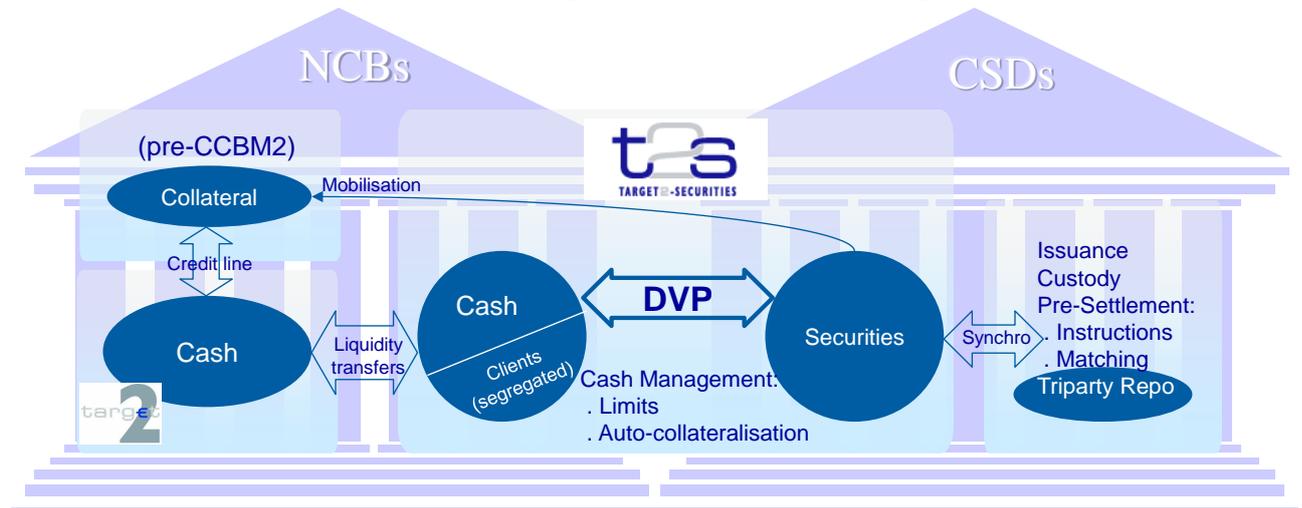


Next step: consolidate your cash and collateral liquidity management

The European Systems of Central Banks is pursuing the path to harmonisation and integration with the TARGET2-Securities project now on tracks, along with an increased focus on liquidity risk management.

TARGET2-Securities implements a new paradigm for intraday liquidity management in the euro:



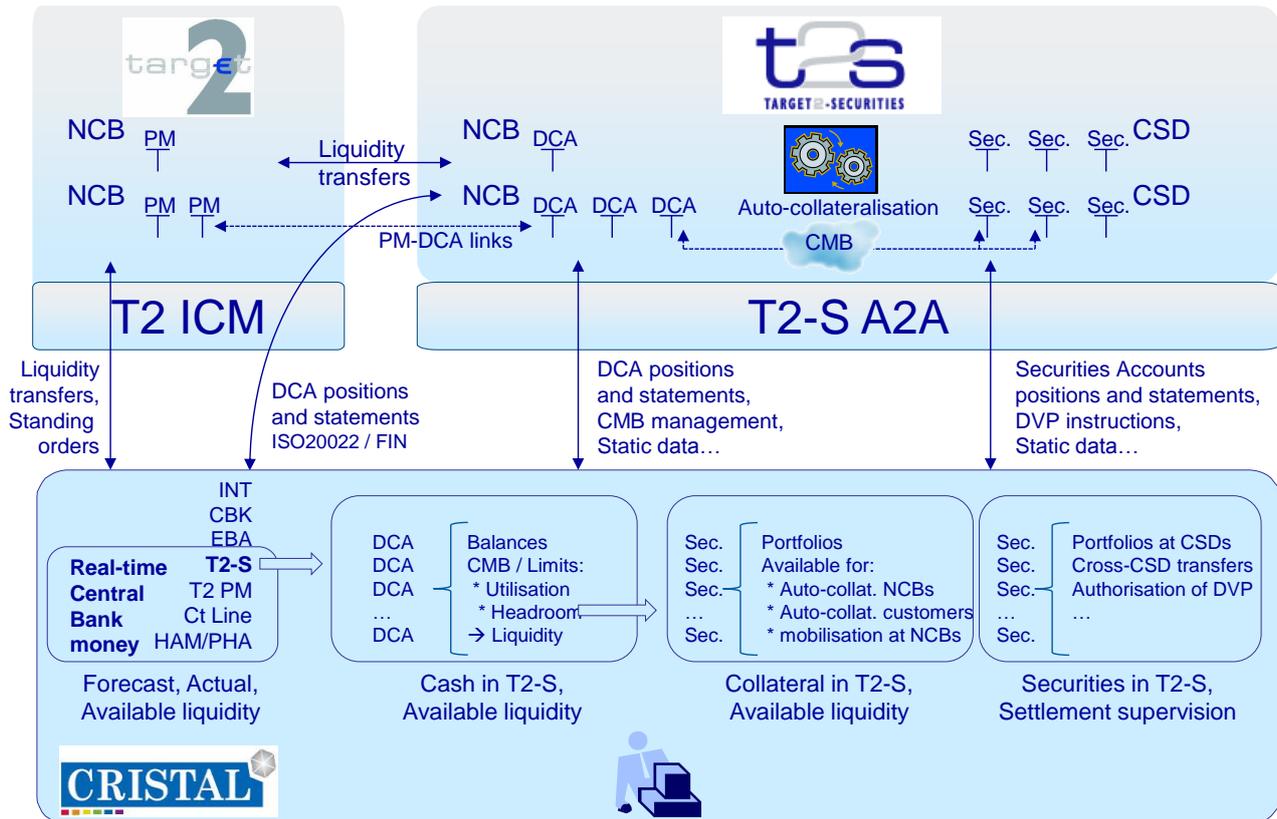
In addition to the cash accounts with National Central Banks held in TARGET2, banks manage additional Dedicated Cash Accounts with NCBs held in TARGET2-Securities. They have to organise the smooth repartition of liquidity between these two types of accounts during the day as well as for the night time securities settlement batches.

TARGET2-Securities manages the whole settlement processes through which securities settlement requires available cash assets in Dedicated Cash Accounts while securities assets are a basis for additional available cash liquidity from collateralisation. Within TARGET2-Securities, available liquidity on top of the Dedicated Cash Accounts balances is ruled by Credit Memorandum Balances set by NCBs which organise limits and auto-collateralisation process. Also, TARGET2-Securities settles the mobilisation of eligible collateral at NCBs for Monetary Policy and TARGET2 intraday funding purpose in a pre-CCBM2 environment. All these redefine the framework and procedures for managing intraday liquidity in central bank money.

Central Securities Depositories still have an important role to play in the TARGET2-Securities environment. Especially as regards liquidity management, their triparty repo mechanisms still bring additional funding capabilities that settle in TARGET2-Securities.

Finally, banks will be able to offer cash settlement services in TARGET2-Securities, then acting as Payment Bank for their customers. TARGET2-Securities offers additional services for segregating their customers' liquidity as well as managing limits and collateralisation of their customers' debit balances.

That closer integration of the various intraday liquidity components requires additional coordination between areas of responsibilities for cash, collateral and securities liquidity management inside banks. CRISTAL also extends its features and benefits to the management of cash, collateral and securities assets in order to provide consolidated view and enable growing reactivity:



Scope and features of CRISTAL for TARGET2-Securities:

- Support all features from the application-to-application TARGET2 ICM for monitoring the Dedicated Cash Accounts balances and managing intraday liquidity transfers between TARGET2 and TARGET2-Securities.
- Provide TARGET2 participants with a comprehensive monitoring of their assets held with National Central Banks –in PM or HAM module of TARGET2, Proprietary Home Accounts systems as well as in TARGET2-Securities Dedicated Cash Accounts.
- Connect to TARGET2-Securities application-to-application interface in order to support operations of Directly Connected Parties.
- Provide extended management of Dedicated Cash Accounts liquidity: balances and underlying settled transactions, limits utilisation and limits headroom (from Credit Memorandum Balances).
- Manage forecast liquidity of Dedicated Cash Accounts in TARGET2-Securities: cash requirements for funding the pending transactions, collateral available for auto-collateralisation, valuation of mobilised collateral for planning the end-of-day settlement in TARGET2.
- Manage global available collateral: eligible collateral for NCBs’ Monetary Policy and intraday standing facilities, collateral available for CSDs’ triparty repo.
- Manage repartition of securities assets across the various CSDs.
- Control outflows of securities DVP instructions in relation with collateral requirements.

Thus CRISTAL enables shared information from a single point of view across all areas of responsibilities for cash, collateral and securities liquidity management along with the centralised use of the market infrastructures instruments for actively controlling liquidity. Then CRISTAL provides the required business efficiency for optimising the cost of liquidity and gaining advantages from the new opportunities in the TARGET2-Securities environment.