

16 August 2017

Outcome

7th Task Force on Future RTGS Services

19 July 2017, from 09:30 until 17:00

held at the ECB, Sonnemannstraße 20, Frankfurt am Main, room C2.06

1. Introduction

The Chairperson will welcome the participants and open the meeting.

Outcome:

The chairman, Holger Thiemann, opened the meeting. The participants approved the agenda of the meeting.

2. Open topics

The ECB organised a market consultation on the User Requirement Documents for the future RTGS services, which ended on 30 June 2017. The project team will invite the participants to share their views on the open topics on which the respondents have provided controversial feedback.

Document:

- *Open topics for TF-FRS*

Outcome:

The project team presented the statistics on the comments on the URDs received during the market consultation and confirmed that the comments together with the responses will be published on the ECB website in due time. The task force was invited to share their views on following topics:

- *Banking Group vs Consolidated Monitoring of Accounts*

The participants agreed on the proposal to use “Banking Group” as a term identifying a group of banks that are monitored jointly for oversight purposes, and to use the term “Consolidated Monitoring of Accounts” as a term for a group of participants that have agreed to jointly monitor liquidity on (part of) their accounts. Both notions are set up and checked by central banks based on the terms and conditions (to be defined) and based on the registration forms from the participants. There is no need to validate a dependency between these notions at platform level.

While the definition, which credit institutions belong to the same Banking Group, takes legal, regulatory and oversight aspects into account, a credit institution defines which MCAs and DCAs shall belong to the Consolidated Monitoring of Accounts they operate. The owners of the respective MCAs and DCAs must have given the respective consent to the credit institution responsible for the consolidated monitoring.¹

- Whitelist

A credit institution can, on its MCA/DCA, optionally set up a whitelist of other MCAs/DCAs from where they accept or to where they allow liquidity transfers. These MCAs/DCAs can belong to any Party defined in the system. By default, all liquidity transfers to and from central bank accounts are exempted from the whitelist check. If the whitelist is set up on a MCA/DCA, the system checks that the deliverer's / receiver's DCA/MCA indicated in the liquidity transfer is in the list. If not, the system rejects the liquidity transfer and sends a notification to the sender indicating in a reason code the unsuccessful whitelist check. The participants noted that as long as T2S EOD cash sweep is mandatory, these sweeps shall overwrite the whitelist check. It was agreed that the whitelists are maintained directly by the credit institutions, but the central banks shall be able to view and update on behalf of the participant the lists that their participants have set up. It has been agreed that the whitelist should not be publicly available. The project team shall assess whether there is an actual business case and necessity for the intraday updates in whitelists and, if so, whether it is performance-wise reasonable to allow them.

It was agreed that in case of a liquidity transfer movement within a service (i.e. between two RTGS DCAs and two CLM MCAs), the service checks that both accounts (1) belong to the same Liquidity Transfer Group and (2) are in the respective whitelists, if set up.

- RTGS features

The participants agreed that the system shall automatically cancel the customer payments received after the cut-off time, but before EOD. In addition, they invited the project team to check with ancillary systems whether their interaction with the future RTGS and in light of the future changes to ASI procedures would require the usage of "Reject Time" or "TILL time". The TF participants did not identify a business case for payment business to use the feature "Reject Time"².

The participants confirmed that there is a requirement for having RTGS DCAs with BIC11s that are not published in RTGS directory; such unpublished BIC11s may be used in specific bilateral arrangements. The general rule that all BICs used need to be SWIFT published BICs, remains

¹ After the meeting the project team introduced the following terms to avoid any confusion:

- Banking Group: A grouping of parties allowing a collective monitoring from oversight and regulation perspective
- Account Monitoring Group: Clustering of accounts for liquidity monitoring purposes
- Liquidity Transfer Group: Clustering of accounts for liquidity management purposes

² After the meeting it was confirmed that at least one CCP is using "Reject Time" and "Till Time".

confirmed (i.e. a BIC can be unpublished in the RTGS directory but it is published in the SWIFT BIC directory).

- Limit management

The participants agreed that bilateral and multilateral limits, that shall be defined on account level, shall cover only Normal priority payments and not payments with AS. The credit institutions can set up the limits at RTGS DCA against the respective accounts.

- Message subscription

The participants agreed that the users shall configure the message subscription for notifications at MCA/DCA level for each notification type. The users can make changes to message subscription with validity from the next business day.

- Liquidity Transfers

The participants confirmed that a lack of payment capacity (i.e. cash and credit line) on MCA to settle CB operations shall trigger automatic liquidity transfers from the associated liquidity transfer RTGS DCA. These automatic liquidity transfers are mandatory and do not require any prior configuration by the Party.

The Parties can, however, optionally define both on RTGS DCA and CLM MCA reasons that trigger a specific reaction in the service. Such reasons can be predefined floor and ceiling amounts or lack of liquidity on RTGS DCA to settle a U/HU payment. For each reason, the Party can define the applicable system reaction: (1) send an U2A alert or (2) send an A2A notification or (3) create and process immediately an automated liquidity transfer or (4) do nothing, if the reaction to a trigger is not defined. The participants took note that alert/notification will not include any information on the missing amount.

In terms of processing, the participants confirmed that any liquidity transfer initiated by a third party (i.e. AS) or by the system based on the Standing Order can settle partially, while any immediate liquidity transfer entered by the owner or manager of the account shall settle based on all-or-nothing principle. The project team was invited to provide a comprehensive overview of different types of liquidity transfers and their behaviour in the URD.

- Notifications

The participants agreed on the following principles on notifications for payment business (including LTs):

- a) At receipt by ESMIG, the sender of the A2A message receives by default a technical acknowledgement of the receipt (ACK) or rejection (NACK).
- b) After business validation, the sender of the A2A message receives a notification only if the validation failed (with respective reason codes). This notification is sent by default. If the instruction is entered via U2A, the errors are shown on the screen only. No notification shall be sent in case of successful business validation.

- c) *After successful settlement and only if they have subscribed for these notifications, the system shall send settlement confirmations to (1) the sender of the message, (2) the owner of the debited account and (3) the owner of the credited account. The system shall avoid sending duplicate messages, if two of the above actors are the same Party.*
 - d) *If the payment is rejected, the system shall send settlement rejections (1) by default to the sender of the message and (2) to the owner of the account to be debited only if they have subscribed for these notifications. Similarly, the system shall avoid sending duplicate messages.*
 - e) *In case modification requests to the queued payments submitted in A2A (i.e. update to FROM time or change between U and N priority), the system shall send a notification of execution of the request to the sender of the message via the same channel, only if they have subscribed for these notifications. If the modification request is entered via U2A, the notification or the possible errors are shown on the screen only.*
- *Contingency case of a participant*

The participants confirmed the requirement to support the Back value Payments and took note that the dropping of the check on Value Date in incoming payment messages can only be made by the Service Operator and it applies to all affected participants³. Furthermore, it was highlighted that the local systems of the receiver of the payment must be able to cope with the Back value Payments. Any related issue shall be sorted out between the banks.

- *Account and Party relationship*

The task force returned to the discussion on Account and Party relationship. It was clarified that

- a) *The same institution shall be defined as a Party only once in CRDM per CB. There it shall be defined as well whether the Party is a participant in CLM, RTGS, T2S and/or TIPS. Several Parties may belong to the same legal entity (i.e. have the same LEI).*
- b) *A Party may have several accounts in the same service. Each RTGS DCA shall have a number and shall be addressable via a dedicated BIC11. Each BIC11 can be assigned to only one RTGS DCA, but the participant can assign the same BIC11 to accounts in other services (i.e. CLM, TIPS, T2S) also. The same BIC11 and therefore the same RTGS DCA can be used for HVP and AS settlement purposes. Dedicated RTGS DCAs for AS settlement can also be opened with a different BIC for separating the AS business from payment business. The current ASI procedure 6 Interfaced will make use of sub-accounts.*

The project team will align the URDs to the above approach.

³ Participants whose accounts were credited or debited by backup payments.

3. Any Other Business

The chairman invited the participants to brainstorm on the possible options to mitigate the risks related to the big-bang migration from MT to ISO messages. The task force discussed the option of migrating to CLM before the migration to RTGS. While some participants feared that this would increase the costs and risks and is therefore not feasible, others considered this as a potential option. Although a longer testing time would also ensure that more credit institutions would be ready, the participants invited the project team to assess the possibilities to introduce a MT/ISO converter for a specific period for contingency.

The project team will assess the options carefully and will consult the central banks on the chosen approach for migration. The participants were invited to share other ideas on mitigating the migration risk with the project team in writing.

The chairman reminded that this was the last TF-FRS meeting and thanked the participants for their availability and fruitful contributions. In December 2017, the Governing Council shall decide whether to realise the project. If the decision is positive, the governance structure will stipulate which (new) groups will support the project.