

Appendix IV

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BUSINESS CONTINUITY AND CONTINGENCY PROCEDURES

1 - GENERAL PROVISIONS

This Appendix sets out the arrangements between the NBB and participants, if TARGET or one or more of the NSPs fail or are affected by an abnormal external event, or if the failure affects any participant.

All references to specific times in this Appendix are to the local time at the seat of the ECB.

Provisions set out in this section 1 shall apply to MCAs, RTGS DCAs and their sub-accounts, RTGS AS technical accounts, T2S DCAs, TIPS DCAs and TIPS AS technical accounts.

1.1 Measures of business continuity and contingency processing

- (a) In the event that an abnormal external event occurs and/or there is a failure of TARGET and/or there is a failure of one or more NSPs which affects the normal operation of TARGET, the NBB 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 TARGET:
 - (i) relocating the operation of TARGET to an alternative site;
 - (ii) changing the TARGET operating schedule.
- (c) In relation to business continuity and contingency processing measures, the NBB shall have full discretion regarding whether and which measures are adopted.

1.2 Incident communication

If an event described under paragraph 1.1(a) occurs, this shall be communicated to participants via the ECB's website, if available, through the GUI(s) and, if applicable via domestic communication channels. In particular, communications to participants shall include the following information:

- (i) a description of the event and its impact on TARGET;
- (ii) the time at which resolution of the event is expected (if known);
- (iii) information on the measures already taken (if any);
- (iv) the advice to participants (if any);
- (v) the timestamp of the communication and indication of when an update will be provided.

1.3 Change of operating hours

- (a) When changing the TARGET operating schedule as provided for in Part I, Article 19(2) of these Conditions, the NBB may delay the cut off times of TARGET for a given business day or delay the start of the following business day, or change the timing of any other event listed in Appendix V.
- (b) The cut off times of TARGET for a given business day may be delayed if a TARGET failure has occurred during that day but has been resolved before 18:00. Such a closing time delay should not normally exceed two hours and shall be announced as early as possible to participants.
- (c) Once a delay of the cut off times of TARGET is announced, it may be further delayed but may not be withdrawn.

1.4 Other provisions

- (a) In the event of a failure of the NBB, some or all of its technical functions in relation to TARGET-BE may be performed by other Eurosystem CBs or by the Level 3 NCBs on its behalf.
- (b) The NBB 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 NBB. Any costs incurred by the participants as a result of such testing or other arrangements shall be borne solely by the participants.

2 - BUSINESS CONTINUITY AND CONTINGENCY PROCEDURES (RTGS DCA AND RTGS AS SETTLEMENT PROCEDURES)

In addition to the provisions set out in section 1, the provisions set out in this section 2 shall apply specifically to RTGS DCA holders and AS that make use of the RTGS AS settlement procedures.

2.1 Relocation of the operation of TARGET to an alternative site

- (a) The relocation of the operation of TARGET to an alternative site, as referred to in paragraph 1.1(b)(i), may be to a place within the same region or in another region.
- (b) In the event that the operation of TARGET is relocated to another region, the participants shall:
 - (i) refrain from sending new cash transfer orders to TARGET; (ii) at the request of the NBB perform a reconciliation; (iii) resubmit any cash transfer orders identified as missing; and (iv) provide the NBB with all relevant information in this respect.
- (c) The NBB may take any further actions including debiting and crediting participants' accounts in order to return those participants' accounts to their status prior to the relocation.

2.2 Change of operating hours

- (a) If the NBB delays the closing of TARGET as provided for in paragraph 1.3 before 16:50, the minimum period of one hour between the cut-off time for customer and interbank payment orders should normally remain in place.
- (b) AS shall have established means to cope with cases where the reopening time is delayed due to a TARGET failure on the previous day.

2.3. Contingency processing

- (a) If it deems it necessary to do so, the NBB shall initiate the contingency processing of cash transfer orders using the Contingency Solution of TARGET or other means. In such cases, contingency processing shall be provided on a best efforts basis. The NBB shall inform its participants of the start of contingency processing via any available means of communication.
- (b) In contingency processing using the Contingency Solution of TARGET, cash transfer orders shall be submitted by the RTGS DCA holders and authorised by the NBB. The NBB may, exceptionally, also manually input cash transfer orders on behalf of participants. In addition, the AS may submit files containing payment instructions under RTGS AS settlement procedure A, which the AS authorises the NBB to upload into the Contingency Solution.
- (c) The following cash transfer orders shall be considered as 'very critical' and the NBB shall use best efforts to process them in a contingency without undue delay:
 - (i) payments related to the settlement of CLS Bank International operations processed on CLSSettlement;
 - (ii) central counterparty margin calls.
- (d) Cash transfer orders other than those listed in point (c) and which are required to avoid systemic risk shall be considered as 'critical' and the NBB may decide to initiate contingency processing in relation to them. Critical cash transfer orders shall include but are not limited to:
 - (i) cash transfer orders related to the settlement of other systemically important payment systems as defined in Regulation (EU) No 795/2014 of the European Central Bank (ECB/2014/28)¹;
 - (ii) liquidity transfer orders to T2S DCAs or TIPS DCAs;
 - (iii) liquidity transfer orders that are indispensable to the execution of very critical cash transfer orders as set out in point (c) or to other critical cash transfer orders.
- (e) Cash transfer orders that have been submitted to TARGET-BE before the activation of contingency processing, but are queued, may also undergo contingency processing. In such

¹ Regulation of the European Central Bank (EU) No 795/2014 of 3 July 2014 on oversight requirements for systemically important payment systems (ECB/2014/28) (OJ L 217, 23.7.2014, p. 16)

cases the NBB shall endeavour to avoid the double processing of cash transfer orders, but the participants shall bear the risk of such double processing if it occurred.

- (f) For contingency processing using the Contingency Solution of TARGET, participants shall provide eligible assets as collateral. During contingency processing, incoming cash transfer orders may be used to fund outgoing cash transfer orders.

2.4. Failures linked to participants

- (a) In the event that a participant has an issue or problem that prevents it from sending cash transfer orders to TARGET, it shall resolve the issue or problem using its own means. In particular, a participant may use any in-house solutions at its disposal, the GUI functionality to process liquidity transfers and payment orders or use the back-up functionality via the GUI.
- (b) If the resolution means and/or solutions or functionalities used by the participant as referred to in paragraph (a) are exhausted or if they are insufficient, the participant may then request support from the NBB and the NBB shall provide such support on a best efforts basis. The NBB shall decide what support it offers to the participant.
- (c) [insert if applicable, further detailed contingency measures with respect to AS shall be described in additional arrangements between the NBB and the relevant AS.]

3 - BUSINESS CONTINUITY AND CONTINGENCY PROCEDURES (MCA)

In addition to the provisions set out in section 1, the provisions of this section 3 shall apply specifically to MCA holders.

3.1 Relocation of the operation of TARGET to an alternative site

- (a) the relocation of the operation of TARGET to an alternative site, as referred to in paragraph 1.1(b)(i), may be to a place within the same region or in another region.
- (b) In the event that the operation of TARGET is relocated to another region, the participants shall:
 - (i) refrain from sending new cash transfer orders to TARGET; (ii) at the request of the NBB perform a reconciliation, (iii) resubmit any cash transfer orders identified as missing; and (iv) provide the NBB with all relevant information in this respect.
- (c) The NBB may take any further actions including debiting and crediting participants' accounts in order to return those participants' accounts to their status prior to the relocation.

3.2. Contingency processing

- (a) If it deems it necessary to do so, the NBB shall initiate the contingency processing of cash transfer orders using the Contingency Solution of TARGET or other means. In such cases, contingency processing shall be provided on a best efforts basis. The NBB shall inform its participants of the start of contingency processing via any available means of communication.

- (b) In contingency processing using the Contingency Solution of TARGET, cash transfer orders shall be submitted by the MCA holders and authorised by the NBB. The NBB may, exceptionally, also manually input cash transfer orders on behalf of participants.
- (c) Cash transfer orders required to avoid systemic risk shall be considered as 'critical' and the NBB may decide to initiate contingency processing in relation to them.
- (d) Cash transfer orders that have been submitted to TARGET-BE before the activation of contingency processing, but are queued, may also undergo contingency processing. In such cases the NBB shall endeavour to avoid the double processing of cash transfer orders, but the participants shall bear the risk of such double processing if it occurred.
- (e) For contingency processing using the Contingency Solution of TARGET, participants shall provide eligible assets as collateral. During contingency processing, incoming cash transfer orders may be used to fund outgoing cash transfer orders.

3.3 Failures linked to participants

- (a) In the event that a participant has an issue or problem that prevents it from sending cash transfer orders in TARGET, it shall resolve the issue or problem using its own means. In particular, a participant may use any in-house solutions or the GUI functionality to process liquidity transfers orders.
- (b) If the resolution means and/or solutions or functionalities used by the participant as referred to in paragraph (a) are exhausted or if they are insufficient, the participant may request support from the NBB and the NBB shall provide such support on a best efforts basis. The NBB shall decide what support it offers to the participant.

4 - BUSINESS CONTINUITY AND CONTINGENCY PROCEDURES (T2S DCA)

In addition to the provisions set out in section 1, the provisions set out in this section 4 shall apply specifically to T2S DCA holders.

4.1 Relocation of the operation of TARGET to an alternative site

- (a) The relocation of the operation of TARGET to an alternative site, as set out under paragraph 1.1(b)(i), may be to a place within the same region or in another region (where available).
- (b) In the event that the operation of TARGET is relocated to another region, the participants shall (i) refrain from sending new cash transfer orders to TARGET; and (ii) at the request of the NBB perform a reconciliation, (iii) resubmit any instructions identified as missing and (iv) provide the NBB with all relevant information in this respect.
- (c) The NBB shall be allowed to take any further actions including debit and credit on participants' accounts in order to bring participants' account balances to the status they had prior to the relocation.

4.2. Failures linked to participants

- (a) In the event that a T2S DCA holder has an issue or problem that prevents it from settling cash transfer orders in TARGET-BE, it shall resolve the issue or problem using its own means.
- (b) If the resolution means referred to in paragraph (a) are exhausted or if they are insufficient, the participant may request support from the NBB, and the NBB shall provide such support on a best efforts basis. The NBB shall decide what support it offers to the participant.