European Association of CCP Clearing Houses

EACH Response – ECB
Consultation on a possible extension of T2 operating hours

September 2025

Introduction

The European Association of CCP Clearing Houses (EACH) represents the interests of Central Counterparties (CCPs) in Europe since 1992. CCPs are financial market infrastructures that significantly contribute to safer, more efficient and transparent global financial markets. EACH currently has 19 members from 14 different European countries. EACH is registered in the European Union Transparency Register with number 36897011311-96.

EACH Members greatly appreciate the opportunity to respond to the European Central Bank consultation on the extension of Target 2 Operating Hours.

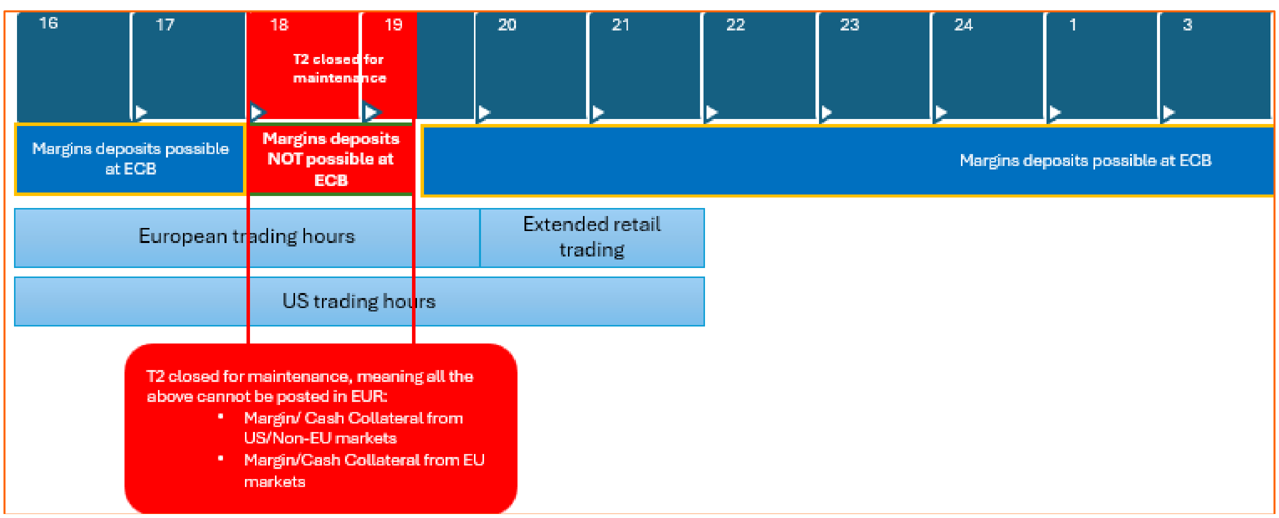
A. General Rationale

A1 Do you see any other reasons for extending T2 operating times?

Yes, EACH Members see reasons for extending T2 operating times. We detail our argumentation below.

The TARGET2 system used for depositing EUR is currently closed for maintenance from 18:00 to 19:30 CET pm (Figure 1 below). Existing real-time payment solutions (such as TIPS) are not available for large margin payments, partly due to the potentially high level of margin calls, as well as the capital cost of continuously funding the relevant accounts.

<u>Figure 1:</u> T2 closing for maintenance



EACH believes that the attractiveness of the EU post-trade infrastructure can be improved by allowing clearing participants to rely on the Euro for their margin payments longer into the day by delaying the maintenance window.

In the immediate to medium-term, such a move should:

- **Remove the operational risk and reduce the cost of having recourse to non-Euro currencies, particularly important in a T+1 environment** - CCPs may not allow Euro payments after a certain time (usually 17:00 CET, often as early as 15:00 CET due to operational processes), because of TARGET2 closing for maintenance at 18:00 CET. This maintenance window may be particularly concerning in times of stress and high volatility, when CCPs are more likely to issue margin calls during or toward the end of the day. This has been the case during periods of volatility over the past several years, and it will become more pronounced with the EU's move to T+1 settlement for securities, where trading and clearing will typically operate on a daily cycle rather than spanning two days. **Being unable to use T2 from 15:00–19:30 means losing EUR access for 29% (2.5 hours) of a 09:00–17:30 trading day, and 41% (4.5 hours) of a 09:00–20:00 trading day.** Instead, it would make more sense that the maintenance window falls not in the principal hours of trading and clearing where CCPs are regularly recalculating their margin requirements, but rather after, once all clearing activity has finished.

  This all means that today, EU clearing members have to resort to other currencies, generally USD liquidity, for the payment of their margin calls to EU CCPs. The relevant payment systems for USD are available almost all day, without the finality complications caused by the T2 change of business day in early evening. This dependency on USD is of particular concern to EU clearing members, as they generally have better access to EUR liquidity. Especially in times of market stress (such as in the first weeks of the COVID-19 market stress), USD liquidity might run thin.
- **Complement a DvP cut-off extension in T+1 context** – In addition, in the context of T+1, there is a strong interest in considering an extension to the Delivery vs payment (DvP) cut off from 16:00 to 17:00 for five days a week. Moving the maintenance window would allow cash to move via T2 later in the afternoon, complementing a potential DvP cut-off extension.
- **Increase the speed, cost, transparency and access -** The G20-endorsed Roadmap on enhancing cross-border payments[1] developed by the Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures (CPMI) identifies the extension and alignment of operating hours as one of the nineteen building blocks to be addressed in order to meet the challenges of speed, cost, transparency and access. Extending the operating hours of key individual RTGS systems (including TARGET2) would increase the speed in which final settlement of cross-border payments in central bank money could be achieved, especially where overlapping RTGS operating hours within regional/global settlement windows are expanded. Doing so may support certain large-value B2B

[1] https://www.fsb.org/wp-content/uploads/P101022-1.pdf

client flows such as emergency payments (e.g., paying for port fees to release goods stuck in the port on a weekend), ancillary FMI funding (e.g., funding fast payment system liquidity requirements during RTGS off-hours/off-days) or to better manage intercompany liquidity). In the context of the G20 Roadmap, there may be additional benefits, such as increased opportunities for PvP settlement of foreign exchange transactions (including same-day PvP), the establishment of liquidity bridges and the ability to perform additional settlement cycles for ancillary payment FMIs involved in cross-border payments.
- Aligning the T2 cut-off time with the extended trading hours would be beneficial to gain the benefits of such a move.

In the medium to long term, such a move would support future proofing T2 in accounting for growing market trends towards longer operating hours and shorter settlement windows. In particular, this would:

- **Contribute to strengthening the international role of the Euro** - We believe that EU CCPs will become more attractive for EU and non-EU market participants if all margin obligations can be fulfilled in EUR, rather than having to call in dollars from 15:00 CET (see bullet point 1 above). It will also be more attractive to trade and clear asset classes that are denominated in euro, thereby improving liquidity in these products. This is even more important in volatile markets and in markets that are critical to the EU, such as the energy markets.
- **Future proof T2 for any potential future move to T+0 -** In a potential T+0 world where the CSDR Article 5(2) would only change from "1 business day" to "same business day" and no further, **trades executed after the T2 business day cut-off at 18:00 CET would not be able to settle in EUR on T+0:**
    - For example, under the above scenario, a trade executed at 21:00 CET, would require settlement on the same day per CSDR. However, at 21:00 CET, the T2 Business Day would have already changed to the next (in this case to T+1), making settlement on T in EUR impossible after 19:30 CET. In short, trading venues would not be able to settle on T in EUR after the T2 system moves to a new date at 19:30 CET. This would mean that trading venues cannot trade on T after the T2 cut off times for T, and even likely earlier as settlements need to be processed and cleared after trading has happened. To avoid this, the following long-term actions merit consideration to future-proof T2:
        1. **T2 cut-off change:** The T2 business day cut-off would need to change, to enable consistent payment throughout in EUR.
        2. **Fundamental CSDR change:** Any change of CSDR for any potential T+0 move should consider different change in comparison to the current amendment supporting T+1

(described above). In doing so, this should account for potential unwanted impacts on MiFID/R reporting.

A2 Do you think that further extending T2 operating hours would significantly benefit cross-border payments? If so, how (e.g. by supporting specific payment corridors or addressing specific friction points)?

Yes, we do see a benefit for cross-border payments. Extending the operating hours of key individual RTGS systems would increase the speed at which final settlement of cross-border payments in central bank money could be achieved, especially where overlapping RTGS operating hours within regional/global settlement windows are expanded. Doing so may support certain large-value B2B client flows such as emergency payments (e.g., paying for port fees to release goods stuck in the port on a weekend), ancillary FMI funding (e.g., funding fast payment system liquidity requirements during RTGS off-hours/off-days) or to better manage intercompany liquidity. In the context of the G20 Roadmap, there may be additional benefits, such as increased opportunities for payment-versus-payment (PvP) settlement of FX transactions (including same-day PvP), the establishment of liquidity bridges and the ability to perform additional settlement cycles for ancillary payment FMIs involved in cross-border payments.

A3 Which driver(s) should the Eurosystem consider, in order of priority?

The key question in our view is how value dates would be handled in case of an extension of operating hours as this would require a significant technical change for market participants.

If a solution were introduced where the cut-off for value date was defined as a single point in time (rather than the current framework where T2 closes between 18:00–19:30), the process would be simpler. Standing liquidity transfer orders could then be offered, executed at End of Day (EoD) to sweep all remaining cash and at Start of Day (SoD) to refill cash accounts. Instead of executing standing orders, an even simpler option would be for T2 to treat all cash in the system as eligible for the overnight deposit facility. Under such a setup, the CCP would no longer be dependent on issuing margin calls in foreign currencies, as EUR liquidity would remain available throughout all global trading days, even during current European bank holidays.

B. Options for Extension

B1 Which form(s) of extending operating hours should the Eurosystem give priority to and why?

EACH believes that any expansion of operating hours should primarily serve payment-related purposes.

We would also like to highlight that public holidays need to be covered, too, especially on days when non-EU currencies are open while T2 is closed. We do however not think that a 365-day coverage would be needed, because then we would also have to ensure liquidity over weekends.

B2 Which form(s) of extending operating hours should the Eurosystem discard or give lower priority to and why?

EACH members believe that there is no need to extend T2 operations to a 365-day or a 7-day week. The T2 operating hours extension should focus on weekdays.

B3 Would you have a preference for the Eurosystem to extend the operating hours of both the CLM and the RTGS, or only the operating hours of CLM? Please state the reason for your preference.

Our preference is to extend the operation hours of both the Central Liquidity Management (CLM) and the Real-Time Gross Settlement (RTGS) to guarantee interoperability of the two systems: Extending only CLM without RTGS would limit the practical utility of liquidity movements, as funds transferred via CLM would not be usable for settlement if RTGS remains closed.

B4 Do you identify any challenges in relation to altering the time at which T2 changes its business day?

There may be potential challenges related to the timing at which T2 changes its business day. A shift in the end-of-day cut-off entails operational challenges for participants and infrastructures. This may also impact the way T2S is processing its settlements.

B5 Would you have a preference as regards the time at which T2 changes its business day?

B6 How important would it be to actively manage your credit line during the extended operating hours, either by mobilising new collateral or by reassigning already mobilised collateral to the intraday credit line?

Collateral pledges and reassignments should be possible throughout the entire period that T2 is open to ensure that credit lines can be actively managed during extended operating hours.

C. Risks

C1 Do you identify any other risk(s) that the Eurosystem should take into consideration?

C2 Do you have adequate mitigating measures for the risks mentioned, or can you put these in place?

D. Financial Stability

D1 From your institution's perspective, what are the main financial stability risks to consider when extending T2 operating hours?

D2 Is the current framework sufficient, or is there a need for additional measures to mitigate those risks?

E. Cost and Operational Implications

E1 Do you identify any other challenge(s) or cost implications that the Eurosystem should take into consideration?

Extending the T2 operating hours would require additional staffing, including night and weekend shifts. The social and cost implications may have to be considered.

To ensure the effectiveness, the extension of T2 operating hours should be accompanied by extended EUR cut-off times at commercial banks. From a CCP perspective, weekend clearing is impractical if EUR payments can only be processed with T2 participants, while those members, who do not meet T2's admission requirements, must rely on alternative solutions. This would result in persistent imbalances.

F. Market Functioning

F1 If T2 remains open on Saturdays and Sundays without end-of-day procedures, how do market participants expect trade prices to adapt over the weekend? Given the absence of end-of-day procedures, do market participants foresee market interest rates continuing to be priced from Fridays to Mondays as they are overnight? Alternatively, is there a possibility that in the absence of formal end-of-day procedures, a distinct "rate from Saturdays to Sundays" could develop?

Generally, a pricing impact of the T2 operating hrs extension would only exist, if the trading hours would also be extended accordingly. However, currently, we do not see any need from clients to have trading hours over the weekend. This consideration might only apply to certain product classes that need to be considered in the context of T2S. We should focus on extending T2 hours for payment during the week (24/5).

Besides, it is not clear how the market would price trades over the weekend. Where market participants could not price trades on weekends on-exchange (in the absence of extended trading hours as the market standard on regulated exchanges), they might have to go to OTC and dark trading pools in case those venues would offer that service over the weekend.

F2 What would the impact be if a reporting day (end-of-quarter or year) fell on a weekend or a newly operational public holiday? What impact do market participants foresee on ?

See comment above in F1.

F3 If T2's downtime is reduced to close to zero, do market participants see a need to adjust the timing of interest rate calculations to more frequently than once a day?

No, as there are also currently no intraday / specific timeframes for market participants to do that.

G. Impact on T2S

G1 Do you agree with this preliminary assessment of the possible effects of a change in T2 operating hours on T2S? If not, please give reasons.

G2 Do you identify other ways – direct or indirect – in which an extension of T2 operating hours may impact T2S?

The evolving structure of derivatives markets - driven in part by developments in crypto assets and digital finance - is increasing the demand for more flexible and responsive cash and securities settlement mechanisms. To accommodate these changes, enhancements in both cash and securities settlement processes will eventually be required. This may necessitate expanded hours for T2S.

If settlement and liquidity transfers take place in extended hours in derivatives markets, securities will need to be able to settle on the same timeline. A misalignment between cash and securities settlement times will effectively prevent clearinghouses, clearing firms, and derivatives market participants from being able to fully take advantage of the extension in T2 opening hours.

H. Implementation Timeline

H1 What notice period should the Eurosystem provide to market participants to allow them to adjust to extended operating hours?

We would welcome a reasonable implementation period of at least 2 years and an open dialogue between the ECB as well as regulators and the industry, considering that the change would be significant and requires respective operational efforts.

H2 Would you have a preference for a staggered approach or a single transition to extended operating hours?

Concerning a potential implementation timeline, we would recommend a phased approach to allow for gradual adaptation across market participants. This should also include an assessment of the need for adaptation across all TARGET services (especially T2S and the CSDs, which use it) to ensure interoperability and operational alignment within the Eurosystem. Thus, we principally recommend a staggered approach as follows:

- **Phase I**: Ensure T2 is open past 18:00 CET, enabling its use for late margin calls
- **Phase II**: Prepare T2 for a paradigm shift with longer operating hours linked to potential developments in central bank digital currencies and digital assets.

H3 Do you have short-term solutions to facilitate liquidity management while the Eurosystem considers potential extensions to T2 operating hours?

As a short-term solution, EACH suggests that all cash held in T2 be eligible for the deposit facility, including balances on T2 accounts. This would provide participants with greater flexibility in liquidity management during the transition period while the Eurosystem considers a potential extension of T2 operating hours.

H4 To enable the Eurosystem to formulate concrete proposals for extending T2 operating hours and establishing an effective implementation strategy, what timeline would your institution prefer when it comes to extending T2 operating hours?

Market participants are already facing significant change in the next 2 years (e.g. shift to T+1). Hence, EACH believes that sufficient time should be allowed to ensure a smooth and resilient adoption of any extension to T2 operating hours. Depending on the concrete extensions, EACH feels that an adaptation period of at least two years after the agreed upon extension is decided on.

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