

# Comments

## **GBIC comments on ECB public consultation on possible extension of T2 operating hours**

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

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## Comments

The German Banking Industry Committee (**GBIC**) highly welcomes the ECB's initiative to explore possible extensions of TARGET2 operating hours. The TARGET services are crucial component for the functioning of banking operations. Keeping abreast with market developments such as instant payments is key for the financial industry, their clients and the single currency.

The broad scope of the consultation has led to numerous discussions within the Banking Industry. This underlines the complexity and far-reaching implications of the extension of the TARGET2 operating hours. Thus, the current consultation should be understood to be the start of a structured and constructive dialogue between the Eurosystem and the banking industry.

In addition to our detailed response, we would like to highlight the following points as particularly relevant:

### Short term measures

In the very short term, the Eurosystem should take up the pressing requirements arising from instant payments, which have already been presented by the industry. These include:

- extension of CLM operating hours (24/7/365) enabling banks to (automatically) transfer liquidity between the MCA and the TIPS DCA on all calendar days and using ECBs liquidity facilities against collateral; linking the accounts would also significantly simplify the calculation of minimum reserves;
- remuneration:
  - correcting the current disadvantage of the TIPS DCA in terms of interest remuneration;
  - extending the remuneration to 365 value days.

These measures, if managed properly and planned holistically, could also solve similar challenges faced in the future, e.g. as regards a possible digital euro or other innovations requiring dedicated DCAs.

### Extension of RTGS operating hours

- In the long run, especially international high-value interbank and customer payments (**HVP**) might call for an extension of RTGS operating hours, as well. This could lead to an extension to all business days, an extension of operation hours within a business or calendar day, and adjustments to the time in point of the business day change and its accompanying downtimes. Whereas the extension of the operating hours of CLM are mandatory, the benefits of extending operation hours for RTGS should be weighed against the resulting costs: facilitating payments on all calendar days and with shorter interruptions could indeed support market demand in an international context. However, high implementing costs (IT-systems) and running costs (i.a. staff allocation) call for further analysis. Especially the determination of a "sweet spot" for the point in time at which the T2 business day changes requires further scrutiny.
- For reasons of proportionality the approach should be based on an "opt in"-model: depending on the business model of an individual bank, an extension of business hours for payments may indeed be highly desirable. This, however, does not apply to every bank or

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customer segment. A future-proof RTGS system shall indeed facilitate innovation and efficiency – a “one size fits all”-approach would not fulfil this purpose.

Against this background, the GBIC is anticipating a fruitful continuation of the constructive dialogue initiated by the ECB on this very important topic.