

FINAL

20 February 2017

OUTCOME OF THE 4TH MEETING OF THE TASK FORCE ON TARGET INSTANT PAYMENTS SETTLEMENT

17 January 2017 – 10:00 to 16:00

European Central Bank, Sonnemannstraße 20, Frankfurt am Main, Germany

1. Introductory Remarks

The Chairperson will make introductory remarks.

As mentioned in the previous meeting, the TIPS project team is currently traveling around Europe on the “TIPS on Tour” to present TIPS to different communities in Europe. The aim is to inform about TIPS and to gather market expectations about TIPS. “TIPS on Tour” has already been hosted in Amsterdam, Frankfurt, Madrid and Lisbon. The project team gave a high-level view of their impressions from the concluded sessions. The next presentations will take place in Athens, Nicosia, Tallinn, Paris, Dublin, Rome, Bratislava, Vienna and Ljubljana.

2. TIPS related topics

The Task Force will be presented with an overview of the changes made in the latest version of the URD, in particular with a focus on performance requirements, recall process, information services and the liquidity transfer.

The Task Force will also be presented with examples of uses cases for TIPS actors.

Background documents:

- *TARGET Instant Payments Settlement User Requirements version 0.1 (in track changes)*
- *Examples of Use Cases and other topics*

A project team member explained the four types of actors (National Central Bank, Participant, Reachable Party and Instructing Party).

First, the role of the **National Central Bank** was explained. The National Central Banks will mainly be responsible for the management of reference data of the participants' accounts. In

addition, National Central Banks should be able to manage liquidity transfer between TIPS and the RTGS system on behalf of a TIPS Participant, even if the Participant account is blocked. Also, it was once again clarified that National Central Banks will provide service during standard support hours.

A discussion followed on whether the National Central Bank could be the only entity that is able to block a Participant's account. As reported during the previous TF meeting, the Eurosystem has a preference for enabling only the Central Bank to block Participants accounts as the possible business case relates to insolvency (in which case the Central Bank carries the responsibility for blocking). A TF member raised the point that it should be possible for a Participant to block its own account (e.g. if a parent company wants to block an account that has been set up for one subsidiary). It was agreed that the blocking functionality should be available to the National Central Banks only.

In addition, the blocking of the CMB should be available to National Central Banks as well; the expectation is that the National Central Banks would support their Participants in exceptional cases when the Participant is unable to perform this function. In general, it is expected that the management of the CMBs will be conducted by the Participant or by the Instructing Party on its behalf.

It was acknowledged by the TF that because of the high volume and nature of instant payments (customer to customer payments of small amounts), it was not deemed necessary that a National Central Bank should be allowed to instruct or recall instant payments transactions on behalf of Participants in TIPS. Also, TIPS will provide the National Central Banks with reporting, queries, and raw data for monitoring or other purposes.

Secondly, the role of the **Participant** was explained. The Participants will be able to have accounts/CMBs in TIPS and may have contractual agreement with Reachable Parties or Instructing Parties to use its TIPS account or CMBs. TIPS will have only a contractual agreement with the Participants.

The possibility for ACHs to become a Participant and to open an account in TIPS was discussed during the meeting. A member of the project team explained that only entities that have access to Central Bank Money are eligible to open accounts in TIPS. However, having an account in TARGET2 is not mandatory for opening an account in TIPS. The Chairperson expressed that the conditions for an ACH to open an account in TIPS may be discussed with the Central Banks, if the ACH has access to Central Bank Money.

Besides, the assumption is that Participants as well as Reachable Parties will have to comply with the SCT Inst scheme requirements (for e.g. timing requirements).

Thirdly, the role of the **Reachable Party** was explained. The Reachable Party doesn't have any account or CMB, but may have an agreement with a Participant to use one or several of their accounts. In addition, Participants can offer CMBs to Reachable Parties. A Reachable Party can either assume the additional role of an Instructing Party or have contractual agreements with another Instructing Party to connect with TIPS.

Finally, the role of an **Instructing Party** was explained. An Instructing Party is an entity that has a contractual agreement with a Participant or a Reachable Party to act on its behalf in TIPS. However, the Participant remains responsible for the account or CMB that is managed by an Instructing Party. ACHs and technical service providers may assume in TIPS the role of an Instructing Party, acting on behalf of a Participant or a Reachable Party. The Instructing Party will be expected to fulfil the connectivity requirements such as information security and cyber resilience requirements, which will be defined by the Eurosystem.

Several TF members suggested changing the terms used to denote TIPS actors. A TF member suggested that, in particular, the roles and responsibilities of the actors could be elaborated in a better way in the descriptive parts of the URD, e.g. by adding a table with clarifications. The Chairperson explained that those comments will be taken into consideration; but expressed that changing the wording after the market consultation might confuse the market.

Then 6 use cases explaining the process flows in TIPS was presented. The use cases illustrate different TIPS Actors on the originator and beneficiary sides. **Use case 1** showed a simple case of instant payments settlement between two Participants. Based on the BICs provided in the instruction message, TIPS will be able to retrieve the defaulted TIPS accounts.

Use case 2 showed the settlement between one Participant and one Instructing Party (which could be an ACH) acting on behalf of a Participant.

Use case 3 showed the settlement between one Participant and an Instructing Party acting on behalf of a Reachable Party on a CMB on the originator side. TIPS performs a double validation when a transaction involves a CMB. First, TIPS checks that the limit on the CMB is not exceeded, then validates if there are enough funds at the account level. If a transaction does not exceed the limit of the CMB, it can still be rejected if there is not sufficient liquidity in the account. The project team member explained that if the CMB is decreased, the account linked to this CMB will be debited with the same amount. Participants have to manage the CMB limit themselves; they can set any amount for the limit (even higher than the liquidity available on the account linked to the CMB).

There was a request from the TF Participants to have functionality in TIPS informing the Participant that the liquidity on its account is low or going below a certain amount, so that the

Participant can actively and in an automated way ensure the funding. The Chairperson agreed that this comment will be considered during the market consultation phase. A TF member asked about the process if there is a transaction between two CMBs that are linked to the same account. It was explained that in this case the process will follow the standard process; i.e. the transaction can potentially be rejected if there is insufficient liquidity in the account.

Use case 4 illustrated the process between two Participants in case of linking one BIC to several accounts in TIPS. If a Participant provides only BICs in the message to TIPS, TIPS will derive the default account or CMB. If a Participant provides an explicit account to be used in TIPS, then TIPS will use account instead of the default account setup in the system. During this discussion, the TF members explained that the possibility to link one BIC to several accounts in TIPS is not needed; as it will divide the liquidity. The Chairperson agreed with the TF that this possibility will be deleted from the URD, as it introduces complexity and is not a valid use case.

Use case 5 illustrated an instant payment transaction between a Participant and a Reachable Party using two CMBs with the same BIC. The TF members did not see any clear business value in this setup either. It was agreed to delete this possibility from the URD.

Use case 6 illustrated that Participants/Reachable Parties cannot have more than one Instructing Party acting on its behalf on the beneficiary side.

After the discussion on the use cases, a TIPS project team member described the recall function in TIPS. When the Originator Participant sends a recall request to TIPS, TIPS will forward the request to the Beneficiary Participant. For the recall answer, in case of rejection, TIPS will forward the message to the Originator Participant without any processing. In case of a positive answer, TIPS will perform the validations as described in the URD, and will create a new transaction to credit on the default account linked to the BIC received in the original transaction. The positive recall message will be a pacs.004 as described by the SCT Inst implementation guidelines.

On the discussion on the liquidity transfer part, it was explained that there is no reservation of funds, as the amount is settled immediately. It was discussed that the requirement for a credit notification in case of liquidity transfer to TIPS will be incorporated in the URD.

3. Discussion on the URD

Review and discuss comments on the TIPS URD sent out for market consultation on 9 January 2017.

Background documents:

- *TARGET Instant Payments Settlement User Requirements version 0.1*

- *Task Force feedback and comments received on URD*

The project team received the first feedback from TF members on the URD sent for Market consultation on 9 January 2017. More than 80 comments were submitted before the TF meeting. A project team member explained that some comments are straightforward, e.g. typos and will be incorporated in the next URD. Other comments needed to be discussed with the TF.

Therefore, during the meeting the TF went through the comments where more clarification was needed. A TF member suggested that a clarification may be added to the requirement on planned downtime to clearly distinguish between software changes and crisis situations. Also, it was mentioned that National Central Banks can define support hours different from the TIPS service desk support hours.

Then, a value date discussion took place. A member of the TF highlighted that there is clear difference between the end customer value date and the value date from the bank's perspective. The first mentioned is using the book date, which is every day of the week including holidays and weekends.

Finally, a TF member raised concern about the 5 seconds target time that TIPS proposes for instant payments instruction processing. It was mentioned that this target is not advanced enough. There were a few suggestions that TIPS should ideally process 99.9% of instant payment transactions in 1-2 seconds.

The next URD version, which will be available after the TIPS market consultation, will be updated with the input received during the meeting. The comments not clarified during the meeting will be further analysed by the ECB project team. Feedback on all comments received will be provided during March.

4. Work Plan of the Task Force

The Task Force will receive an oral update of the work plan.

The project team will provide a set of documents to the potential service provider(s) by the end of January 2017. This set of documents might include an updated version of the URD, as comments received from TF Participants, before and during this TF meeting, might be implemented in case they are impacting the scope of the URD. In case it is necessary to update the URD the URD needs to be reviewed by the MIB. All other TF comments, which do not have an impact on the scope, will be considered after the official market consultation.

One TF member asked for clarification about the market consultation feedback. This member explained that its institution represents more than 1000 institutions which might want to provide

feedback on the market consultation. The Chairperson answered that the excel sheet that has been sent with the URD should be used to submit feedback. The project team expects to receive one excel sheet per institution. However, the institutions which represent several institutions could however provide one excel sheet only, instead of one per “represented” institution. They could use one additional column within the table to identify the “represented” institution that has made the comments, if preferred. Generally, the Chairperson encouraged the institutions to use the provided excel file when submitting comments on the URD as it facilitates faster consolidation of the comments by the TIPS project team.

For the next TF meeting on 9 March the aim is to discuss the feedback received on the market consultation and receive guidance from the TF on how to deal with the feedback, if applicable. However, it is not easy to predict whether a full day meeting would be needed at this stage or if e.g. a teleconference could be sufficient. Some TF participants raised the point that it is important and more effective to have a physical meeting in Frankfurt am Main than a teleconference. It was decided that the assumption is that the meeting will take place on 9 March 2017 as planned; this will be definitely confirmed at the end of the market consultation.

The Chairperson suggested sending the merged (but unanswered) market consultation feedback to the TF soon after the deadline of the market consultation on 24 February. Prior to the meeting, further documentation will be made available to the TF if needed and depending on the nature of the market consultation comments

Finally, the TF was informed that an AMI-Pay meeting will take place on 9 February 2017, where TIPS will be discussed. Also, the Chairperson stressed again that the goal is to finish the investigation phase in June 2017. Go live is planned for November 2018, if the Governing Council gives a go-ahead for the realisation phase in June 2017.

5. Any Other Business

Background documents:

- *List of action points*

A project team member presented the list of opened action points. Action point 3.02 remains open, as the TF Members have to provide their feedback on the URD until 24 February 2017. It was agreed to close all other action points.