

OUTCOME OF THE 2ND MEETING OF THE TASK FORCE ON TARGET INSTANT PAYMENTS SETTLEMENT

17 November 2016 – 09:30 to 17:00

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

1. Introductory Remarks

The Chairman will make introductory remarks.

Background documents:

- *Revised Work Plan*

The Chairperson opened the meeting by reflecting over the outcome of the previous meeting and emphasised the importance of clarifying the scope of TIPS during this meeting.

The project team informed the participants that the final outcome of the previous meeting will be shared with the Task Force (TF) after this meeting. The project team clarified that some of the comments received will not be addressed in the outcome, but considered by the project team when drafting the URD.

A revised work plan was presented, as the market consultation is anticipated to start on 9 January 2017 and it will last until end of February 2017, to enable a longer market consultation. With this change, the URD should be finalised in the beginning of January 2017. The TF will meet as planned on 17 January 2017; the aim of this meeting would be to collect comments from TF participants as part of the market consultation. The TF shall meet on 9 March 2017 to finalise the URD.

2. Principles of the TARGET Instant Payments Settlement (TIPS)

The Task Force will be presented with the Principles and the clarification of the Principles.

Background documents:

- *Principles of the TIPS*

The TF discussed once again the principles and the related clarifications. Some participants wondered whether certain principles and their clarifications are compliant with the previously presented scope. The Chairperson concluded by agreeing on potentially updating the wording and clarifications of some of the principles and when checked by the MIB, the principles will be incorporated into the URD.

3. Draft URD of the TARGET Instant Payments Settlement (TIPS)

Proposals which found broad agreement at the previous meeting have been drafted as user requirements and sent to the Task Force in a written procedure. The Task Force will review the comments received and their incorporation into the user requirements.

Background documents:

- *TARGET Instant Payments Settlement User Requirements – Draft*
- *Overview of comments received via the written procedure (provided at the meeting)*

The project team provided the TF with an oral update on the written procedure and was given a feedback on the received input. The ECB will send an updated URD for review on 7 December 2016, together with the overview of the received comments and their feedback. The participants are asked to provide feedback until 14 December 2016. As per suggestion, the template for providing feedback will be prefilled with requirement IDs and headlines.

4. Proposals for the TARGET Instant Payments Settlement (TIPS)

Updated proposals from the previous meeting will be re-presented for discussion in the Task Force. The Task Force will also discuss a new set of proposals.

Background documents:

- *Proposals of the TIPS*

The Chairperson clarified that TIPS is only foreseen to provide settlement and a few basic functionalities which are essential for settlement (e.g. technical validations). Furthermore, the Chairperson confirmed that TIPS will support the participants to comply with the **SCT Inst scheme**. However, in the future, it cannot be excluded that TIPS could support the compliance with additional schemes. A participant stressed that by only supporting the SCT Inst scheme, the aim of making the TIPS multicurrency is not feasible, as SCT Inst scheme only supports euro. However, in this case a member of the TF pointed out that, an SCT Inst-like scheme may be used.

The project team presented **three alternative processing models** for TIPS. While alternative one is compliant with the SCT Inst scheme, the other alternatives were interpreted as not fully compliant. For alternative two it was highlighted that it is the simplest one to develop from a technical point of view. At the same time some participants compared the alternative three with the 'Australian Model'. For some participants, the depicted flow for the latter model included an unnecessary risk, as the instruction will be routed without reservation. For others the model was not in line with the EPC SCT Inst scheme. It was concluded that alternative one shall be used as the working assumption and the project team shall draft the related user requirements on the basis of this model.

The Chairperson confirmed that for the time being, TIPS would only be able to receive **funding** during the opening hours of TARGET2. The participants acknowledged that it would add substantial value to the PSPs if TARGET2 could have longer opening hours. The Chairperson agreed to convey this market demand to the T2/T2S Consolidation project.

A participant asked how the process will be in case a participant wants to transfer funds to someone not in TIPS. A member of the project team clarified that TIPS will ensure the mutual **reachability** of its participants only. In this respect, few participants raised concerns about the interoperability and a participant pointed out that since the scope of TIPS enables PSPs to execute instant payments (with no need to make use of CSMs and since the participation in TIPS will not be mandatory), TIPS should ensure full technical and business interoperability with SCT Inst scheme compliant infrastructures active in the market, in order to secure full reachability of PSPs across the EU. Therefore, the participant proposed to add a new principle. The Chairperson acknowledged the concerns, but clarified that no new principles will be added as it would lead to a fundamental change to the TIPS concept. Then it was discussed how the originator could know if the beneficiary participant is in TIPS. Members of the TF suggested that TIPS should provide a reachability table including a list of participants in TIPS.

The discussion progressed on whether TIPS should also provide a **list** of institutions that are SCT Inst scheme compliant and whether TIPS should validate the compliance of its participants against such a list, i.e. a copy of the list published by EPC (EPC publishes a list of institutions that are taking part in the SCT Inst scheme). The Chairperson replied that in case there is such a requirement for TIPS, then another solution could be to ask TIPS participants to confirm their compliance with the SCT Inst scheme as part of their registration to TIPS.

The **accounts** in TIPS are only for settlement purposes and the accounts are opened in the books of the responsible National Central Banks. As far as the euro is concerned, participation rules will be the same as the one applied for TARGET2. Upon request of the TF, it was agreed that no limit checks will be performed in TIPS, except optionally the credit memorandum

balance (CMB) limits. There has not been a homogeneous view on the usefulness of a CMB limit in TIPS.

The project team clarified that TIPS will check for **duplicate payment instructions** and reject the payment instruction in case a duplicate is found. The proposal was that the check should be seen as a technical check over a 72-hour-period. The duration of the period was suggested due to the coverage over the weekend. However, participants pointed out that only a shorter time period is most likely required, due to the timeout requirements of the SCT Inst scheme. The Chairperson concluded that the ECB project team will draft the URD by taking into account the existence of the timeout period envisaged in the EPC SCT Inst scheme, and by setting duplicate requirements apart from disaster recovery requirements. Also, participants of the TF should consider the needed time constraints and that the identification of the time window for duplicate check should take the EPC timeout into account, as payments are rejected anyway after the SCT Inst scheme envisages a timeout **[Action Point 2.02]**.

Some participants clearly stressed that functionalities for the NCBs to be able to block accounts in case of insolvency, should be provided in a **GUI** on a 24/7/365 basis. However, some functionalities could be provided on a non 24/7/365 basis only. It was agreed that the ECB project team shall draft a list of all functionalities that could be provided in a GUI with limited opening hours and that the TF participants should consider whether these functionalities are absolutely needed **[Action point 2.01]**.

With regards to **reporting** the project team has received requests that TIPS should provide reports on rejected transactions, end-of-day balance, amount to be considered for minimum reserve calculation etc. It was mentioned in the meeting that there are additional reporting requirements following from the SCT Inst scheme. Also, it was discussed if TIPS, on each calendar day, shall provide a daily report containing all transactions. Some participants asked for a possibility to subscribe to reports similarly to the approach in T2S. It was agreed that the Eurosystem should consider if a subscription approach similar to the functionality in T2S could be provided in TIPS. It was also agreed that subscription functionality should be available for pushing of reports and that queries should be in pull mode.

On the discussion on the **data** and access to historic data, it was discussed for how long the data is needed. A few participants argued that 2 months may be too long. It was agreed that the TF should consider if direct access should be given to data up to 2 months as well as considering the use case of the data access **[Action Point 2.04]**. It was also agreed that the ECB should consider if there is a requirement for TIPS to follow the business days of the linked RTGS systems, e.g. TARGET2.

As an input for this discussion on the **directory**, it was agreed that the TF should consider how frequently the directory data should be made available for the participants and who should be responsible for these updates **[Action Point 2.03]**.

A participant asked who will take care of the management of the **time-out**. A member of the project team clarified that TIPS will be performing this role.

With regards to the discussion on the **availability** of TIPS, a participant suggested to measure the *unplanned* downtime on a quarterly basis instead of a yearly basis. It was highlighted that it was only in case of emergency and not for maintenance purposes. On the other side, some participants stated that having *planned* downtime would not be compliant to the SCT Inst scheme. The ECB project team raised the possible business case of an upgrade due to a new version of the messaging standard; and asked whether this would not be considered as planned downtime. A participant reacted that in case of an active system such a planned upgrade would not have to hamper the downtime of the system. It was agreed that the ECB project team should consider TIPS availability and the need of e.g. planned downtime when drafting the URD.

At the previous TF meeting held on 27 October 2016 an action point was opened with regards to the message types and versioning. It was concluded that TIPS shall use the 2009 version of the ISO PACS messages. Lastly, a participant of the TF suggested the Chairperson to consider the service level agreements and the technical business support when drafting the new proposals. The Chairperson took note of this and asked the TF to consider if they have any other suggestions and to provide feedback by the end of November **[Action Point 2.05]**.

5. Testing Strategy input

The Task Force will discuss some initial concepts which could be included into the TIPS testing strategy.

Background documents:

- *Test Strategy*

The TF was presented with an overview of the **testing strategy**. It was clarified that the test strategy is the framework for testing and a deliverable for the investigation phase. It was also clarified that the test cases and test scenarios are not in scope in this phase and further potential phases of the project

The TF members were asked to provide their views on the required length of a **testing period**; a few participants replied with a need of three to four weeks for testing. It was agreed that the TF should consider the necessary timeframe for testing **[Action Point 2.06]**. In addition, it was

discussed what kind of tests should be included. The inputs from some participants were to include tests like stress test, end-to-end test, contingency test and cross-system test. This discussion led to a debate about the terminology as some participants used different terminology for e.g. the test of volumes (stress test or performance test).

A few participants suggested introducing multiple test waves/intervals as all participants may not join TIPS from the beginning. The Chairperson took note of this and asked the TF to consider if there is a need for more than one test environment **[Action Point 2.06]**.

Lastly, a participant asked if ECB would consider **pilot testing**. A pilot test is a test involving fewer initial participants (e.g. the first ones joining the service) that would allow testing all the TIPS functions without obliging the whole community testing all the functions. Similar tests have been applied for T2S. The Chairperson asked the TF to consider the need for a pilot test **[Action Point 2.06]**.

6. Any Other Business

The Chairperson invited the participants of the TF to a Christmas dinner on 19 December and asked everyone to bring a small present for the Santa Claus bag, preferably something sweet and typical for the participant's country (with a maximum value of €10).

The TF will meet on following dates:

- 20 December 2016
- 17 January 2017
- 9 March 2017

The meetings will take place at the European Central Bank, in Frankfurt am Main, Germany