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Letter

To: ECB
From: Dr. Herbert Pichler, Banking and Insurance sector, Chamber of Commerce, Austria
Date: 28 April 2003
Subject: **Comments of the Austrian banking industry on the “Public Consultation - TARGET2: Principles and Structure”**

The banking and insurance sector of the Austrian Chamber of Commerce, as the legal representative of more than 900 Austrian banks, comments on the ECB’s consultation paper “Principles and Structure” as follows:

First of all, we wish to emphasise that we welcome the involvement of banks in a consultation process aimed at forming an opinion on this issue. In respect of the contents, our response is as follows:

Preliminary remark

The position of the Austrian banks overlaps to a large degree with the one formulated in the official answer of the TARGET Working GROUP on behalf of the EPC. Our comments are intended to underline those points which are of particular importance to Austrian banks.

In principle, we welcome a single shared platform. However, the envisaged design is characterised by some negative departures from the system currently used by the Oesterreichische Nationalbank (OeNB):

Single account

The planned solution calls for double accounting: one account as part of the RTGS of the shared platform provider and a “home account” for the other transactions with the Austrian central bank. This will make liquidity management significantly more difficult. The shared platform should be set up technically and organisationally so that only one account, at one central bank, has to be available or an automatic consolidation takes place in real time.

Domestic versus European

For domestic and intra-European transactions, one and the same interface must exist, in the sense of a technical and organisational connection, and likewise one and the same window, making the overall

situation visible. A difference would be counter-productive. There must be no difference in the pricing either.

Interface

The call for a single interface has already been made (see above). From a technical perspective, the Austrian banks are calling for the implementation of the pure SWIFT standard. In Austria, the banks have recently switched from a national solution dating from the 1990s, with SWIFT-like interfaces, to a pure SWIFT interface. A new migration in the near future could not be economically justified.

In addition, the interface of the shared platform must remain stable for a sufficiently long, pre-defined period and should not be subject to change again in a few years' time.

Switching from TARGET to TARGET2

The aimed-for period seems too long from an organisational and technical perspective. The switchover should certainly not mean the banks having to run several systems in parallel. Detailed planning, agreed in advance with the users, is necessary.

Reliability/contingency

An SSP must be designed so that it is available full-time and also so that in peak periods no discernible delays occur.

In the event of partial failures of the system, which can never be ruled out, there must be a contingency management which is in accordance with the governance rules and which does not disadvantage smaller users.

Functionality:

The Austrian banks currently use the liquidity management functions which are available in the RTGS system of the OeNB. A change to a system which does not offer this functionality (e.g. incoming queue visibility) would be a retrograde step, making the work more difficult.

Likewise, a direct debit facility must exist in the system, for without this the functional basis would be withdrawn from some existing application areas, e.g. automatic settlement EBA, securities transactions, debit card clearing.

We request that these matters of concern for the Austrian banking industry be taken into account in the continuing deliberations on the TARGET2 project.