

## Outcome

### Advisory Group on Market Infrastructures on Payments

Tuesday 17 April 2018, 2017, 09.30 – 14.30, Room C36.01  
European Central Bank, Kaiserstrasse 29, 60311 Frankfurt am Main

#### 1. Welcome and adoption of the agenda

**Outcome:**

The Chair welcomed the members and in particular Mr Angus Scott (CLS, replacing John Hagon) and Mr Fernando Castaño (Banco de España, replacing Carlos Conesa).

The members agreed on the agenda.

#### 2. Status update on TIPS

The ECB will provide a status update on the TIPS project.

**Outcome:**

The ECB provided a status update on the TIPS project highlighting that the project is on track.

Following the question of a member on the user training sessions in June and August 2018, the ECB clarified that priority will be given to parties that will migrate in November 2018.

The members took note of the update.

Moreover, the participants were informed that Harmonised Terms and Conditions for TIPS will be presented to the TIPS Contact Group members in a dedicated workshop on 19 April 2018.

### **3. Status update on the T2/T2S consolidation**

The ECB will provide a status update on the T2/T2S consolidation project.

#### **Outcome:**

The ECB provided a status update on the T2-T2S consolidation project that entered into the realisation phase after having been approved by the ECB Governing Council in December 2017. The ECB recalled the rationale behind the decision discussed by the AMI-Pay in its 29 September 2017 meeting to rely on a big-bang approach for the migration to ISO20022 (i.e. such a big-bang approach needs to be followed due to the network agnostic nature of the project which implies replacing the SWIFT Y-copy which cannot be done partially). The ECB will elaborate risk mitigating measures related to this approach.

Some members stressed the usefulness for the top level management of European banks to gain visibility on the importance to dedicate sufficient budget and resources to ensure their timely migration to a new RTGS once TARGET2 is closed. Others expressed their surprise that there is a need to highlight how vital it is to have continued access to central bank money and the RTGS. The ECB will consider this request to increase high-level public communication on this topic and investigate possible options.

Following the question of a participant on the AS input to the UDFS, the ECB clarified any input is welcome.

Following the question of a member on the different ISO20022 messages used for the T2-T2S consolidation, the ECB noted that the HVPS+ Group of SWIFT, with the strong involvement of the banks, aims at ensuring the largest possible convergence of high-value payment standards worldwide.

Considering the multi-year nature of the T2-T2S consolidation project, one member asked to have view on the scope of UDFS version1.0 to be provided in November 2018 and the subsequent version 2.0 planned for July 2019. The request also concerned a possibility to provide additional, business context of the changes brought by the T2-T2S Consolidation project. In this regard, the ECB noted that in the April contact group meeting, a presentation will provide this information. Moreover a business description document will be published at the latest by November 2018 to support banks' analysis of their needs.

#### 4. Impact of CLSNow on euro liquidity management

On the basis of a presentation by CLS, AMI-Pay participants will be invited to consider the impact of CLSNow, a service for same day FX settlement, on euro liquidity management.

Document:

*CLS Presentation on CLSNow – envisaged functioning*

**Outcome:**

The CLS representative provided a presentation of the envisaged functionalities of CLSNow, a service that aims to offer a PvP solution for same-day trades (including for out legs of In/Out Swaps).

The following main points were raised by the members when considering the possible impact of this service on euro liquidity management:

- this service takes risk out of one part of the market and shifts risk somewhere else in the market.
- the introduction of the out leg was deemed problematic as it brings a difference between self-clearers and banks relying on nostro agents as in the latter case, these banks would have to rely on an intraday credit line which would generate liquidity concern. In a stressed market, it is questionable whether this practice would be workable.
- from a European perspective, not many European banks are currently taking part in preparing for the initiative.

The group of banks that are involved since the start are mainly banks that are self-clearers in the main currencies.

- the cut off time for the service was deemed too late.
- for internal purposes, banks typically classify some payments as critical payments, which includes CLS Payments which has an impact on the collateral needs to be able to make this critical payment under any condition.
- if American banks cut their In/Out swap limits towards banks not being in CLSNow, the European banks will not have a favourable situation not being a self-clearer for USD.

The CLS representative noted that they are not in a position to enforce the use of CLSNow and if there is strong feedback that more work needs to be conducted with AMI-Pay, this will be followed-up upon.

The interaction of nostros and work of time difference is still work in progress. CLS's view is that this service takes the FX risk out of the market while the liquidity risk should be manageable.

From a central bank operator perspective, the ECB noted that there are concerns that an amount of liquidity could be trapped for a time that would simply be too long and would affect the overall efficiency of the system. The ECB therefore called for building, from the start, a solution that could cope with “normal” liquidity conditions and most of the 60bn€ transactions that were referred to in the 2015 survey by CLS.

Follow-up:

The ECB will facilitate a workshop/ad hoc meeting to discuss and mitigate the concerns raised.

In parallel, the Eurosystem oversight function will consider this topic and will bring any concerns to the CLS lead overseer.

## 5. Follow-up to the workshop on issues related to instant payments

As agreed in the December 2017 AMI-Pay meeting, an ad hoc workshop on issues related to instant payments was organised on 12 March 2018. AMI-Pay participants will be invited to consider the outcome of the workshop and agree on the way forward.

Document:

*Outcome of the AMI-Pay workshop on issues related to instant payments*

**Outcome:**

The ECB presented the outcome of the ad hoc AMI-Pay workshop on issues related to instant payments, covering both value dating and sanctions screening in the context of instant payments. The European Commission representative welcomed a common approach on the topic of value dating based on voluntary participation. He further noted that the approach based on the value date that would be based on the calendar day seems to be the best way forward, as other solutions would be difficult to explain for end users.

With regard to **value dating**, the members generally supported the outcome of the workshop, i.e. a common approach among PSPs whereby transactions are value dated on the calendar date on which they are executed. As to the follow-up, the members supported sharing the outcome of this discussion with the ERPB via a communication from AMI-Pay to the ERPB, which could then endorse it as a non-binding best practice.

Some members noted some further technical issues such as time zones or business days would need to be looked at. With regard to time zones, the members agreed to try and find a common approach in

drafting the communication to the ERPB. In this regard, one member noted that the SCT Inst Rulebook defines a timestamp based on CET which could be a basis to define this common time.

With regard to the business days applied by infrastructures, the members agreed to separate this topic for further discussion as it is not directly linked to end-user value dating.

One member highlighted the need for careful drafting regarding the complexity of this issue. The ECB agreed but noted the support from the Commission and the voluntary nature of this best practice.

Follow-up:

The ECB will prepare a draft communication to the ERPB in cooperation with volunteer members. The draft will be shared with the AMI-Pay for finalisation in written procedure before being further submitted to the 18 June ERPB meeting.

With regard to **sanctions screening**, the EPC representative noted that this point has been raised in the context of the SCT Inst scheme. As a result of that the Risk Management Annex was revised, taking the approach recommended by the ad hoc AMI-Pay workshop (i.e. following the black or white approach and reject the transactions in such cases).

## 6. Update on T2 operations

The ECB will provide an update on the latest developments of T2 operations.

Outcome:

The ECB provided an update on the TARGET2 operations. The ECB further informed the participants of the re-enforced end-point security measures (SWIFT CSP and revised self-certification exercise for critical participants, which will be applicable from 2019 onwards).

The members took note of the update.

## 7. Any other business

### Outcome:

The ECB informed the participants on:

- the **Cyber Resilience Oversight Expectations** (CROE) that aims to operationalise the global CPMI-IOSCO guidance on cyber resilience for FMIs. The CROE were published on 10 April 2018 for consultation until 5 June 2018<sup>1</sup>.

Follow-up: AMI-Pay participants are invited to provide comments on the consultative documents by 16 May 2018, potentially based on the input of NSGs. On this basis, a common AMI-Pay feedback to this consultation will be prepared for finalisation by AMI-Pay in written procedure.

- the **European Framework for Threat-Intelligence Based Ethical Redteaming** (TIBER-EU), an “institution-agnostic” framework based on frameworks which are already applied to financial institutions.

Following the suggestion of some members, a discussion on value dating practices of ACHs could be organised based on the written description of the issue by an AMI-Pay member.

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<sup>1</sup> [http://www.ecb.europa.eu/paym/cons/html/cyber\\_resilience\\_oversight\\_expectations.en.html](http://www.ecb.europa.eu/paym/cons/html/cyber_resilience_oversight_expectations.en.html)