' monitoring of a TIPS network service provider's compliance with the technical and operational requirements shall be undertaken in the sole interest of protecting the integrity of the TIPS Platform and, hence, without prejudice to the monitoring carried out by the TIPS DCA holder in accordance with paragraph 6.
8. A TIPS network service provider may be disconnected from the TIPS platform if it ceases to meet the conditions of the connectivity documentation described in paragraph 2 or if the TIPS connectivity hosting terms and conditions are terminated for any other reason, as laid down in those terms and conditions. If a TIPS network service provider's connection to the TIPS Platform is terminated, it will be removed from the list of TIPS network service providers.'

## PROVISION OF INTRADAY CREDIT

### Definitions

For the purpose of this Annex:

**‘event of default’** means any impending or existing event, the occurrence of which may threaten the performance by an entity of its obligations under the national arrangements implementing this Guideline or any other rules (including those specified by the Governing Council with respect to Eurosystem monetary policy operations) applying to the relationship between that entity and any of the Eurosystem CBs, including:

- (a) where the entity no longer meets the access criteria and/or technical requirements laid down in Annex II and, if applicable, Annex V, or Annex IIa or Annex IIb or where its eligibility as a counterparty for Eurosystem monetary policy operations has been suspended or terminated;
- (b) the opening of insolvency proceedings in relation to the entity;
- (c) the submission of an application relating to the proceedings referred to in point (b);
- (d) the issue by the entity of a written declaration of its inability to pay all or any part of its debts or to meet its obligations arising in relation to intraday credit;
- (e) the entry of the entity into a voluntary general agreement or an arrangement with its creditors;
- (f) where the entity is, or is deemed by the relevant euro area NCB to be, insolvent or unable to pay its debts;
- (g) where the entity’s credit balance on its PM account, its T2S DCA or its TIPS DCA or all or a substantial part of the entity’s assets are subject to a freezing order, attachment, seizure or any other procedure that is intended to protect the public interest or the rights of the entity’s creditors;
- (h) where participation of the entity in another TARGET2 component system and/or in an ancillary system has been suspended or terminated;
- (i) where any material representation or pre-contractual statement made by the entity or which is implied to have been made by the entity under the applicable law is incorrect or untrue;  
or
- (j) the assignment of all or a substantial part of the entity’s assets.

## Eligible entities

1. Each euro area NCB shall provide intraday credit to credit institutions established in the Union or the EEA that are eligible counterparties for Eurosystem monetary policy operations, have access to the marginal lending facility and have an account with the relevant euro area NCB, including when those credit institutions act through a branch established in the Union or the EEA and including branches established in the Union or the EEA of credit institutions that are established outside the EEA, provided that such branches are established in the same country as the relevant euro area NCB. No intraday credit may be provided to entities that are subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to Article 65(1)(b), Article 75 or Article 215 of the Treaty, the implementation of which, in the view of the BCL after informing the ECB, is incompatible with the smooth functioning of TARGET2.
2. Intraday credit may also be granted to the following entities:
  - (a) deleted;
  - (b) credit institutions established in the Union or the EEA that are not eligible counterparties for Eurosystem monetary policy operations and/or do not have access to the marginal lending facility, including when they act through a branch established in the Union or the EEA and including branches established in the Union or the EEA of credit institutions that are established outside the EEA;
  - (c) treasury departments of central or regional governments of Member States and public sector bodies of Member States authorised to hold accounts for customers;
  - (d) investment firms established in the Union or the EEA provided that they have concluded an arrangement with a Eurosystem monetary policy counterparty to ensure that any residual debit position at the end of the relevant day is covered; and
  - (e) entities other than those falling within point (b) that manage ancillary systems and act in that capacity, provided that the arrangements for granting intraday credit to such entities have been submitted to the Governing Council in advance and have been approved by the Governing Council,

provided that in the cases specified in points (b) to (e) the entity receiving intraday credit is established in the same jurisdiction as the NCB providing the intraday credit.

All overnight credit granted to eligible central counterparties shall be subject to the terms of this Annex (including the provisions in relation to eligible collateral).

The sanctions provided for in paragraphs 10 and 11 shall apply when eligible central counterparties fail to reimburse the overnight credit extended to them by their NCB.
3. For the entities mentioned in paragraph 2(b) to (e), and in accordance with Article 19 of Guideline ECB/2014/60, intraday credit shall be limited to the day in question and no extension to overnight credit shall be possible.

By way of derogation, the Governing Council may decide, by means of a reasoned prior decision, to provide access to the marginal lending facility to certain eligible central counterparties (CCPs), within the scope of Article 139(2)(c) of the Treaty in conjunction with Articles 18 and 42 of the Statute of the ESCB and Article 1(1) of Guideline (EU) 2015/510 (ECB/2014/60). Such eligible CCPs are those that, at all relevant times:

- (a) are eligible entities for the purposes of paragraph 2(e), provided also that those eligible entities are authorised as CCPs in accordance with the applicable Union or national legislation;
- (b) are established in the euro area;
- (c) are subject to supervision and/or oversight by competent authorities;
- (d) comply with the oversight requirements for the location of infrastructures offering services<sup>37</sup>, amended from time to time and published on the ECB's website<sup>37</sup>;
- (e) have accounts in the Payments Module (PM) of TARGET2;
- (f) have access to intraday credit.

#### **Eligible collateral**

4. Intraday credit shall be based on eligible collateral and granted by means of collateralised intraday overdrafts and/or intraday repurchase transactions in compliance with the additional minimum common features (including the events of default therein listed, as well as their respective consequences) that the Governing Council specifies with respect to Eurosystem monetary policy operations. Eligible collateral shall consist of the same assets as eligible for use in Eurosystem monetary policy operations, and shall be subject to the same valuation and risk control rules as those laid down in Part Four of Guideline (EU) 2015/510 (ECB/2014/60)<sup>38</sup>.

---

<sup>37</sup> The Eurosystem's current policy for the location of infrastructure is set out in the following statements, which are available on the ECB's website at [www.ecb.europa.eu](http://www.ecb.europa.eu): (a) the policy statement on euro payment and settlement systems located outside the euro area of 3 November 1998; (b) the Eurosystem's policy line with regard to consolidation in central counterparty clearing of 27 September 2001; (c) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions of 19 July 2007; (d) the Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions: specification of 'legally and operationally located in the euro area' of 20 November 2008; (e) the Eurosystem oversight policy framework, revised version of July 2016.

<sup>38</sup> As implemented in the General Terms and Conditions of the BCL.

Intraday credit shall only be granted once the eligible assets provided as collateral have been finally transferred or pledged. For this purpose, counterparties shall pre-deposit or shall have pledged the eligible assets with the relevant NCB or settle the eligible assets with the relevant NCB on a delivery-versus-payment basis.

5. Debt instruments issued or guaranteed by the entity, or by any other third party with which the entity has close links, may only be accepted as eligible collateral in the situations laid down in Guideline (EU) 2015/510 (ECB/2014/60) <sup>39</sup>.
- 5a. Use of ineligible collateral may result in the application of sanctions in accordance with Part Five of Guideline (EU) 2015/510 (ECB/2014/60).

### **Credit extension procedure**

7. Access to intraday credit may only be granted on business days.
8. Intraday credit shall be provided free of interest.
9. The failure by an entity referred to in paragraph 1 to reimburse the intraday credit at the end of the day shall automatically be considered as a request by such entity for recourse to the marginal lending facility. If an entity referred to in paragraph 1 holds a TIPS DCA, any end-of-day balance on its TIPS DCA recorded in accordance with Appendix III of Annex IIb to these Terms and Conditions shall be taken into account for the purpose of calculating the amount of the entity's recourse to the automatic marginal lending facility. This shall not, however, trigger any equivalent release of assets pre-deposited as collateral for the underlying outstanding intraday credit.
10. The failure by an entity referred to in paragraph 2(b), (d) or (e) to reimburse the intraday credit at the end of the day for whatever reason shall render that entity liable to the following penalties:
  - (a) if the entity in question has a debit balance on its account at the end of the day for the first time within any twelve-month period, then this entity shall incur penalty interest calculated at a rate of five percentage points above the marginal lending rate on the amount of such debit balance;
  - (b) if the entity in question has a debit balance on its account at the end of the day for at least the second time within the same twelve-month period, then the penalty interest mentioned in subparagraph (a) shall be increased by 2,5 percentage points for each

---

<sup>39</sup> As implemented in the General Terms and Conditions of the BCL.



time additional to the first that a debit position has occurred within this twelve-month period.

11. The Governing Council may decide to waive or reduce the penalties imposed pursuant to paragraph 10, if the end-of-day debit balance of the entity in question is attributable to force majeure and/or technical malfunction of TARGET2, the latter phrase as defined in Article 1 of the Terms and Conditions.

### **Suspension, limitation or termination of intraday credit**

12. (a) The BCL shall suspend or terminate access to intraday credit if one of the following events of default occurs:
  - (i) the account of the entity with the BCL is suspended or closed;
  - (ii) the entity concerned ceases to meet any of the requirements laid down in this Annex for the provision of intraday credit;
  - (iii) a decision is made by a competent judicial or other authority to implement in relation to the entity a procedure for the winding-up of the entity or the appointment of a liquidator or analogous officer over the entity or any other analogous procedure;
  - (iv) the entity becomes subject to the freezing of funds and/or other measures imposed by the Union restricting the entity's ability to use its funds;
  - (v) the entity's eligibility as a counterparty for Eurosystem monetary policy operations has been suspended or terminated.
- (b) The BCL may suspend or terminate access to intraday credit if an NCB suspends or terminates the participant's participation in TARGET2 pursuant to Article 34(2)(b) to (e) of these Terms and Conditions, or one or more events of default (other than those referred to in Article 34(2)(a)) occur.
- (c) If the Eurosystem decides to suspend, limit or exclude counterparties' access to monetary policy instruments on the grounds of prudence or otherwise in accordance with Article 158 of Guideline (EU) 2015/510 (ECB/2014/60), euro area NCBs shall implement that decision in respect of access to intraday credit pursuant to provisions in the contractual or regulatory arrangements applied by the respective NCBs.
- (d) The BCL may decide to suspend, limit or terminate a participant's access to intraday credit if the participant is deemed to pose risks on the grounds of prudence. In such cases, the BCL shall immediately notify the ECB and other participating NCBs and connected NCBs thereof in writing. Where appropriate, the Governing Council shall

decide upon uniform implementation of the measures taken in all TARGET2 component systems.

13. Where the BCL decides to suspend, limit or terminate a Eurosystem monetary policy counterparty's access to intraday credit in accordance with paragraph 12 (d) above, such decision shall not take effect until the ECB has approved it.
14. By derogation from paragraph 13, in urgent circumstances the BCL may suspend a Eurosystem monetary policy counterparty's access to intraday credit with immediate effect. In such cases the BCL shall immediately notify the ECB thereof in writing. The ECB shall have the power to reverse the BCL's action. However, if the ECB does not send the BCL notice of such reversal within ten business days of the ECB's receipt of notification, the ECB shall be deemed to have approved the BCL's action.

## CONDITIONS FOR AUTO-COLLATERALISATION OPERATIONS

### Definitions

For the purposes of this Annex:

- 'auto-collateralisation' means intraday credit granted by the euro area NCB in central bank money triggered when a T2S DCA holder has insufficient funds to settle securities transactions, whereby such intraday credit is collateralised either with the securities being purchased (collateral on flow), or with securities already held by the T2S DCA holder (collateral on stock). An auto collateralisation transaction consists of two distinct transactions, one of the granting of auto-collateralisation, one for its reimbursement and may also include a third transaction for any eventual collateral relocation. For the purposes of Article 16 in Annex IIa, all three transactions are deemed to have been entered into the system and deemed to be irrevocable at the same time as the transaction for the granting of the auto-collateralisation.
- 'available liquidity' means the credit balance on the T2S DCA decreased by the amount of any processed reservations of liquidity or blocking of funds.
- 'event of default' means any impending or existing event, the occurrence of which may threaten the performance by an entity of its obligations under Annex II (the Harmonised Conditions for the Opening and Operation of a T2S Dedicated Cash Account in TARGET2) and the provisions of this Annex IIIa or any other rules (including those specified by the Governing Council with respect to Eurosystem monetary policy operations) applying to the relationship between that entity and any of the Eurosystem CBs, including:
  - (a) where the entity no longer meets the access criteria and/or technical requirements laid down in the Harmonised Conditions for the Opening and Operation of a PM account in TARGET2 and, if applicable, Annex V, or the Harmonised Conditions for the Opening and Operation of a T2S Dedicated Cash Account in TARGET2 or the Harmonised Conditions for the Opening and Operation of a TIPS Dedicated Cash Account in TARGET2 or where its eligibility as a counterparty for Eurosystem monetary policy operations has been suspended or terminated;
  - (b) the opening of insolvency proceedings in relation to the entity;
  - (c) the submission of an application relating to the proceedings referred to in point (b);
  - (d) the issue by the entity of a written declaration of its inability to pay all or any part of its debts or to meet its obligations arising in relation to intraday credit;
  - (e) the entry of the entity into a voluntary general agreement or an arrangement with its creditors;

- (f) where the entity is, or is deemed by the BCL to be, insolvent or unable to pay its debts;
- (g) where the entity's credit balance on its PM account, T2S DCA, or TIPS DCA or all or a substantial part of the entity's assets are subject to a freezing order, attachment, seizure or any other procedure that is intended to protect the public interest or the rights of the entity's creditors;
- (h) where participation of the entity in another TARGET2 component system and/or in an ancillary system has been suspended or terminated;
- (i) where any material representation or pre-contractual statement made by the entity or which is implied to have been made by the entity under the applicable law is incorrect or untrue; or
- (j) the assignment of all or a substantial part of the entity's assets.

### **Eligible entities**

1. Notwithstanding paragraph 13, the BCL shall, from 6 February 2017 and further to a request, offer auto-collateralisation facilities to the entities to which it provides intraday credit in accordance with Annex III, on condition that such entities have both a T2S DCA and a PM account with the BCL and are not subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to Article 65(1)(b), Article 75 or Article 215 of the Treaty, the implementation of which, in the view of the BCL after informing the ECB, is incompatible with the smooth functioning of TARGET2.
2. Auto-collateralisation shall be limited to intraday only. No extension to overnight credit shall be possible.

### **Eligible collateral**

3. Auto-collateralisation shall be based on eligible collateral. Eligible collateral shall consist of the same assets as eligible for use in Eurosystem monetary policy operations, and shall be subject to the same valuation and risk control rules as those laid down in Part Four of Guideline (EU) 2015/510 (ECB/2014/60).

Furthermore, eligible collateral for auto-collateralisation:

- (a) may be limited by euro area NCBs by means of an ex ante exclusion of potential close-link collateral;

- (b) shall, in the case of cross-border use, be mobilised through a link assessed as eligible for use in Eurosystem credit operations by the Governing Council of the ECB and published on the website of the ECB<sup>40</sup>;
  - (c) is subject to certain discretionary choices for the exclusion of eligible collateral as granted to the euro area NCBs by decisions of the Governing Council of the ECB;
4. Debt instruments issued or guaranteed by the entity, or by any other third party with which the entity has close links, may only be accepted as eligible collateral in the situations laid down in Part Four of Guideline (EU) 2015/510 (ECB/2014/60).
- 4a. Use of ineligible collateral may result in the application of sanctions in accordance with Part Five of Guideline (EU) 2015/510 (ECB/2014/60).

### **Credit provision and recovery procedure**

- 5. Auto-collateralisation may only be provided on business days.
- 6. Credit obtained by means of auto-collateralisation shall be provided free of interest.
- 7. Fees shall be charged for the provision of auto-collateralisation in line with the fee schedule attached as Appendix VI to Annex IIa.
- 8. Auto-collateralisation may be reimbursed at any time during the day by the T2S DCA holder by following the procedure described in the T2S UDFS.
- 9. Auto-collateralisation shall be reimbursed at the latest at the time defined in Appendix V to Annex IIa (the Harmonised Conditions for the Opening and Operation of a T2S Dedicated Cash Account in TARGET2), and in accordance with the following process:
  - (a) the BCL acting via the T2S Platform releases the reimbursement instruction which is settled subject to cash being available to reimburse outstanding auto-collateralisation;
  - (b) if, after performing step (a), the balance on the T2S DCA is not sufficient to reimburse outstanding auto-collateralisation, the BCL acting via the T2S Platform checks other T2S DCAs opened in its books for the same T2S DCA holder and transfers cash from any or all of these to the T2S DCA where reimbursement instructions are pending;
  - (c) if, after performing steps (a) and (b), the balance on a T2S DCA is not sufficient to reimburse outstanding auto-collateralisation, the T2S DCA holder shall be deemed to have instructed the BCL to transfer the collateral which was used to obtain the outstanding auto-collateralisation to the collateral account of the BCL. Thereafter, the BCL shall provide the liquidity to reimburse the outstanding auto-collateralisation and shall without undue delay debit the relevant PM account of the T2S DCA holder.

---

<sup>40</sup> <http://www.ecb.int/paym/coll/coll/ssslinks/html/index.en.html>

- (d) The BCL shall apply a penalty fee of EUR 1 000 for each business day where one or more recourses to collateral relocation under point (c) occur. The penalty fee shall be debited from the relevant PM account of the T2S DCA holder referred to in paragraph (c).

### **Suspension, limitation or termination of auto-collateralisation facilities**

- 10. (a) The BCL shall suspend or terminate access to auto-collateralisation facilities if one of the following events of default occurs:
    - (i) the T2S DCA, TIPS DCA or PM account of the entity with the BCL is suspended or closed;
    - (ii) the entity concerned ceases to meet any of the requirements laid down in these Conditions for auto-collateralisation operations;
    - (iii) a decision is made by a competent judicial or other authority to implement in relation to the entity a procedure for the winding-up of the entity or the appointment of a liquidator or analogous officer over the entity or any other analogous procedure;
    - (iv) the entity becomes subject to the freezing of funds and/or other measures imposed by the Union restricting the entity's ability to use its funds;
    - (v) the entity's eligibility as a counterparty for Eurosystem monetary policy operations has been suspended or terminated.
  - (b) The BCL may terminate access to auto-collateralisation facilities if another NCB suspends or terminates the T2S DCA holder's participation in TARGET2 pursuant to Article 24(2)(b) to (d) of Annex IIa, or if one or more events of default (other than those referred to in Article 24(2)(a) of Annex IIa) occur.
  - (c) The Eurosystem may decide to suspend, limit or exclude counterparties' access to monetary policy instruments on the grounds of prudence or otherwise in accordance with Article 158 of Guideline (EU) 2015/510 (ECB/2014/60). In such cases, the BCL shall implement that decision in respect of access to auto-collateralisation facilities pursuant to provisions in the contractual or regulatory arrangements applied by the BCL.
  - (d) The BCL may decide to suspend, limit or terminate a T2S DCA holder's access to auto-collateralisation facilities if the T2S DCA holder is deemed to pose risks on the grounds of prudence. In such cases, the BCL shall immediately notify the ECB and other euro area NCBs and connected NCBs thereof in writing. Where appropriate, the Governing Council shall decide upon uniform implementation of the measures taken in all TARGET2 component systems.
- 11. Where the BCL decides to suspend, limit or terminate a T2S DCA holder's access to auto-collateralisation facilities in accordance with paragraph 10(d), such decision shall not take effect until the ECB has approved it.

12. By derogation from paragraph 11, in urgent circumstances the BCL may suspend a T2S DCA holder's access to auto-collateralisation facilities with immediate effect. In such cases the BCL shall immediately notify the ECB thereof in writing. The ECB shall have the power to reverse the BCL action. However, if the ECB does not send the BCL notice of such reversal within ten business days of the ECB's receipt of notification, the ECB shall be deemed to have approved the BCL action.

#### **Transitional provision**

13. By derogation from paragraph 1, in the period from 22 June 2015 to 6 February 2017 the BCL may, further to a request, offer auto-collateralisation facilities to the entities to which it provides intraday credit in accordance with Annex III, on condition that such entities have both a T2S DCA and a PM account with the BCL and are not subject to restrictive measures adopted by the Council of the European Union or Member States pursuant to Article 65(1)(b), Article 75 or Article 215 of the Treaty, the implementation of which, in the view of the BCL after informing the ECB, is incompatible with the smooth functioning of TARGET2.

## **SETTLEMENT PROCEDURES FOR ANCILLARY SYSTEMS**

Specific rules apply for Ancillary Systems (AS) using the Ancillary System Interface (ASI). They shall enter into a bilateral agreement with the Banque centrale du Luxembourg (BCL), and be subject to the provisions of this Annex IV.

The BCL may at any time unilaterally amend this Annex IV and the agreement contained herein, including the Appendices to the agreement, as a consequence of a decision of the ECB Governing Council.

All amendment arising out of a decision of the ECB Governing Council shall enter into force without requiring the execution of a formally amended agreement, as specified in Article 34 of the agreement. All of the amendments to this Annex which implement a decision of the ECB Governing Council shall be notified by the BCL to the ancillary system in accordance with the General Terms and Conditions of the BCL and shall be deemed to have been accepted unless the ancillary system expressly objects within 14 days of being informed of such amendments. In the event that an ancillary system objects to the amendment, the BCL is entitled to immediately terminate and close the ancillary system's accounts in TARGET2- LU.

Any other amendments to the agreement contained in the present Annex shall be expressly agreed by the Parties in writing, requiring the signature of a formal amendment to the agreement. If an AS uses the Participant Interface (PI), it will be subject to the provisions of Annex II of the Terms and Conditions for Participation in TARGET2-LU, except for the provisions concerning 'Liquidity Pooling' in Annex II, Title V and Appendices VI and VII to Annex II. The use of the PI by an AS is subject to the pricing schedule specified in Appendix II to Annex IV.



**BILATERAL AGREEMENT**  
**FOR SETTLEMENT PROCEDURES**  
**FOR ANCILLARY SYSTEMS PAYMENT INSTRUCTIONS**

between: and

Banque centrale du Luxembourg XXX

2, boulevard Royal XXX

L-2983 Luxembourg XXX

(‘the BCL’

or the ‘ancillary system central bank, ‘ASCB’) ( ‘XXX’ or the ‘ancillary system’, ‘AS’)

- collectively referred to as the ‘Parties’ –

**GENERAL PROVISIONS**

**Article 1**

**Nature of the Agreement**

1. The Parties hereto enter into a relationship in which the BCL provides fund transfer services in central bank money to XXX in TARGET2-LU.
2. [For its day time business, XXX participates as direct participant in TARGET2-LU. For the purpose of its night time settlement XXX] [XXX exclusively uses the Ancillary Systems Interface of TARGET2-LU (ASI)]. [The ASI can also be used during the daytime].
3. This bilateral Agreement (hereafter the ‘Agreement’) establishes the legal framework between XXX and the BCL when XXX uses the ASI. When using the ASI, the provisions of the Terms and Conditions for participation in TARGET2 of the BCL (hereafter the ‘Terms and Conditions’) are not applicable, unless otherwise expressly provided herein. [This shall not be construed as granting to XXX the status of participant in TARGET2-LU in accordance with Article 10 hereafter].

- In the event of any conflict or inconsistency between the content of the Terms and Conditions and the content of any other provision in this Agreement, the latter shall prevail.
4. XXX shall pay a fee as defined in Appendix II for the services rendered by BCL in the framework of this Agreement.
  5. The following Appendices form integral part of this Agreement:  
Appendix I: Operating schedule  
Appendix II: Fee schedule and invoicing

In the event of any conflict or inconsistency between the content of any appendix and the content of any other provision in this Agreement, the latter shall prevail.

## **Article 2**

### **Selection of settlement procedures**

1. XXX will use settlement procedures [ ] of the ASI. For the use of these settlement procedures, the BCL will open a technical account for XXX.
2. XXX may at any time request to use another settlement procedure as defined in Article 9 of this Agreement giving 14 business days' notice thereof.
3. Any change to the settlement procedures will have to be decided upon by the BCL and agreed in writing.
4. The change of settlement procedures will take place 14 business days after approval/the agreement in writing, unless a different period is agreed between the parties.
5. For each change of the settlement procedures, XXX shall bear the costs in relation to such a change.

## **Article 3**

### **Definitions**

1. The terms defined in Article 2 of the Terms and Conditions shall bear the same meaning in this Agreement, subject to the following modification:  
'event of default' means any impending or existing event, the occurrence of which may threaten the performance by XXX of its obligations under this Agreement or any other rules (including those specified by the Governing Council with respect to Eurosystem monetary policy operations) applying to the relationship between XXX and the BCL or any other CB, including:
  - (a) where XXX no longer meets the access criteria and/or technical requirements laid down in this Agreement and, if applicable, the Terms and Conditions;

- (b) the opening of insolvency proceedings in relation to XXX;
- (c) the submission of an application relating to the proceedings referred to in subparagraph (b);
- (d) the issue by XXX of a written declaration of its inability to pay all or any part of its debts;
- (e) the entry of XXX into a voluntary general agreement or arrangement with its creditors;
- (f) where XXX is, or is deemed by the BCL to be, insolvent or unable to pay its debts;
- (g) where all or a substantial part of the XXX's assets are subject to a freezing order, attachment, seizure or any other procedure that is intended to protect the public interest or the rights of the XXX's creditors;
- (h) where participation of XXX in another TARGET2 component system and/or in an AS has been suspended or terminated;
- (i) where any material representation or pre-contractual statement made by XXX or which is implied to have been made by XXX under the applicable law is incorrect or untrue; or
- (j) the assignment of all or a substantial part of XXX's assets.

2. In addition, in this Agreement:

- (1) "credit instruction" means a payment instruction submitted by an ancillary system and addressed to the ASCB to debit one of the accounts kept and/or managed by the ancillary system in the PM, and to credit a settlement bank's PM account or sub-account by the amount specified therein,
- (2) "debit instruction" means a payment instruction addressed to the SCB and submitted by an ancillary system to debit a settlement bank's PM account or sub-account by the amount specified therein, on the basis of a debit mandate, and to credit either one of the ancillary system's accounts in the PM or another settlement bank's PM account or sub-account,
- (3) "payment instruction" or "ancillary system payment instruction" means a credit instruction or a debit instruction,
- (4) "ancillary system central bank (ASCB)" means the Eurosystem CB with which the relevant ancillary system has a bilateral arrangement for the settlement of ancillary system payment instructions in the PM,
- (5) "settlement central bank (SCB)" means a Eurosystem CB holding a settlement bank's PM account,

- (6) “settlement bank” means a participant whose PM account or sub-account is used to settle ancillary system payment instructions,
- (7) “Information and Control Module (ICM)” means the SSP module that allows PM account holders to obtain on-line information and gives them the possibility to submit liquidity transfer orders, manage liquidity and, if applicable, initiate backup payment orders or payment orders to the Contingency Solution in a contingency,
- (8) “ICM broadcast message” means information made simultaneously available to all or a selected group of PM account holders via the ICM,
- (9) “debit mandate” means an authorisation by a settlement bank in the form provided by the Eurosystem CBs in the static data forms addressed to both its ancillary system and its SCB, entitling the ancillary system to submit debit instructions, and instructing the SCB to debit the settlement bank’s PM account or sub-account as a result of debit instructions,
- (10) “short” means owing money during the settlement of ancillary system payment instructions,
- (11) “long” means being owed money during the settlement of ancillary system payment instructions,
- (12) “cross-system settlement” means the real-time settlement of debit instructions under which payments are executed from a settlement bank of one ancillary system using settlement procedure 6 to a settlement bank of another ancillary system using settlement procedure 6,
- (13) “Static Data (Management) Module” means the SSP module in which static data are collected and recorded,
- (14) “technical account” means a specific account held in the PM by an ancillary system or held by the ASCB on an ancillary system’s behalf in its TARGET2 component system for use by the ancillary system,
- (15) “Contingency Solution” means the SSP functionality that processes very critical and critical payments in contingency.

## **PARTICIPATION**

### **Article 4**

#### **Technical and legal requirements**

- 1. XXX hereby commits to meet the access criteria in the definition of ‘ancillary system’ set out in Article 1 of Annex II of the Terms and Conditions.
- 2. XXX hereby commits to fulfil the following technical requirements:

- 2.1 install, manage, operate, monitor and ensure the security of the necessary IT infrastructure to connect to TARGET2-LU and to submit payment orders to it. In doing so, XXX may involve third parties, but retains sole liability. In particular, XXX shall enter into an agreement with the TARGET2 network service provider to obtain the necessary connection and admissions, in accordance with the technical specifications in Appendix I to Annex II, and
  - 2.2 pass the tests as required by the BCL, consisting in particular in connectivity, interoperability, country and business day testing.
3. In addition, XXX hereby commits to provide a capacity opinion in the form specified in Appendix III to Annex II of the Terms and Conditions for Participation in TARGET2-LU, if the BCL requests so.
4. The BCL may also reasonably request any additional information it deems necessary for the participation in this Agreement.
5. The BCL shall communicate its decision on the application to use the ASI to the applicant within one month of the BCL's receipt of such application. Where the BCL requests additional information pursuant to Article 4.4., the decision shall be communicated within one month of the BCL's receipt of this information from the applicant. Any rejection decision shall contain reasons for the rejection.

## **OBLIGATIONS OF THE PARTIES**

### **Article 5**

#### **Requirements for cooperation and information exchange**

1. In performing their obligations and exercising their rights under this Agreement, the Parties shall cooperate closely to ensure the stability, soundness and safety of TARGET2-LU. They shall provide each other with any information or documents relevant for the performance of their respective obligations and the exercise of their respective rights under this Agreement, without prejudice to any banking secrecy obligations.

2. The BCL shall assist the ancillary system in relation to difficulties arising in connection with TARGET2-LU system operations. The ancillary system may contact the system support desk of the BCL during the operating hours as communicated by the BCL.
3. The ancillary system may obtain information on the operational status of TARGET2-LU and on any event affecting its normal operation on the TARGET2 Information System (T2IS) Reuters page.
4. The BCL may either communicate messages to the ancillary system by means of an ICM broadcast or by any other means of communication.
5. The ancillary system is responsible for the timely update of existing static data collection forms and the submission of new static data collection forms to the BCL. In addition, the ancillary system shall verify the accuracy of information relating to them that is entered into TARGET2-LU by the BCL.
6. By this Agreement, the BCL shall be deemed to be authorised to communicate to the SSP-providing CBs any information relating to the ancillary system which the SSP-providing CBs may need in their role as service administrators, in accordance with the contract entered into with the TARGET2 network service provider.
7. The ancillary system shall inform the BCL about any change in its legal capacity and relevant legislative changes affecting issues relevant for the present agreement.
8. Upon the occurrence of an event of default, the ancillary system shall immediately inform the BCL thereof.

## **MANAGEMENT OF PM ACCOUNTS AND PROCESSING OF PAYMENT ORDERS**

### **Article 6**

#### **Management of relationship between the BCL, the ancillary system and settlement banks**

1. The ancillary system shall provide a list of settlement banks containing the settlement banks' PM account details, which the BCL shall store in the Static Data (Management) Module of the SSP. The ancillary system may access the list of its respective settlement banks via the ICM.
2. The ancillary system shall inform the BCL without delay of any changes with regard to the list of settlement banks. The BCL shall inform the relevant SCB regarding any such changes via an ICM broadcast message.
3. The ancillary system shall collect the debit mandates and other relevant documents from their settlement banks and submit them to the BCL. Such documents shall be provided in

English only. 4. If a settlement bank is a participant in the TARGET2-LU, the BCL shall verify the validity of the debit mandate given by the settlement bank and shall make any necessary entries in the Static Data (Management) Module. If a settlement bank is not a participant in the TARGET2-LU, the BCL shall forward the debit mandate (or an electronic copy thereof, if so agreed between the BCL and SCB) to the relevant SCB for verification of its validity. The SCB shall perform such verification and shall inform the BCL of the outcome of verification within five business days after receipt of such request. After verification, the BCL shall update the list of settlement banks in the ICM.

5. The verification undertaken by the BCL shall be without prejudice to the ancillary system's responsibility to restrict payment instructions to the list of settlement banks referred to in Article 6.1.
6. Unless they are one and the same, the BCL and SCBs shall exchange information regarding any significant event during the settlement process.
7. The ancillary system shall provide, if relevant, the name and the BIC of the ancillary system with which it intends to execute cross-system settlement and the date from which cross-system settlement with a particular ancillary system should begin or stop. This information shall be recorded in the Static Data (Management) Module.

## **Article 7**

### **Initiation of payment instructions via the ASI**

1. All payment instructions submitted by the ancillary system via the ASI shall be in the form of XML messages.
2. All payment instructions submitted by the ancillary system via the ASI shall be considered as 'highly urgent' and shall be settled in accordance with the Terms and Conditions.
3. A payment instruction shall be deemed accepted if:
  - (a) the payment instruction complies with the rules established by the TARGET2 network service provider;
  - (b) the payment instruction complies with the formatting rules and conditions of the ASCB's TARGET2 component system, TARGET2-LU;
  - (c) the settlement bank is on the list of settlement banks referred to in Article 6.1;
  - (d) in the case of a cross-system settlement, the relevant ancillary system is on the list of ancillary systems with which cross-system settlement may be executed; and
  - (e) in the event that a settlement bank's participation in TARGET2 has been suspended, the explicit consent of the SCB of the suspended settlement bank has been obtained.

## **Article 8**

### **Entry of payment instructions into the system and their irrevocability**

1. Credit instructions shall be deemed to be entered in TARGET2-LU at the moment that they are accepted by the ASCB and shall be irrevocable from that moment. Debit instructions shall be deemed to be entered in TARGET2-LU at the moment that they are accepted by the SCB and shall be irrevocable from that moment.
2. The application of Article 8.1 shall not have any effect on any rules of ancillary systems which stipulate a moment of entry into the ancillary system and/or irrevocability of transfer orders submitted to the ancillary system at a point in time earlier than the moment of entry of the respective payment instruction in TARGET2-LU.

## **Article 9**

### **Settlement procedures**

1. In accordance with the terms and conditions described in Article 2 of this Agreement, the BCL may offer one or more of the settlement procedures specified below:
  - (a) settlement procedure 2 (real-time settlement);
  - (b) settlement procedure 3 (bilateral settlement);
  - (c) settlement procedure 4 (standard multilateral settlement);
  - (d) settlement procedure 5 (simultaneous multilateral settlement);
  - (e) settlement procedure 6 (dedicated liquidity, real-time and cross-system settlement).
2. Settlement procedure 1 (liquidity transfer) is no longer offered.
3. The SCBs shall support the settlement of ancillary system payment instructions in accordance with the settlement procedures agreed in accordance with Article 2 by, *inter alia*, settling payment instructions on the settlement banks' PM accounts or sub-accounts.
4. Further details relating to the settlement procedures referred to in Article 9.1 are contained in Articles 13 to 17.

## **Article 10**

### **No obligation to open a PM account**

The ancillary system is not obliged to become a direct participant in TARGET2-LU or to maintain a PM account while using the ASI.



## **Article 11**

### **Accounts to support settlement procedures**

1. In addition to PM accounts, the following types of accounts may be opened in the PM and used by the BCL, the ancillary system and settlement banks for the settlement procedures referred to in Article 9.1:
  - (a) technical accounts;
  - (b) guarantee fund accounts;
  - (c) sub-accounts.
2. When the BCL offers settlement procedure 4, 5 or 6 for interfaced models, it shall open a technical account in its TARGET2 component system for the ancillary system. Such accounts may be offered by the BCL as an option for settlement procedures 2 and 3. Separate technical accounts shall be opened in respect of settlement procedures 4 and 5. For settlement procedure 3, 4, 5 or 6 for interfaced models, the balance on technical accounts shall be zero or positive at the end of the ancillary system's settlement process and the end-of-day balance shall be zero. Technical accounts shall be identified by means of XXX's BIC.
3. When offering settlement procedure 6 real-time the BCL as ASCB shall open technical accounts in TARGET2-LU. Technical accounts for settlement procedure 6 real-time may only have a zero or positive balance during the day and may maintain a positive balance overnight. Any overnight balance on the account shall be subject to the same remuneration rules that apply to Guarantee Funds. Guarantee Funds shall be remunerated at the deposit facility rate.
4. When offering settlement procedure 4 or 5, the BCL may open a guarantee fund account in its TARGET2 component system for ancillary systems. The balances of these accounts shall be used to settle the ancillary system's payment instructions in the event that there is no available liquidity on the settlement bank's PM account. Guarantee fund account holders may be the ASCB, ancillary systems or guarantors. Guarantee fund accounts are identified by the relevant accounts holder's BIC.
5. When settlement procedure 6 is offered by the BCL for interfaced models, SCBs shall open one or more sub-accounts in their TARGET2 component systems for settlement banks, to be used for dedicating liquidity and, if relevant, cross-system settlement. Sub-accounts shall be identified by the BIC of the PM account to which they relate, in combination with an account number that is specific to the relevant sub-account. The account number is composed of the country code plus up to 32 characters (depending on the relevant national bank account structure).
6. The accounts referred to in Articles 11.1.(a) to 11.1.(c) shall not be published in the TARGET2 directory. If so requested by the PM account holder, the relevant statements of

accounts (MT 940 and MT 950) for all such accounts may be provided to the account holder at the end of every business day.

## **Article 12**

### **Settlement procedure 1**

#### ***Liquidity transfer***

This procedure is no longer offered.

## **Article 13**

### **Settlement procedure 2**

#### ***Real-time settlement***

1. When offering settlement procedure 2, the ASCB and SCB shall support the settlement of the cash leg of ancillary system transactions by settling payment instructions submitted by the ancillary system on an individualised basis, rather than in batches. If a payment instruction to debit a short settlement bank's PM account is queued in line with Annex II to the Terms and Conditions, the SCB concerned shall inform the settlement bank via an ICM broadcast message.
2. Settlement procedure 2 may also be offered to the ancillary system for the settlement of multilateral balances and in such cases the BCL shall open a technical account for the ancillary system. Furthermore, the BCL shall not offer the ancillary system the service of properly managing the sequence of incoming and outgoing payments as may be required for such multilateral settlement. The ancillary system itself shall assume responsibility for the necessary sequencing.
3. The BCL may offer the settlement of payment instructions within certain time limits to be defined by the AS, as referred to in Articles 18.2 and 18.3.
4. The settlement bank and the ancillary system shall have access to information via the ICM. The ancillary system shall be notified on completion or failure of the settlement by a message on the ICM. If they so request, settlement banks accessing TARGET2 via the TARGET2 network service provider shall be notified of the successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

## **Article 14**

### **Settlement procedure 3**

### ***Bilateral settlement***

1. When offering settlement procedure 3, the BCL and SCBs shall support settlement of the cash leg of ancillary system transactions by settling payment instructions which the ancillary system submits in batch mode. If a payment instruction to debit a short settlement bank's PM account is queued in line with the Terms and Conditions, the SCB concerned shall inform this settlement bank via an ICM broadcast message.
2. Settlement procedure 3 may also be offered to the ancillary system for the settlement of multilateral balances. Article 13.2 shall apply *mutatis mutandis*, subject to the modifications that:
  - (a) payment instructions:
    - (i) to debit the short settlement banks' PM accounts and credit the ancillary system's technical account; and
    - (ii) to debit the ancillary system's technical account and credit the long settlement banks' PM accounts are submitted in separate files; and
  - (b) the long settlement banks' PM accounts shall be credited only after all short settlement banks' PM accounts are debited.
3. If multilateral settlement fails (for example, because not all collections from short settlement banks' accounts are successful), the ancillary system shall submit payment instructions in order to reverse already settled debit transactions.
4. The BCL may offer:
  - (a) the settlement of payment instructions within certain time limits defined by the ancillary system, as referred to in Article 18.3; and/or
  - (b) the 'information period' functionality, as referred to in Article 18.1.
5. The settlement banks and ancillary systems shall have access to information via the ICM. The ancillary system shall be notified on completion or failure of the settlement based on the selected option — single or global notification. If they so request, settlement banks shall be notified of the successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

## **Article 15**

### **Settlement procedure 4**

#### ***Standard multilateral settlement***

1. When offering settlement procedure 4, the BCL and SCBs shall support the settlement of multilateral cash balances of ancillary system transactions by settling payment instructions

submitted by the ancillary system in batch mode. The BCL shall open a specific technical account for the ancillary system .

2. The BCL and SCBs shall ensure the required sequencing of payment instructions. They shall only book credits if all debits have been collected successfully.

Payment instructions:

- (a) to debit short settlement banks' accounts and credit the ancillary system's technical account; and
  - (b) to credit long settlement banks' accounts and debit the ancillary system 's technical account are submitted in a single file.
3. Payment instructions to debit the short settlement banks' PM account and to credit the ancillary system 's technical account will be settled first; only upon settlement of all such payment instructions (including possible funding of the technical account by a guarantee fund mechanism) will the PM accounts of the long settlement banks be credited.
4. If a payment instruction to debit a short settlement bank's PM account is queued in line with the Terms and Conditions, the SCBs shall inform such settlement bank via an ICM broadcast message.
5. If a short settlement bank has insufficient funds on its PM account, a guarantee fund mechanism shall be activated by the BCL.
6. If no guarantee fund mechanism is provided for and the entire settlement fails, then the BCL and SCBs are deemed to have been instructed to return all payment instructions in the file and shall reverse payment instructions which have already been settled.
7. The BCL shall inform settlement banks of a settlement failure via an ICM broadcast message.
8. The BCL may offer:
  - 8.1 the settlement of payment instructions within certain time limits defined by the ancillary system , as referred to in Article 18.3;
  - 8.2 the 'information period' functionality, as referred to in Article 18.1;
  - 8.3 a guarantee fund mechanism, as referred to in Article 18.4.
9. The settlement banks and ancillary systems shall have access to information via the ICM. The ancillary system shall be notified on completion or failure of the settlement. If they so request, settlement banks shall be notified of the successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

## **Article 16**

### **Settlement procedure 5**

### ***Simultaneous multilateral settlement***

1. When offering settlement procedure 5, the BCL and SCBs shall support the settlement of multilateral cash balances of ancillary system transactions by settling payment instructions submitted by the ancillary system. In order to settle relevant payment instructions Algorithm 4 shall be used (see Appendix I to Annex II of the Terms and Conditions for Participation in TARGET2-LU). Unlike settlement procedure 4, settlement procedure 5 operates on an ‘all-or-nothing’ basis. In this procedure the debiting of short settlement banks’ PM accounts and the crediting of long settlement banks’ PM accounts shall be done simultaneously (rather than sequentially, as in settlement procedure 4). Article 15 shall apply *mutatis mutandis* subject to the following modification. If one or more of the payment instructions cannot be settled, all payment instructions shall be queued, and Algorithm 4, as described in Article 19.1, shall be repeated in order to settle the ancillary system’s payment instructions in the queue.
2. The BCL may offer:
  - (a) the settlement of payment instructions within certain time limits defined by XXX, as referred to in Article 18.3;
  - (b) the ‘information period’ functionality, as referred to in Article 18.1;
  - (c) a guarantee fund mechanism, as referred to in Article 18.4.
3. The settlement banks and ancillary systems shall have access to information via the ICM. The ancillary system shall be notified on completion or failure of the settlement. If they so request, settlement banks shall be notified of successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.
4. If a payment instruction to debit a short settlement bank’s PM account is queued in line with the Terms and Conditions, the SCB concerned shall inform the settlement banks via an ICM broadcast message.

## **Article 17**

### **Settlement procedure 6**

#### ***Dedicated liquidity, real-time and cross-system settlement***

- (1) Settlement procedure 6 can be used for both the interfaced and the real-time model, as described below. In the case of the real-time model, the ancillary system has to use a technical account to collect the necessary liquidity set aside by its settlement banks for funding their positions. In the case of the interfaced model, the settlement bank has to open at least one sub-account relating to a specific ancillary system.

- (2) If they so request, the settlement banks shall be notified via a SWIFT MT 900 or MT 910 message and PM account holders using internet-based access shall be informed by a message on the ICM of the crediting and debiting of their PM accounts and, if applicable, of their sub-accounts.
- (3) When offering cross-system settlement under settlement procedure 6, the ASCBs and SCBs shall support cross-system settlement payments, if they are initiated by the ancillary systems. For settlement procedure 6 interfaced, the ancillary system can only initiate cross-system settlement during its processing cycle, and settlement procedure 6 has to be running in the ancillary system receiving the payment instruction. For settlement procedure 6 real-time, the ancillary system can initiate cross-system settlement at any time during the TARGET2 daytime processing and settlement of night-time ancillary system operations. The possibility to execute cross-system settlement between two individual ancillary systems shall be recorded in the Static Data (Management) Module.

(A) ***Interfaced model***

- (4) When offering settlement procedure 6 interfaced, the ASCBs and SCBs shall support the settlement of bilateral and/or multilateral cash balances of ancillary system transactions by:
  - (a) enabling a settlement bank to pre-fund its prospective settlement obligation through liquidity transfers from its PM account into its sub-account (“dedicated liquidity”) prior to the ancillary system processing; and
  - (b) settling the ancillary system’s payment instructions subsequent to the completion of the ancillary system processing: in relation to short settlement banks by debiting their sub-accounts (within the limits of the funds provided on such accounts) and crediting the ancillary system’s technical account and in relation to long settlement banks by crediting their sub-accounts and debiting the ancillary system’s technical account.
- (5) When offering settlement procedure 6 interfaced:
  - (a) the SCBs shall open at least one sub-account in relation to a single ancillary system for each settlement bank; and
  - (b) the ASCB shall open a technical account for the ancillary system for: (i) crediting funds collected from the sub-accounts of the short settlement banks; and (ii) debiting funds when making credits to the dedicated sub-accounts of the long settlement banks.
- (6) Settlement procedure 6 interfaced shall be offered at any time during the TARGET2 daytime processing and settlement of night-time ancillary system operations. The new business day shall start immediately on fulfilment of the minimum reserve requirements; any debit or credit made on the relevant accounts thereafter shall be for value of the new business day.
- (7) Under settlement procedure 6 interfaced, the ASCBs and SCBs shall offer the following types of liquidity transfer service into and from the sub-account:

- (a) standing orders which settlement banks may submit or modify at any time during a business day via the ICM (when it is available). Standing orders submitted after the sending of the “start-of- procedure” message on a given business day shall be valid only for the next business day. If there are several standing orders to credit different sub-accounts and/or the technical account of the ancillary system, they shall be settled in the order of their amount, starting with the highest. During night-time ancillary system operations, if there are standing orders for which there are insufficient funds on the PM account, such orders shall be settled following a pro rata reduction of all orders;
- (b) current orders, which may only be submitted either by a settlement bank (via the ICM) or the relevant ancillary system via an XML message during the running of settlement procedure 6 interfaced (identified by the time span from the “start-of-procedure” to the “end-of-procedure” message) and which shall be settled only as long as the ancillary system processing cycle has not yet started. If there is a current order submitted by the ancillary system for which there are insufficient funds on the PM account, such order shall be partially settled;
- (c) SWIFT orders that go via an MT 202 message or by automatic mapping to an MT202 from the screens for PM account holders using internet-based access, which may only be submitted during the running of settlement procedure 6 interfaced and only during daytime processing. Such orders shall be settled immediately.
- (8) Settlement procedure 6 interfaced shall start by means of a “start-of-procedure” message and finish by means of an “end-of-procedure” message, which shall be sent by the ancillary system (or ASCB on its behalf). “Start-of-procedure” messages shall trigger the settlement of standing orders for the transfer of liquidity into the sub-accounts. The “end-of-procedure” message leads to an automatic retransfer of liquidity from the sub-account to the PM account.
- (9) Under settlement procedure 6 interfaced, dedicated liquidity on the sub-accounts shall be frozen as long as the ancillary system processing cycle is running (starting with a “start-of-cycle” message and ending with an “end-of-cycle” message, both to be sent by the ancillary system) and released thereafter. The frozen balance can be changed during the processing cycle as a result of cross-system settlement payments or if a settlement bank transfers liquidity from its PM account. The ASCB shall notify the ancillary system of the reduction or increase of liquidity on the sub-account as a result of cross-system settlement payments. If the ancillary system so requests, the ASCB shall also notify it of the increased liquidity on the sub-account as a result of liquidity transfer by the settlement bank.
- (10) Within each ancillary system processing cycle under settlement procedure 6 interfaced, payment instructions shall be settled out of dedicated liquidity whereby Algorithm 5 (as referred to in Appendix I to Annex II) shall be used as a rule.

- (11) Within each ancillary system processing cycle under settlement procedure 6 interfaced, a settlement bank's dedicated liquidity can be increased by crediting certain incoming payments directly to its sub-accounts, i.e. coupons and redemption payments. In such cases, the liquidity first has to be credited on the technical account, then debited from such account before crediting the liquidity on the sub-account (or on the PM account).
- (12) Cross-system settlement between two interfaced ancillary systems can only be initiated by an ancillary system (or its ASCB on its behalf) whose participant's sub-account is debited. The payment instruction is settled by debiting the amount indicated in the payment instruction from the sub-account of a participant of the ancillary system initiating the payment instruction and crediting the sub-account of a participant of another ancillary system.
- The ancillary system initiating the payment instruction and the other ancillary system shall be notified on completion of the settlement. If they so request, settlement banks shall be notified of successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

(B) ***Real-time model***

- (13) When offering settlement procedure 6 real-time, the ASCBs and SCBs shall support such settlement.
- (14) Under settlement procedure 6 real-time, the ASCBs and SCBs shall offer the following types of liquidity transfer service into and from a technical account:
- (a) standing orders (for night-time ancillary system operations), which settlement banks may submit or modify at any time during a business day via the ICM (when it is available). Standing orders submitted after start-of-day processing shall be valid only for the next business day. If there are several standing orders, they shall be settled in the order of their amount, starting with the highest. During night-time ancillary system operations, if there are standing orders for which there are insufficient funds on the PM account, such orders shall be settled following a pro rata reduction of all orders;
  - (b) current orders to credit the technical account, which may only be submitted either by a settlement bank (via the ICM) or by the relevant ancillary system on its behalf (via an XML message). If there is a current order submitted by the relevant ancillary system on behalf of the settlement bank for which there are insufficient funds on the PM account, such order shall be partially settled;
  - (c) current orders to debit the technical account, which may only be submitted by the relevant ancillary system (via an XML message);
  - (d) SWIFT orders that go via an MT 202 message, which may only be submitted by a settlement bank during daytime processing. Such orders shall be settled immediately.
- (15) The "start-of-procedure" and "end-of-procedure" will take place automatically upon completion of the "Start-of-day processing" and start of "End-of-day processing" respectively.



- (16) Cross-system settlement between two ancillary systems using the real-time model will take place without intervention by the ancillary system whose technical account will be credited. The payment instruction is settled by debiting the amount indicated in the payment instruction from the technical account used by the ancillary system initiating the payment instruction and crediting the technical account used by another ancillary system. The payment instruction cannot be initiated by the ancillary system whose technical account will be credited.

The ancillary system initiating the payment instruction and the other ancillary system shall be notified on completion of the settlement. If they so request, settlement banks shall be notified of successful settlement via a SWIFT MT 900 or MT 910 message. PM account holders using internet-based access shall be informed by a message on the ICM.

## **Article 18**

### **Optional connected mechanisms**

- (1) The optional connected mechanism “information period” may be offered by the ASCB for settlement procedures 3, 4 and 5. If the ancillary system (or its ASCB on its behalf) has specified an optional “information period” time, the settlement bank shall receive an ICM broadcast message indicating the time until which the settlement bank may request a reversal of the relevant payment instruction. Such request shall be taken into account by the SCB only if it is communicated via and approved by the ancillary system. The settlement shall start if the SCB does not receive such request until the “information period” time has elapsed. Upon receipt by the SCB of such request within the “information period”:
- (a) when settlement procedure 3 is used for bilateral settlement, the relevant payment instruction shall be reversed; and
  - (b) when settlement procedure 3 is used for the settlement of multilateral balances, or if in settlement procedure 4 the entire settlement fails, all payment instructions in the file shall be reversed and all settlement banks and the ancillary system shall be informed via an ICM broadcast message.
- (2) If an ancillary system sends the settlement instructions before the scheduled settlement time (“from”), the instructions are stored until the scheduled time is reached. In this case, the payment instructions are only submitted to the entry disposition when the “from” time is reached. This optional mechanism can be used in settlement procedure 2.
- (3) The settlement period (“till”) makes it possible to allocate a limited period of time for ancillary system settlement in order not to prevent or delay the settlement of other ancillary system-related or TARGET2 transactions. If any payment instruction is not settled until the “till” time

is reached or within the defined settlement period, these payment instructions are either returned or, in the case of settlement procedures 4 and 5, the guarantee fund mechanism may be activated. The settlement period (“till”) can be specified for settlement procedures 2 to 5.

- (4) The guarantee fund mechanism may be used if a settlement bank’s liquidity is insufficient to cover its obligations stemming from ancillary system settlement. In order to allow the settlement of all payment instructions involved in an ancillary system settlement, this mechanism is used to provide the complementary liquidity needed. This mechanism may be used for settlement procedures 4 and 5. If the guarantee fund mechanism is to be used, it is necessary to maintain a special guarantee fund account where “emergency liquidity” is available or made available on demand.

## **Article 19**

### **Algorithms used**

- (1) Algorithm 4 supports settlement procedure 5. To facilitate settlement and to reduce the liquidity needed, all ancillary system payment instructions are included (regardless of their priority). Ancillary system payment instructions to be settled following settlement procedure 5 bypass the entry disposition and are kept in the PM separately until the end of the current optimisation process. Several ancillary systems using settlement procedure 5 will be included in the same run of Algorithm 4 if they intend to settle at the same time.
- (2) In settlement procedure 6 interfaced, the settlement bank can dedicate a liquidity amount to settle balances coming from a specific ancillary system. Dedication is brought about by setting aside the necessary liquidity on a specific sub-account (interfaced model). Algorithm 5 is used both for night-time ancillary system operations and daytime processing. The settlement process takes place by means of debiting the short settlement banks’ sub-accounts in favour of the ancillary system technical account and then debiting the ancillary system technical account in favour of the long settlement banks’ sub-accounts. In the case of credit balances the booking can take place directly — if indicated by the ancillary system within the relevant transaction — on the settlement bank’s PM account. If the settlement of one or more debit instructions is unsuccessful, i.e. as the result of an ancillary system’s error, the payment concerned is queued on the sub-account. Settlement procedure 6 interfaced can make use of Algorithm 5 running on sub-accounts. Furthermore, Algorithm 5 does not have to take account of any limits or reservations. For every settlement bank the total position is calculated and, if all total positions are covered, all transactions will be settled. Transactions which are not covered are put back into the queue.

## **SECURITY REQUIERMENTS AND CONTINGENCY ISSUES**

### **Article 20**

#### **Business continuity and contingency procedures**

In the event of an abnormal external event or any other event which affects the operation of the SSP, the business continuity and contingency procedures described in Apendix IV to Annex II of the Terms and Conditions for Participation in TARGET2-LU shall apply.

### **Article 21**

#### **Security requirements**

1. XXX shall implement adequate security controls to protect its system from unauthorised access and use, and it shall be exclusively responsible for the adequate protection of the confidentiality, integrity and availability of its systems.
2. XXX shall inform the BCL of any security-related incidents in its technical infrastructure and, where appropriate, security-related incidents that occur in the technical infrastructure of the third party providers. The BCL may request further information about the incident and, if necessary, request that XXX takes appropriate measures to prevent a recurrence of such an event.
3. The BCL may impose additional security requirements on XXX if the BCL considers XXX as critical.

## **LIABILITY REGIME AND EVIDENCE**

### **Article 22**

#### **Liability regime**

1. In performing their obligations pursuant to this Agreement, the Parties shall be bound by a general duty of reasonable care in relation to each other.
2. The BCL shall be liable to XXX in cases of fraud (including but not limited to wilful misconduct) or gross negligence, for any loss arising out of the operation of TARGET2-LU. In cases of ordinary negligence, the BCL's liability is limited to XXX's direct loss, i.e. the amount of the transaction in question or the loss of interest thereon, excluding any consequential loss.
3. The BCL is not liable for any loss that results from any malfunction or failure in the technical infrastructure (including, but not limited to the BCL's computer infrastructure, programmes, data, applications or networks), if such malfunction or failure arises in spite of the BCL

having adopted those measures that are reasonably necessary to protect such infrastructure against malfunction or failure, and to resolve the consequences of such malfunction or failure (the latter including, but not limited to initiating and completing the business continuity and contingency procedures referred to in Appendix IV to Annex II of the Terms and Conditions for Participation in TARGET2-LU).

4. The BCL shall not be liable:
  - 4.1 to the extent that the loss is caused by XXX; or
  - 4.2 if the loss arises out of external events beyond the BCL's reasonable control (*force majeure*).
5. Notwithstanding the Law of 10 November 2009 on payment services, activities of electronic money institutions and finality of settlement in payment and securities settlement systems, as amended, implementing Directive 2007/64/EC on payment services in the internal market , Articles 22.1 to 22.4 shall apply to the extent that the BCL's liability can be excluded.
6. The Parties shall take all reasonable and practicable steps to mitigate any damage or loss referred to in this Article.
7. In performing some or all of its obligations under this Agreement, the BCL may commission third parties in its own name, particularly telecommunications or other network providers or other entities, if this is necessary to meet the BCL's obligations or is standard market practice. The BCL's obligation shall be limited to the due selection and commissioning of any such third parties and the BCL's liability is limited accordingly. For the purposes of this Article, the SSP-providing CBs shall not be considered as third parties.

## **Article 23**

### **Evidence rules**

1. Unless otherwise provided in this Agreement, all payment and payment processing-related messages in relation to TARGET2-LU, such as confirmations of debits or credits, or statement messages, between the Parties shall be made through the TARGET2 network service provider.
2. Electronic or written records of the messages retained by the BCL or by the TARGET2 network service provider shall be accepted as a means of evidence of the payments processed through the BCL. The saved or printed version of the original message of the TARGET2 network service provider shall be accepted as a means of evidence, regardless of the form of the original message.
3. If XXX's connection to the TARGET2 network service provider fails, XXX shall use the alternative means of transmission of messages laid down in Appendix IV to Annex II of the Terms and Conditions for Participation in TARGET2-LU. In such cases, the saved or printed

version of the message produced by BCL shall have the same evidential value as the original message, regardless of its form.

4. The BCL shall keep complete records of payment instructions submitted and payments received by XXX for a period of 10 years from the time at which such payment instructions are submitted and payments are received.
5. The BCL's own books and records (whether kept on paper, microfilm, microfiche, by electronic or magnetic recording, in any other mechanically reproducible form or otherwise) are accepted as a means of evidence of any obligations of XXX and of any facts and events that the Parties rely on.

## **TERMINATION AND CLOSURE OF ACCOUNTS**

### **Article 24**

#### **Duration and ordinary termination**

1. Without prejudice to Article 25, the use of the ASI is for an indefinite period of time.
2. XXX may terminate its participation in this Agreement at any time giving 14 business days' notice thereof unless it agrees a shorter notice period with the BCL.
3. The BCL may terminate XXX's participation in this Agreement at any time giving three months' notice thereof unless it agrees a different notice period with XXX.
4. On termination of participation, the confidentiality duties laid down in Article 28 remain in force for a period of five years starting on the date of termination.
5. On termination of participation, all necessary accounts to support XXX's settlement procedures as defined in Article 1 shall be closed in accordance with Article 27.

### **Article 25**

#### **Suspension and extraordinary termination**

1. XXX's participation in this Agreement shall be immediately terminated without prior notice or suspended if one of the following events of default occurs:
  - 1.1 the opening of insolvency proceedings; and/or
  - 1.2 XXX no longer meets the access criteria referred to in Article 1 of Annex II of the Terms and Conditions concerning an 'ancillary system';

For the purposes of this Article, the taking of resolution action within the meaning of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit

institutions and investment firms shall not automatically qualify as the opening of insolvency proceedings.

2. The BCL may terminate without prior notice or suspend XXX's participation in this Agreement if:
  - (a) one or more events of default (other than those referred to in Article 25.1) occur;
  - (b) XXX is in material breach of its obligations under this Agreement;
  - (c) XXX fails to carry out any material obligation to the BCL;
  - (d) XXX is excluded from, or otherwise ceases to be a member of, a TARGET2 CUG;
  - (e) any other XXX-related event occurs which, in the BCL's assessment, would threaten the overall stability, soundness and safety of TARGET2-LU or of any other TARGET2 component system, or which would jeopardise the BCL's performance of its tasks as described in its Organic Law of 23 December 1998, as amended, and the Statute of the European System of Central Banks and of the European Central Bank, or poses risks on the grounds of prudence; and/or
  - (f) the BCL suspends or terminates the ancillary system's access to intraday credit.
3. In exercising its discretion under Article 25.2, the BCL shall take into account, inter alia, the seriousness of the event of default or events mentioned in sub-paragraphs 25.2.(a) to (c).
- 4.1 In the event that the BCL suspends or terminates XXX's participation in this Agreement under Articles 25.1 or 25.2, the BCL shall immediately inform XXX, other CBs and the other participants of such suspension or termination by means of an ICM broadcast message or a T2S broadcast message.

4.2 Once such an ICM broadcast message has been received by XXX, the latter is deemed informed of the termination/suspension of its participation in TARGET2-LU or another TARGET2 component system. XXX shall bear any losses arising from the submission of a payment instruction to participants whose participation has been suspended or terminated if such payment instruction was entered into TARGET2-LU after receipt of the ICM broadcast message.
5. Upon termination of XXX's participation in this Agreement, TARGET2-LU shall not accept any new payment instructions from XXX. Payment instructions/orders in the queue, warehoused payment instructions/orders or new payment instructions/orders instructed by XXX, acting in its capacity of ASI user shall be returned.
6. If XXX is suspended from participation in this Agreement on grounds other than those specified in paragraph 1(a), all its incoming payments and outgoing payment orders shall be stored and only entered into the entry disposition after they have been explicitly accepted by the BCL.
7. If the ancillary system is suspended from participation in this Agreement on the grounds specified in paragraph (1)(a), any outgoing payment orders from the AS shall only be

processed on the instructions of its representatives, including those appointed by a competent authority or a court, such as the AS insolvency administrator, or pursuant to an enforceable decision of a competent authority or a court providing instructions as to how the payments are to be processed. All incoming payments shall be processed in accordance with paragraph (6).

## **Article 26**

### **Effect of suspension or termination**

If suspension or termination of the use of the ASI by an ancillary system takes effect during the settlement cycle of ancillary system payment instructions, the ASCB shall be deemed to be authorised to complete the settlement cycle on behalf of the ancillary system.

## **Article 27**

### **Closure of accounts**

On termination of participation in this Agreement, pursuant to either Article 24 or 25, the BCL shall close all ancillary system accounts concerned after having settled or returned any queued payment instructions.

## **FINAL PROVISIONS**

## **Article 28**

### **Confidentiality rules**

1. The BCL shall keep confidential all sensitive or secret information, including when such information relates to payment, technical or organisational information belonging to XXX or its customers, unless XXX or its customer has given its written consent to disclose.
2. By derogation from paragraph 1, the AS agrees that the BCL may disclose payment, technical or organisational information regarding the AS, participants from the same group or the AS' customers obtained in the course of the operation of TARGET2-LU to (a) other CBs or third parties that are involved in the operation of TARGET2-LU to the extent that this is necessary for the efficient functioning of TARGET2 or the monitoring of the AS' or its group's exposure; (b) other CBs in order to carry out the analyses necessary for market operations, monetary policy functions, financial stability or financial integration; or (c) supervisory and oversight authorities of Member States and the Union, including CBs, to the extent that this is necessary for the performance of their public tasks, and provided in

all such cases that the disclosure is not in conflict with the applicable law. The BCL shall not be liable for the financial and commercial consequences of such disclosure.

3. By derogation from paragraph 1 and provided that this does not make it possible, whether directly or indirectly, to identify the AS or the AS' customers, the BCL may use, disclose or publish payment information regarding the AS or the AS' customers for statistical, historical, scientific or other purposes in the exercise of its public functions or of functions of other public entities to which the information is disclosed.
4. Information relating to the operation of TARGET2-LU to which XXX has had access, may only be used for the purposes laid down in this Agreement. XXX shall keep such information confidential, unless the BCL has explicitly given its written consent to disclose. XXX shall ensure that any third parties to whom they outsource, delegate or subcontract tasks which have or may have an impact on the performance of its obligations under this Agreement are bound by the confidentiality requirements set out in this Article.
5. The BCL shall be authorised, in order to settle payment orders, to process and transfer the necessary data to the network provider.

## **Article 29**

### **Data protection, prevention of money laundering, administrative or restrictive measures and related issues**

1. XXX is deemed to be aware of, and complies with, all obligations on it relating to legislation on data protection, prevention of money laundering, the financing of terrorism, proliferation-sensitive nuclear activities and the development of nuclear weapons delivery systems, in particular in terms of implementing appropriate measures concerning any payments debited or credited on its PM accounts. XXX shall also acquaint itself with the TARGET2 network service provider's data retrieval policy prior to entering into the contractual relationship with the TARGET2 network service provider.
2. XXX is deemed to have authorised the BCL to obtain any information relating to it from any financial or supervisory authority or trade body, whether national or foreign, if such information is necessary for XXX's participation in TARGET2-LU.
3. XXX, when acting as the payment service provider of a payer or payee, shall comply with all requirements resulting from administrative or restrictive measures imposed pursuant to Articles 75 or 215 of the Treaty to which it is subject, including with respect to notification and/or the obtaining of consent from a competent authority in relation to the processing of transactions. In addition:



- (a) when the BCL is the payment service provider of XXX that is a payer:
  - (i) XXX shall make the required notification or obtain consent on behalf of the central bank that is primarily required to make notification or obtain consent, and shall provide the BCL with evidence of having made a notification or having received consent;
  - (ii) XXX shall not enter any credit transfer order into TARGET2-LU until it has obtained confirmation from the BCL that the required notification has been made or the consent has been obtained by or on behalf of the payment service provider of the payee;
- (b) when the BCL is a payment service provider of XXX that is a payee, the participant shall make the required notification or obtain consent on behalf of the central bank that is primarily required to make notification or obtain consent, and shall provide the BCL with evidence of having made a notification or having received consent.

For the purposes of this paragraph, the terms ‘payment service provider’, ‘payer’ and ‘payee’ shall have the meanings ascribed to them in the applicable administrative or restrictive measures.

## **Article 30**

### **Requirements for notices**

1. Except where otherwise provided for in this Agreement, all notices required or permitted pursuant to this Agreement shall be sent by registered post, facsimile or otherwise in writing or by an authenticated message through the TARGET2 network service provider. Notices to the BCL shall be submitted to the head of the **Operations Department** of the BCL, **2, boulevard Royal, L-2983 Luxembourg** or to its SWIFT address: **BCLXLULL**. Notices to XXX shall be sent to it at the address, fax number or its SWIFT address as XXX may from time to time notify to the BCL.
2. To prove that a notice has been sent, it is sufficient to prove that the notice was delivered to the relevant address or that the envelope containing such notice was properly addressed and posted.
3. All notices shall be given in English only.

4. XXX shall be bound by all forms and documents of the BCL that XXX has filled in and/or signed, including but not limited to static data collection forms, and information provided under Article 5.5, which were submitted in compliance with Articles 30.1 and 30.2 and which the BCL reasonably believes to have received from XXX, its employees or agents.

## **Article 31**

### **Contractual relationship with the TARGET2 network service provider**

1. For the purposes of this Agreement, the TARGET2 network service provider is SWIFT. XXX shall enter into a separate agreement with SWIFT regarding the services to be provided by SWIFT in relation to XXX's use of TARGET2-LU. The legal relationship between XXX and SWIFT shall be exclusively governed by SWIFT's terms and conditions.
2. XXX shall also participate in a TARGET2 CUG, as specified by the SSP-providing CBs acting as the SWIFT service administrator for the SSP. Admission and exclusion of XXX to or from a TARGET2 CUG shall take effect once communicated to SWIFT by the SWIFT service administrator.
3. XXX shall comply with the TARGET2 SWIFT Service Profile, as made available by the BCL.
4. The services to be provided by SWIFT shall not form part of the services to be performed by the BCL in respect of TARGET2.
5. The BCL is not to be liable for any acts, errors or omissions of SWIFT (including its directors, staff and subcontractors) as provider of SWIFT services, or for any acts, errors or omissions of network providers selected by XXX to gain access to the SWIFT network.

## **Article 32**

### **Severability**

If any provision in this Agreement is or becomes invalid, this shall not prejudice the applicability of all the other provisions of this Agreement.

## **Article 33**

### **General Terms and Conditions**

The rules have to be read in conjunction with the General Terms and Conditions of the BCL. In case of discrepancy between the General Terms and Conditions of the BCL and the terms of this Agreement, the latter shall prevail.

## **Article 34**

### **Amendment procedures**

The BCL may at any time unilaterally amend this Agreement, including the Appendices thereto, as a consequence of a decision of the ECB Governing Council.

All amendment arising out of a decision of the ECB Governing Council shall enter into force without requiring the execution of a formally amended Agreement.

The amendments which implement a decision of the ECB Governing Council shall be notified by the BCL to the ancillary system and shall be deemed to have been accepted unless the ancillary system expressly objects within 14 days of being informed of such amendments. In the event that an ancillary system objects to the amendment, the BCL is entitled to immediately terminate and close the ancillary system's accounts in TARGET2- LU.

Any other amendments to the present Agreement shall be expressly agreed by the Parties in writing, requiring the signature of a formal amendment to the Agreement.

## **Article 35**

### **Governing law, jurisdiction and place of performance**

1. The bilateral relationship between the Parties in TARGET2-LU shall be governed by the laws of the Grand Duchy of Luxembourg.
2. Without prejudice to the competence of the Court of Justice of the European Union, any dispute arising from a matter relating to the relationship referred to in paragraph 1 falls under the exclusive competence of the competent courts of Luxembourg.
3. The place of performance concerning the legal relationship between the Parties shall be Luxembourg.

## **Article 36**

### **Effective date**

This Agreement shall take effect as of XXX.

This Agreement is executed in two original copies in the English language, with one such executed copy being issued to each Party hereto.

Agreed and Accepted

For and on behalf of the Banque centrale du Luxembourg

---

Place and date

---

Signature

---

Name

---

Function

---

Place and date

---

Signature

---

Name

---

Function

For and on behalf of XXX

---

Place and date

---

Signature

---

Name

---

Function

---

Place and date

---

Signature

---

Name

---

Function

## OPERATING SCHEDULE

1. TARGET2 is open on all days, except Saturdays, Sundays, New Year's Day, Good Friday and Easter Monday (according to the calendar applicable at the seat of the ECB), 1 May, Christmas Day and 26 December.
2. The reference time for the system is the local time at the seat of European Central Bank time, i.e. CET.
3. The current business day is opened during the evening of the previous business day and operates to the following schedule:

Time	Description
6.45 - 7.00	Business window to prepare daytime operations *
7.00 - 18.00	Daytime processing
17.00	Cut-off time for customer payments (i.e. payments where the originator and/or the beneficiary of a payment is not a direct or indirect participant as identified in the system by the use of an MT 103 or MT 103+ message)
18.00	Cut-off time for interbank payments (i.e. payments other than customer payments)
18.00 – 18.45 **	End-of-day processing
18.15 **	General cut-off time for the use of standing facilities
(Shortly after) 18.30 ***	Data for the update of accounting systems are available to CBs
18.45 - 19.30 ***	Start-of-day processing (new business day)
19.00 *** - 19.30 **	Provision of liquidity on the PM account
19.30 ***	'Start-of-procedure' message and settlement of the standing orders to transfer liquidity from the PM accounts to the sub-account(s)/mirror account (ancillary system-related settlement)
19.30 *** - 22.00	Execution of additional liquidity transfers via the ICM before the ancillary system sends the 'start-of-cycle' message; settlement period of night-time ancillary system operations (only for ancillary system settlement procedure 6)
22.00 - 1.00	Technical maintenance period

1.00 - 7.00	Settlement procedure of night-time ancillary system operations (only for ancillary system settlement procedure 6)
-------------	---

4. The ICM is available for liquidity transfers from 19.30 \*\*\* until 18.00 the next day, except during the technical maintenance period from 22.00 until 1.00.
5. The operating hours may be changed in the event that business continuity measures are adopted in accordance with Article 5 of Appendix IV to Annex II of the Terms and Conditions for Participation in TARGET2-LU.

(\*) “Daytime operations” means daytime processing and end-of-day processing.

(\*\*) Ends 15 minutes later on the last day of the Eurosystem reserve maintenance period.

(\*\*\*) Starts 15 minutes later on the last day of the Eurosystem reserve maintenance period.

## FEE SCHEDULE AND INVOICING

- (1) An ancillary system using the ASI or the Participant Interface, irrespective of the number of any accounts it may hold with the ASCB and/or the SCB, shall be subject to a fee schedule consisting of the following elements:
- (a) A fixed monthly fee of EUR 1 000 to be charged to each ancillary system (“Fixed Fee I”).
- (b) A second monthly fixed fee of between EUR 417 and EUR 8 334, in proportion to the underlying gross value of the ancillary system’s euro cash settlement transactions (“Fixed Fee II”):

Band	From (EUR million/day)	To (EUR million/day)	Annual fee	Monthly fee
1	0	below 1 000	EUR 5 000	EUR 417
2	1 000	below 2 500	EUR 10 000	EUR 833
3	2 500	below 5 000	EUR 20 000	EUR 1 667
4	5 000	below 10 000	EUR 30 000	EUR 2 500
5	10 000	below 50 000	EUR 40 000	EUR 3 333
6	50 000	below 500 000	EUR 50 000	EUR 4 167
7	500 000 and above	—	EUR 100 000	EUR 8 334

The gross value of the ancillary system’s euro cash settlement transactions shall be calculated by the ASCB once a year on the basis of such gross value during the previous year and the calculated gross value shall be applied for calculating the fee from 1 January of each calendar year. The gross value shall exclude transactions settled on T2S DCAs and TIPS DCAs.

- (c) A transaction fee calculated on the same basis as the schedule established for PM account holders in Appendix VI of Annex II. The ancillary system may choose one of the two options: either to pay a flat EUR 0,80 fee per payment instruction (Option A) or to pay a fee calculated on a digressive basis (Option B), subject to the following modifications:
- (i) for Option B, the limits of the bands relating to volume of payment instructions are divided by two, and

- (ii) a monthly fixed fee of EUR 150 (under Option A) or EUR 1 875 (under Option B) shall be charged in addition to Fixed Fee I and Fixed Fee II.
- (d) In addition to the fees set out in (a) to (c), an ancillary system using the ASI or the Participant Interface shall also be subject to the following fees:
  - (i) if the ancillary system makes use of the TARGET2 value-added services for T2S, the monthly fee for the use of the value added services shall be EUR 50 for those systems that have chosen option A and EUR 625 for those participants that have chosen option B. This fee shall be charged for each account held by the ancillary system that uses the services;
  - (ii) if the ancillary system holds a Main PM account linked to one or more T2S DCAs, the monthly fee shall be EUR 250 for each linked T2S DCA; and
  - (iii) the ancillary system as Main PM account holder shall be charged the following fees for T2S services connected with the linked T2S DCA(s). These items shall be billed separately:

Tariff items	Price	Explanation
<b>Settlement services</b>		
T2S DCA to T2S DCA liquidity transfer orders	14,1 euro cent	per transfer
Intra-balance movement (i.e. blocking, unblocking, reservation of liquidity etc)	9,4 euro cent	per transaction
<b>Information services</b>		
A2A reports	0,4 euro cent	Per business item in any A2A report generated
A2A queries	0,7 euro cent	Per queried business item in any A2A query generated
U2A queries	10 euro cent	Per executed search function
U2A queries downloaded	0,7 euro cent	Per queried business item in any U2A query generated and downloaded
Messages bundled into a file	0,4 euro cent	Per message in a file



Transmissions	1,2 euro cent	Per transmission
---------------	---------------	------------------

- (iv) the ancillary system as Linked PM account holder shall be charged the following fees for TIPS service connected with the linked TIPS DCA(s):

Tariff items	Price	Explanation
<i>Settlement services</i>		
Instant payment order	0,20 euro cent	To be charged also for unsettled transactions
Recall request	0,00	
Negative recall answer	0,00	
Positive recall answer	0,20 euro cent	To be charged to holder of the Linked PM account associated with the TIPS DCA to be credited (also for unsettled transactions)

Up to the first ten million instant payment orders and positive recall answers, cumulatively, received by the TIPS Platform by the end of 2019, shall be free of charge. The BCL shall charge the ancillary system as Linked PM account holder for any further instant payment orders and positive recall answers received by the TIPS Platform by the end of 2019, in the following year.

- (2) Any fee payable in relation to a payment instruction submitted or payment received by XXX, via either the Participant Interface or the ASI, shall be exclusively charged to the ancillary system. The Governing Council may establish more detailed rules for the determination of billable transactions settled via the ASI.
- (3) XXX shall receive an invoice from the BCL for the previous month based on the fees referred to in subparagraph 1, no later than the ninth business day of the following month. Payments shall be made no later than the 14th business day of this month to the account specified by the BCL or shall be debited from an account specified by XXX.
- (4) For the purposes of this paragraph, each ancillary system that has been designated under Directive 98/26/EC shall be treated separately, even if two or more of them are operated by the same legal entity. The same rule shall apply to the ancillary systems

that have not been designated under Directive 98/26/EC, in which case the ancillary systems shall be identified by reference to the following criteria: (a) a formal arrangement, based on a contractual or legislative instrument, e.g. an agreement among the participants and the system operator; (b) with multiple membership; (c) with common rules and standardised arrangements; and (d) for the clearing, netting and/or settlement of payments and/or securities between the participants.

- (5) This fee schedule shall apply as of the effective date of the Agreement.

## **SUPPLEMENTAL AND MODIFIED HARMONISED CONDITIONS FOR THE OPENING AND OPERATION OF A PM ACCOUNT USING INTERNET-BASED ACCESS**

### **Article 1**

#### **Scope**

The Conditions set out in Annex II apply to participants using internet-based access to access one or more PM accounts subject to the provisions of this Annex.

### **Article 2**

#### **Definitions**

1. For the purposes of this Annex, the following definitions apply:
  - 'certification authorities' means one or more NCBs designated as such by the Governing Council to act on behalf of the Eurosystem to issue, manage, revoke and renew electronic certificates,
  - 'electronic certificates' or 'certificates' means an electronic file, issued by the certification authorities, that binds a public key with an identity and which is used for the following purposes: to verify that a public key belongs to an individual, to authenticate the holder, to check a signature from this individual or to encrypt a message addressed to this individual. Certificates are held on a physical device such as a smart card or USB stick, and references to certificates include such physical devices. The certificates are instrumental in the authentication process in respect of PM account holders accessing TARGET2 through the internet and submitting payment messages or control messages,
  - 'certificate holder' means a named, individual person, identified and designated by a PM account holder as authorised to have internet-based access to the PM account holder's TARGET2 account. Their application for certificates will have been verified by the PM account holder's home NCB and transmitted to the certification authorities, which will in turn have delivered certificates binding the public key with the credentials that identify the PM account holder,

- 'internet-based access' means that the PM account holder has opted for a PM account that can only be accessed via the Internet and the PM account holder submits payment messages or control messages to TARGET2 by means of the internet,
- 'internet service provider' means the company or organisation, i.e. the gateway, used by the TARGET2 participant for the purpose of accessing their TARGET2 account using Internet-based access.

2. For the purposes of this Annex the definition of 'payment order' is amended as follows:

'payment order' means a credit transfer order, a liquidity transfer order or a direct debit instruction.

### **Article 3**

#### **Inapplicable provisions**

The following provisions of Annex II shall not apply with regard to internet-based access:

Article 4(1)(c) and (2)(d); Article 5(2), (3) and (4); Articles 6 and 7; Article 11(8); Article 14(1)(a); Article 17(2); Articles 23 to 26; Article 41; and Appendices I, VI and VII.

### **Article 4**

#### **Supplemental and modified provisions**

The following provisions of Annex II shall apply with regard to internet-based access as modified below:

1. Article 2(1) is replaced by the following:

'1. The following Appendices form an integral part of these Conditions and apply to participants accessing a PM account using internet-based access:

Appendix Ia to Annex V: Technical specifications for the processing of payment orders for internet-based access

Appendix IIa to Annex V: Fee schedule and invoicing for internet-based access

Appendix II to Annex II: TARGET2 compensation scheme

Appendix III to Annex II: Terms of reference for capacity and country opinions

Appendix IV to Annex II, except paragraph 7(b) thereof: Business continuity and contingency procedures

Appendix V to Annex II: Operating schedule.'

2. Article 3 is modified as follows:

(a) paragraph 1 is replaced by the following:

'1. TARGET2 provides real-time gross settlement for payments in euro, with settlement

in central bank money across PM accounts.’

(b) paragraph 2 is replaced by the following:

‘2. The following payment orders are processed in TARGET2-LU:

- (a) transactions directly resulting from or made in connection with Eurosystem monetary policy operations;
- (b) settlement of the euro leg of foreign exchange operations involving the Eurosystem;
- (c) settlement of euro transfers resulting from transactions in cross-border large-value netting systems;
- (d) settlement of euro transfers resulting from transactions in euro retail payment systems of systemic importance; and
- (e) any other transactions in euro addressed to TARGET2 participants.’

(c) the following paragraph 2a is inserted:

‘2a. In the interests of clarity, for technical reasons, internet-based participants shall not be able to make PM to T2S DCA liquidity transfer orders nor PM to TIPS DCA liquidity transfer orders.’

(d) paragraph 4 is replaced by the following:

‘4. The BCL is the provider of services under these Conditions. Acts and omissions of the SSP-providing NCBs and/or of the certification authorities shall be considered acts and omissions of the BCL, for which it shall assume liability in accordance with Article 31 below. Participation pursuant to these Conditions shall not create a contractual relationship between participants and the SSP-providing NCBs when the latter act in that capacity. Instructions, messages or information which a participant receives from, or sends to, the SSP in relation to the services provided under these Conditions are deemed to be received from, or sent to, the BCL.’; and

(e) paragraph 6 is replaced by the following:

‘6. Participation in TARGET2 takes effect via participation in a TARGET2 component system. These Conditions describe the mutual rights and obligations of PM account holders in TARGET2-LU and the BCL. The rules on the processing of payment orders (Title IV) refer to all payment orders submitted or payments received by any PM account holder and shall apply subject to Annex V.

3. Article 4(2)(e) is replaced by the following:

‘(e) credit institutions or any of the entities of the types listed under subparagraphs (a) to (c), in both cases where these are established in a country with which the European Union has entered into a monetary agreement allowing access by any of such entities to payment systems in the European Union, subject to the conditions set out in the monetary agreement and provided that the relevant legal regime applying in the

country is equivalent to the relevant European Union legislation.’

4. Article 8 is modified as follows:

4.1 Paragraph (1)(a)(i) is replaced by the following:

‘1. To open an internet-accessible PM account in TARGET2-LU, applicant participants shall:

(a) fulfil the following technical requirements:

(i) install, manage, operate and monitor and ensure the security of the necessary IT infrastructure to connect to TARGET2-LU and submit payment orders to it, in accordance with the technical specifications in Appendix Ia to Annex V. In doing so, applicant participants may involve third parties, but retain sole liability; and’

4.2 The following paragraph (1)(c) is added:

(c) specify that they wish to access their PM account by means of the internet, and apply for a separate PM account in TARGET2 if they wish in addition to be able to access TARGET2 via the TARGET2 network service provider. Applicants shall submit a duly completed application form for the issuance of the electronic certificates needed to access TARGET2 through internet-based access.’

5. Article 9 is modified as follows:

5.1 Paragraph 3 is replaced by the following:

‘3. Participants using internet-based access shall only be permitted to view the TARGET2 directory online and may not distribute it either internally or externally.’

5.2 Paragraph 5 is replaced by the following:

‘5. Participants acknowledge that the BCL and other CBs may publish participants’ names and BICs.’

6. Article 10 is modified as follows:

6.1 Paragraphs 1 and 3 are replaced by the following:

‘1. The BCL shall offer internet-based access described in Annex V. Save where otherwise provided in these Conditions or required by law, the BCL shall use all reasonable means within its power to perform its obligations under these Conditions, without guaranteeing a result.

3. Participants using internet-based access to TARGET2 shall pay the fees laid down in Appendix IIa to Annex V.'

6.2 The following paragraph 5 is added:

- '5. Participants shall do both of the following:
  - (a) actively check, at regular intervals throughout each business day, all information made available to them on the ICM, in particular for information relating to important system events (such as messages regarding the settlement of ancillary systems) and events of exclusion or suspension of a participant. The BCL shall not be held responsible for any losses, direct or indirect, arising from a participant's failure to make these checks; and
  - (b) at all times both ensure compliance with the security requirements specified in Appendix Ia to Annex V, in particular with respect to the safekeeping of certificates, and maintain rules and procedures to ensure that certificate holders are aware of their responsibilities with respect to the safeguarding of certificates.'

7. Article 11 is modified as follows:

7.1 The following paragraph 5a is added:

- '5a. Participants are responsible for the timely update of forms for the issuance of electronic certificates needed to access TARGET2 using internet-based access and for the submission of new forms for the issuance of such electronic certificates to the BCL. Participants are responsible for verifying the accuracy of information relating to them that is entered into TARGET2-LU by the BCL.'

7.2 Paragraph 6 is replaced by the following:

- '6. The BCL shall be deemed to be authorised to communicate to certification authorities any information relating to participants which the certification authorities may need.'

8. Article 12(7) is replaced by the following:

- '6. The BCL shall make available a daily statement of accounts to any participant that has opted for such service.'

9. Article 13 is replaced by the following:

'The following are classified as payment orders for the purposes of TARGET2:

- (a) credit transfer orders;

- (b) direct debit instructions received under a direct debit authorisation. Participants using Internet-based access shall not be able to send direct debit instructions from their PM account;
- (c) liquidity transfer orders.'

10. Article 14(1)(b) is replaced by the following:

- '(b) the payment message complies with the formatting rules and conditions of TARGET2-LU and passes the double-entry check described in Appendix Ia to Annex V;'

11. Article 16(2) is replaced by the following:

- '2. Participants using internet-based access shall not be allowed to use the AL group functionality in respect of their internet-accessible PM account, or to combine that internet-accessible PM account with any other TARGET2 account they hold. Limits may only be set in relation to an AL group in its entirety. Limits shall not be set in relation to a single PM account of an AL group member. '

12. Article 18(3) is replaced by the following:

- '3. When the Latest Debit Time Indicator is used, the accepted payment order shall be returned as non-settled if it cannot be settled by the indicated debit time. 15 minutes prior to the defined debit time, the instructing participant shall be informed via the ICM, rather than sent an automatic notification via the ICM. Instructing participant may also use the Latest Debit Time Indicator solely as a warning indicator. In such cases, the payment order concerned shall not be returned.'

13. Article 21(4) is replaced by the following:

- '4. At the request of a payer, the BCL may decide to change the queue position of a highly urgent payment order (except for highly urgent payment orders in the context of settlement procedures 5 and 6) provided that this change would not affect the smooth settlement by ancillary systems in TARGET2 or would not otherwise give rise to systemic risk.'

14. Article 28 is modified as follows:

14.1 Paragraph 1 is replaced by the following:

- '1. Participants using internet-based access shall implement adequate security controls, in particular those specified in Appendix Ia to Annex V, to protect their systems from unauthorised access and use. Participants shall be exclusively responsible for the



adequate protection of the confidentiality, integrity and availability of their systems.’

14.2 Paragraph 4 is replaced by the following:

‘4 Participants using internet-based access shall provide the BCL with their TARGET2 self-certification.

14.3 The following paragraph 6 is added:

‘6. Participants using internet-based access shall inform the BCL immediately of any event that may affect the validity of the certificates, in particular those events specified in Appendix Ia to Annex V, including without limitation any loss or improper use.’

15. Article 29 is replaced by the following:

#### **‘Use of the ICM**

1. The ICM:

- (a) allows participants to input payments;
- (b) allows participants to access information relating to their accounts and to manage liquidity;
- (c) may be used to initiate liquidity transfer orders; and
- (d) allows participants to access system messages.

2. Further technical details relating to the ICM to be used in connection with internet-based access are contained in Appendix Ia to Annex V.’

16. Article 32 is modified as follows:

16.1 Paragraph 1 is replaced with the following:

‘1. Unless otherwise provided in these Conditions, all payment and payment processing-related messages in relation to TARGET2, such as confirmations of debits or credits, or statement messages, between the BCL and participants shall be made available for the participant on the ICM.’; and

16.2 Paragraph 3 is replaced by the following:

‘3. If a participant’s connection fails, the participant shall use the alternative means of transmission of messages laid down Appendix IV to Annex II. In such cases, the saved or printed version of the message produced by the BCL shall be accepted as evidence.’

17. Article 34(4)(c) is replaced by the following:

- ‘(c) Once such an ICM broadcast message has been made available to participants using internet-based access, those participants shall be deemed informed of the termination/- suspension of a participant's participation in TARGET2-LU or another TARGET2 component system. The participants shall bear any losses arising from the submission of a payment order to participants whose participation has been suspended or terminated if such payment order was entered into TARGET2-LU after the ICM broadcast message was made available.’

18. Article 39(1) is replaced by the following:

- ‘1. Participants shall be deemed to be aware of, and shall comply with, all obligations on them relating to legislation on data protection, prevention of money laundering and the financing of terrorism, proliferation-sensitive nuclear activities and the development of nuclear weapons delivery systems, in particular in terms of implementing appropriate measures concerning any payments debited or credited on their PM accounts. Prior to entering into a contractual relationship with an internet service provider, participants using internet-based access shall acquaint themselves with that internet service provider's data retrieval policy.’

19. Article 40(1) is replaced by the following:

- ‘1. Except where otherwise provided for in these Conditions, all notices required or permitted pursuant to these Conditions shall be sent by registered post, facsimile or otherwise in writing. Notices to the BCL shall be submitted to the head of the **Banking Operations Department** of the **BCL, 2, boulevard Royal, L-2983 Luxembourg** or to the BIC address: BCLXLULL. Notices to the participant shall be sent to it at the address, fax number or its BIC address as the participant may from time to time notify to the BCL.’

20. Article 45 is replaced by the following:

**‘Severability**

If any provision in these Conditions or Annex V is or becomes invalid, this shall not prejudice the applicability of all the other provisions of these Conditions or Annex V.’

## **TECHNICAL SPECIFICATIONS FOR THE PROCESSING OF PAYMENT ORDERS FOR INTERNET-BASED ACCESS**

In addition to the Conditions, the following rules shall apply to the processing of payment orders using internet-based access:

### **1. Technical requirements for participation in TARGET2-LU regarding infrastructure, network and formats**

- (1) Each participant using internet-based access must connect to the ICM of TARGET2 using a local client, operating system and internet browser as specified in the annex 'Internet-based participation - System requirements for Internet access' to the User Detailed Functional Specifications (UDFS), with settings defined. Each participant's PM account shall be identified by an eight- or 11-digit BIC. Furthermore, each participant shall pass a series of tests to prove its technical and operational competence before it may participate in TARGET2-LU.
- (2) For the submission of payment orders and the exchange of payment messages in the PM the TARGET2 platform BIC, TRGTXEPMMLVP, will be used as the message sender/receiver. Payment orders sent to a participant using internet-based access should identify that receiving participant in the beneficiary institution field. Payment orders made by a participant using internet-based access will identify that participant as the ordering institution.
- (3) Participants using internet-based access shall use public key infrastructure services as specified in the 'User Manual Internet Access for the public-key certification service'.

### **2. Payment message types**

- (1) Internet-based participants can make the following types of payments:
  - (a) customer payments, i.e. credit transfers for which the ordering and/or beneficiary customer are not financial institutions,
  - (b) customer payments STP, i.e. credit transfers for which the ordering and/or beneficiary customer are not financial institutions, executed in straight through processing mode,
  - (c) bank-to-bank transfers to request the movement of funds between financial institutions,

- (d) cover payments to request the movement of funds between financial institutions related to an underlying customer credit transfer.

In addition, participants using internet-based access to a PM account can receive direct debit orders.

- (2) Participants shall comply with the field specifications, as defined in Chapter 9.1.2.2 of the UDFS, Book 1.
- (3) Field contents shall be validated at the level of TARGET2-LU in accordance with the UDFS requirements. Participants may agree among each other on specific rules regarding the field contents. However, in TARGET2-LU there shall be no specific checks as to whether participants comply with any such rules.
- (4) Participants using internet-based access may make cover payments via TARGET2, i.e. payments made by correspondent banks to settle (cover) credit transfer messages which are submitted to a customer's bank by other, more direct means. Customer details contained in these cover payments shall not be displayed in the ICM.

### 3. Double-entry check

- (1) All payment orders shall pass a double-entry check, the aim of which is to reject payment orders that have been submitted more than once by mistake.
- (2) The following fields of the message types shall be checked:

Details	Part of the message	Field
Sender	Basic Header	BIC Address
Message Type	Application Header	Message Type
Receiver	Application Header	Destination Address
Transaction Reference Number (TRN)	Text Block	:20
Related Reference	Text Block	:21
Value Date	Text Block	:32

- (3) If all the fields described in subparagraph 2 in relation to a newly submitted payment order are identical to those in relation to a payment order that has already been accepted, the newly submitted payment order shall be returned.

#### **4. Error codes**

If a payment order is rejected, an abort notification shall be provided via the ICM indicating the reason for the rejection by using error codes. The error codes are defined in Chapter 9.4.2 of the UDFS.

#### **5. Predetermined settlement times**

- (1) For payment orders using the Earliest Debit Time Indicator, the codeword '/FROTIME/' shall be used.
- (2) For payment orders using the Latest Debit Time Indicator, two options shall be available.
  - (a) Codeword '/REJTIME/': if the payment order cannot be settled by the indicated debit time, the payment order shall be returned.
  - (b) Codeword '/TILTIME/': if the payment order cannot be settled by the indicated debit time, the payment order shall not be returned but shall be kept in the relevant queue.

Under both options, if a payment order with a Latest Debit Time Indicator is not settled 15 minutes prior to the time indicated therein, a notification shall automatically be provided via the ICM.

- (3) If the codeword '/CLSTIME/' is used, the payment shall be treated in the same way as a payment order referred to in subparagraph 2(b).

#### **6. Settlement of payment orders in the entry disposition**

- (1) Offsetting checks and, if appropriate, extended offsetting checks (both terms as defined in paragraphs 2 and 3) shall be carried out on payment orders entered into the entry disposition to provide quick, liquidity-saving gross settlement of payment orders.

- (2) An offsetting check shall determine whether the payee's payment orders that are at the front of the highly urgent or, if inapplicable, the urgent queue are available to be offset against the payer's payment order (hereinafter 'offsetting payment orders'). If an offsetting payment order does not provide sufficient funds for the respective payer's payment order in the entry disposition, it shall be determined whether there is sufficient available liquidity on the payer's PM account.
- (3) If the offsetting check fails, the BCL may apply an extended offsetting check. An extended offsetting check determines whether offsetting payment orders are available in any of the payee's queues regardless of when they joined the queue. However, if in the queue of the payee there are higher priority payment orders addressed to other TARGET2 participants, the FIFO principle may only be breached if settling such an offsetting payment order would result in a liquidity increase for the payee.

## **7. Settlement of payment orders in the queue**

- (1) The treatment of payment orders placed in queues depends on the priority class to which it was designated by the instructing participant.
- (2) Payment orders in the highly urgent and urgent queues shall be settled by using the offsetting checks described in paragraph 6, starting with the payment order at the front of the queue in cases where there is an increase in liquidity or there is an intervention at queue level (change of queue position, settlement time or priority, or revocation of the payment order).
- (3) Payments orders in the normal queue shall be settled on a continuous basis including all highly urgent and urgent payment orders that have not yet been settled. Different optimisation mechanisms (algorithms) are used. If an algorithm is successful, the included payment orders will be settled; if an algorithm fails, the included payment orders will remain in the queue. Three algorithms (1 to 3) shall be applied to offset payment flows. By means of Algorithm 4, settlement procedure 5 (as defined in Chapter 2.8.1 of the UDFS) shall be available for the settlement of payment instructions of ancillary systems. To optimise the settlement of highly urgent ancillary system transactions on participants' sub-accounts, a special algorithm (Algorithm 5) shall be used.
  - (a) Under Algorithm 1 ('all-or-nothing') the BCL shall, both for each relationship in respect of which a bilateral limit has been set and also for the total sum of relationships for which a multilateral limit has been set:
    - (i) calculate the overall liquidity position of each TARGET2 participant's PM account by establishing whether the aggregate of all outgoing and

incoming payment orders pending in the queue is negative or positive and, if it is negative, check whether it exceeds that participant's available liquidity (the overall liquidity position shall constitute the 'total liquidity position'); and

- (ii) check whether limits and reservations set by each TARGET2 participant in relation to each relevant PM account are respected.

If the outcome of these calculations and checks is positive for each relevant PM account, the BCL and other CBs involved shall settle all payments simultaneously on the PM accounts of the TARGET2 participants concerned.

- (b) Under Algorithm 2 ('partial') the BCL shall:

- (i) calculate and check the liquidity positions, limits and reservations of each relevant PM account as under Algorithm 1; and
- (ii) if the total liquidity position of one or more relevant PM accounts is negative, extract single payment orders until the total liquidity position of each relevant PM account is positive.

Thereafter, the BCL and the other CBs involved shall, provided there are sufficient funds, settle all remaining payments (except the extracted payment orders) simultaneously on the PM accounts of the TARGET2 participants concerned.

When extracting payment orders, the BCL shall start from the TARGET2 participant's PM account with the highest negative total liquidity position and from the payment order at the end of the queue with the lowest priority. The selection process shall only run for a short time, to be determined by the BCL at its discretion.

- (c) Under Algorithm 3 ('multiple') the BCL shall:

- (i) compare pairs of TARGET2 participants' PM accounts to determine whether queued payment orders can be settled within the available liquidity of the two TARGET2 participants' PM accounts concerned and within the limits set by them (by starting from the pair of PM accounts with the smallest difference between the payment orders addressed to each other), and the CB(s) involved shall book those payments simultaneously on the two TARGET2 participants' PM accounts; and
- (ii) if, in relation to a pair of PM accounts as described under point (i), liquidity is insufficient to fund the bilateral position, extract single payment orders until there is sufficient liquidity. In this case the CB(s) involved shall settle the remaining payments, except the extracted ones, simultaneously on the two TARGET2 participants' PM accounts.

After performing the checks specified under subparagraphs (i) to (ii), the BCL shall check the multilateral settlement positions (between a participant's PM account and other TARGET2 participants' PM accounts in relation to which a multilateral limit has been set). For this purpose, the procedure described under subparagraphs (i) to (ii) shall apply *mutatis mutandis*.

- (d) Under Algorithm 4 ('partial plus ancillary system settlement') the BCL shall follow the same procedure as for Algorithm 2, but without extracting payment orders in relation to the settlement of an ancillary system (which settles on a simultaneous multilateral basis).
  - (e) Under Algorithm 5 ('ancillary system settlement via sub-accounts') the BCL shall follow the same procedure as for Algorithm 1, subject to the modification that the BCL shall start Algorithm 5 via the Ancillary System Interface and shall only check whether sufficient funds are available on participants' sub-accounts. Moreover, no limits and reservations shall be taken into account. Algorithm 5 shall also run during night-time settlement.
- (4) Payment orders entered into the entry disposition after the start of any of algorithms 1 to 4 may nevertheless be settled immediately in the entry disposition if the positions and limits of the TARGET2 participants' PM accounts concerned are compatible with both the settlement of these payment orders and the settlement of payment orders in the current optimisation procedure. However, two algorithms shall not run simultaneously.
- (5) During daytime processing the algorithms shall run sequentially. As long as there is no pending simultaneous multilateral settlement of an ancillary system, the sequence shall be as follows:
- (a) algorithm 1,
  - (b) if algorithm 1 fails, then algorithm 2,
  - (c) if algorithm 2 fails, then algorithm 3, or if algorithm 2 succeeds, repeat algorithm 1.

When simultaneous multilateral settlement ('procedure 5') in relation to an ancillary system is pending, Algorithm 4 shall run.

- (6) The algorithms shall run flexibly by setting a pre-defined time lag between the application of different algorithms to ensure a minimum interval between the running of two algorithms. The time sequence shall be automatically controlled. Manual intervention shall be possible.
- (7) While included in a running algorithm, a payment order shall not be reordered (change of the position in a queue) or revoked. Requests for reordering or revocation of a payment order shall be queued until the algorithm is complete. If the payment order concerned is settled while the algorithm is running, any request to reorder or revoke



shall be rejected. If the payment order is not settled, the participant's requests shall be taken into account immediately.

## **8. Use of the ICM**

- (1) The ICM may be used for inputting payment orders.
- (2) The ICM may be used for obtaining information and managing liquidity.
- (3) With the exception of warehoused payment orders and static data information, only data in relation to the current business day shall be available via the ICM. The screens shall be offered in English only.
- (4) Information shall be provided in 'pull' mode, which means that each participant has to ask to be provided with information. Participants shall check the ICM regularly throughout the business day for important messages.
- (5) Only user-to-application mode (U2A) shall be available for participants using internet-based access. U2A permits direct communication between a participant and the ICM. The information is displayed in a browser running on a PC. Further details are described in the ICM User Handbook.
- (6) Each participant shall have at least one workstation with internet access to access the ICM via U2A.
- (7) Access rights to the ICM shall be granted by using certificates, the use of which is described more fully in paragraphs 10 to 13.
- (8) Participants may also use the ICM to transfer liquidity:
  - (a) from their PM account to their account outside the PM;
  - (b) between the PM account and the participant's sub-accounts; and
  - (c) from the PM account to the technical account managed by an ancillary system using settlement procedure 6 real-time.

## **9. The UDFS, the ICM User Handbook and the 'User Manual: Internet Access for the Public Key Certification Service'**

Further details and examples explaining the above rules are contained in the UDFS and the ICM User Handbook, as amended from time to time and published on the BCL's website and the TARGET2 website in English, and in the 'User Manual: Internet Access for the Public Key Certification Service'.

## **10. Issuance, suspension, reactivation, revocation and renewal of certificates**

- (1) The participant shall request from the BCL the issuance of certificates to allow them to access TARGET2-LU using internet-based access;
- (2) The participant shall request from the BCL the suspension and reactivation of certificates, as well as the revocation and renewal of certificates, when a certificate holder no longer wishes to have access to TARGET2 or if the participant ceases its activities in TARGET2-LU (e.g. as the result of a merger or acquisition);
- (3) The participant shall adopt every precaution and organisational measure to ensure that certificates are used only in conformity with the Harmonised Conditions;
- (4) The participant shall promptly notify the BCL of any material change to any of the information contained in the forms submitted to the BCL in connection with the issuance of certificates; and
- (5) The participant may have a maximum of five active certificates for each PM account. Upon request, the BCL may, at its discretion, apply for the issuance of further certificates from the certification authorities.

## **11. Handling of certificates by the participant**

- (1) The participant shall ensure the safekeeping of all certificates and adopt robust organisational and technical measures to avoid injury to third parties and to ensure that each certificate is only used by the specific certificate holder to which it was issued.
- (2) The participant shall promptly provide all information requested by the BCL and guarantee the reliability of that information. Participants shall at all times remain fully responsible for the continued accuracy of all information provided to the BCL in connection with the issuance of certificates.
- (3) The participant shall assume full responsibility for ensuring that all of its certificate holders keep their assigned certificates separate from the secret PIN and PUK codes.
- (4) The participant shall assume full responsibility for ensuring that none of its certificate holders use the certificates for functions or purposes other than those for which the certificates were issued.
- (5) The participant shall immediately inform the BCL of any request and rationale for suspension, reactivation, revocation or renewal of certificates.
- (6) The participant shall immediately request the BCL to suspend any certificates, or the keys contained therein, that are defective or that are no longer in the possession of its certificate holders.
- (7) The participant shall immediately notify the BCL of any loss or theft of certificates.

## **12. Security Requirements**

- (1) The computer system that a participant uses to access TARGET2 using internet-based access shall be located in premises owned or leased by the participant. Access to TARGET2-LU shall only be allowed from such premises, and, for the avoidance of doubt, no remote access shall be allowed.
- (2) The participant shall run all software on computer systems that are installed and customised in accordance with current international IT security standards, which as a minimum shall include the requirements detailed in paragraphs 12(3) and 13(4). The participant shall establish appropriate measures, including in particular anti-virus and malware protection, anti-phishing measures, hardening, and patch management procedures. All such measures and procedures shall be regularly updated by the participant.
- (3) The participant shall establish an encrypted communication link with TARGET2-LU for internet access.
- (4) User computer accounts in the participant's workstations shall not have administrative privileges. Privileges shall be assigned in accordance with the 'least privilege' principle.
- (5) The participant shall at all times protect the computer systems used for TARGET2-LU internet access as follows:
  - (a) They shall protect the computer systems and workstations from unauthorised physical and network access, at all times using a firewall to shield the computer systems and workstations from incoming internet traffic, and the workstations from unauthorised access over the internal network. They shall use a firewall that protects against incoming traffic, as well as a firewall on workstations that ensures that only authorised programs communicate with the outside.
  - (b) Participants shall only be permitted to install on workstations the software that is necessary to access TARGET2 and that is authorised under the participant's internal security policy.
  - (c) Participants shall at all times ensure that all software applications that run on the workstations are regularly updated and patched with the latest version. This applies in particular in respect of the operating system, the internet browser and plug-ins.
  - (d) Participants shall at all times restrict outgoing traffic from the workstations to business-critical sites, as well as to sites required for legitimate and reasonable software updates.

- (e) Participants shall ensure that all critical internal flows to or from the workstations are protected against disclosure and malicious changes, especially if files are transferred through a network.
- (6) The participant shall ensure that its certificate holders at all times follow secure browsing practices, including:
  - (a) reserving certain workstations to access sites of the same criticality level and only accessing those sites from those workstations;
  - (b) always restarting the browser session before and after accessing TARGET2-LU internet access;
  - (c) verifying any server's SSL certificate authenticity at each logon to TARGET2-LU internet access;
  - (d) being suspicious of e-mails that appear to come from TARGET2-LU, and never providing the certificate's password if asked for that password, as TARGET2-LU will never ask for a certificate's password in an e-mail or otherwise.
- (7) The participant shall at all times implement the following management principles to alleviate risks to its system:
  - (a) establishing user management practices which ensure that only authorised users are created and remain on the system and maintaining an accurate and up-to-date list of authorised users;
  - (b) reconciling daily payment traffic to detect mismatches between authorised and actual daily payment traffic, both sent and received;
  - (c) ensuring that a certificate holder does not simultaneously browse any other internet site at the same time as it accesses TARGET2-LU.

### **13. Additional security requirements**

- (1) The participant shall at all times ensure by means of appropriate organisational and/or technical measures that user IDs disclosed for the purpose of controlling access rights (Access Right Review) are not abused, and, in particular, that no unauthorised persons gain knowledge of them.
- (2) The participant shall have in place a user administration process to ensure the immediate and permanent deletion of the related user ID in the event that an employee or other user of a system on the premises of a participant leaves the participant's organisation.
- (3) The participant shall have in place a user administration process and shall immediately and permanently block user IDs that are in any way compromised, including in cases where certificates are lost or stolen, or where a password has been phished.

- (4) If a participant is unable to eliminate security-related faults or configuration errors (e.g. resulting from malware infected systems) after three occurrences, the SSP-providing CBs may permanently block all the participant's user IDs.

## **FEE SCHEDULE AND INVOICING FOR INTERNET-BASED ACCESS**

### **Fees for direct participants**

1. The monthly fee for the processing of payment orders in TARGET2-LU for direct participants shall be EUR 70 per PM account internet access fee plus EUR 150 per PM account plus a flat fee per transaction (debit entry) of EUR 0,80;
2. There shall be an additional monthly fee for direct participants who do not wish the BIC of their account to be published in the TARGET2 directory of EUR 30 per account.
3. The BCL shall issue and maintain up to five active certificates per participant for each PM account free of charge. The BCL shall charge a fee of EUR 120 for the issuance of a sixth and for each subsequent active certificate. The BCL shall charge an annual maintenance fee of EUR 30 for the sixth and for each subsequent active certificate. Active certificates shall be valid for five years.

### **Invoicing**

4. In the case of direct participants, the following invoicing rules apply. The direct participant shall receive the invoice for the previous month specifying the fees to be paid, no later than on the ninth business day of the following month. Payments shall be made no later than the 14th business day of that month to the account specified by the BCL or shall be debited from an account specified by the participant.