

OUTCOME
**MEETING OF THE ADVISORY GROUP ON MARKET INFRASTRUCTURES
FOR PAYMENTS (AMI-Pay)**

7 December 2023, 09:30 12:00 (CEST)

Microsoft Teams

0. Introductory remarks and approval of the agenda

The Chair welcomed the participants and in particular Mr. Bruno Mellado (BNP Paribas) replacing Mr. Carlo Bovero and Mr. Fernando Lardies (Santander) replacing Mr. Luis Corbalán Sánchez de las Matas.

The participants agreed on the agenda.

1. T2 operations

The ECB will provide an update on the T2 operations.

Document:

Presentation – T2 operations

Outcome:

The ECB provided an update on the T2 operations focusing on the traffic and liquidity development by end-October 2023. It was highlighted that the earlier opening of T2-RTGS at 2:30 am led to a better distribution of volumes and values over the operating day, reducing the concentration that occurred with TARGET2 at 7am. As regards this new T2 night traffic, it appears that a higher proportion relates to correspondent banking activity with Asia and Americas. This confirms that the decision for an earlier reopening of T2 for better serving correspondent banking activity started to produce effects. It also confirms the more general hypothesis of the G20 work according to which an extension of operating hours facilitates cross-border payments. The presentation also recalled the incidents that affected participants between May and November 2023. It was stressed that the root cause of most incidents had been identified and fixes were being deployed. Overall, the stability of the system was deemed quite satisfactory having in mind that it was launched only recently. Still, the Eurosystem acknowledges that efforts need to be made on the stability of the system's GUI.

AMI-Pay took note of the update.

In response to a question by a member, the ECB clarified that it does not see a reason to have a moratorium for U2A dual connection for critical participants.

2. TIPS

2.1 TIPS in operations

The ECB will provide an update on the latest developments in TIPS in operations.

Document:

Presentation – update on TIPS in operations

Outcome:

The ECB provided an update on TIPS in operations including the traffic evolution and financial performance, an overview of rejection rates and incidents since the May AMI-Pay meeting. On the latter, it was stressed that none of the four incidents that occurred between May and November 2023 had an impact on the settlement of instant payments in TIPS. The stability and performance of TIPS remains at a very high level.

AMI-Pay took note of the update.

2.2 TIPS cross-currency settlement

The ECB will provide an update on the work on a potential cross-currency instant payments settlement functionality in TIPS and envisaged next steps.

Document:

Presentation – TIPS cross-currency settlement update

Outcome:

The ECB provided an overview of the work on the cross-currency settlement functionality in TIPS since the last AMI-Pay in May 2023, with the continuation of the discussions with the market and identification of EUR and SEK interested banks and an analysis of the OCT Inst scheme rulebook and implementation guidelines. On the latter aspect, it was noted that the analysis revealed a certain level of technical complexity whereby exchanges were held with the EPC to see how to best address these and handle possible change requests for the scheme. The TIPS-internal change request for the implementation of the OCT Inst scheme in TIPS is currently being drafted and a consultation with the TIPS governance groups will be launched shortly. The decision to go for the OCT Inst scheme of the EPC or to apply a different process for the settlement of transactions residing end-to-end on the TIPS infrastructure still needs to be taken, presumably in Q1-2024.

AMI-Pay took note of the update. The following was noted in reply to questions:

- While technical preparations are ongoing to implement the OCT Inst scheme in a staged approach in TIPS, banks' implementation will remain at their discretion as this is a non-mandatory scheme.
- The ECB identified a growing interest for the TIPS cross-currency functionality both in the euro area and the Nordics.
- The risk of traffic moving away from T2 is deemed higher with the OCT Inst scheme than with the SCT Inst scheme as most of the T2 retail transactions are non-resident payments and therefore not eligible for processing via the SCT Inst scheme.

3. Instant payments

3.1 Instant payments legislative proposal

The European Commission representative will provide an update on the status of the legislative process on the instant payments proposal.

Outcome:

The European Commission representative updated AMI-Pay on the status of the legislative process on the instant payments proposal, with in particular the provisional agreement reached by the European Parliament and Council on 7 November. This agreement includes the anticipation of amendments of the Settlement Finality Directive, envisaged in the PSD3/PSR proposal issued on 28 June 2023, for payment institutions and electronic money institutions to be eligible to participate in designated payment systems.

AMI-Pay participants took note of the update and raised the following main points:

- Some participants raised concerns on the impact of the provision requiring 10 seconds for the payer's PSP to receive a message from the payee's PSP confirming that the funds were made available on the account of the payee. These participants saw a high impact on the SCT Inst scheme rulebook but more generally on the PSPs involved as this would reduce the overall time for actors involved in the chain. They also questioned the timing of applicability of this provision.

The European Commission noted the intention of the co-legislator to support the use of instant payments at the point-of-interaction where speed is of the essence. The timing for application of this provision would be confirmed.

- On the payee verification service, some noted the lack of clarity around the concept of "almost match" that may bring some fragmentation in the way it is implemented across the EU. The European Commission emphasised the wish to see as harmonised as possible rules, noting the understanding that the EPC had already started work in this field.

- On sanctions screening, one participant stressed that despite the simplification envisaged by the legislative proposal, many banks will still be bound by screening requirements from other regions.

- One participant questioned the impact of the payee verification service extended to SCT.

- With regard to the SFD amendment, some questioned whether the ECB's envisaged approach would include an analysis of the changed counterparty risk and whether a policy would be defined, both of which were confirmed.

3.2 Value dating for instant payments

Following the December 2022 AMI-Pay meeting, and considering the interest raised by some members to explore this topic after the May 2023 meeting, the ECB is exploring possible ways forward. The ECB will present theoretical options identified for further consideration. AMI-Pay participants are invited to take note and provide input in view of the further ECB analysis.

Document:

Presentation – value dating for SCT Inst – possible options

Outcome:

As a follow-up to the December 2022 and May 2023 AMI-Pay discussions, the ECB presented possible theoretical options that could be further analysed regarding the application of the T2 calendar (a subset of the yearly calendar) applied to value date the TIPS accounts against the 24/7 update of balances also in T2 non-business days. The mismatch between the T2 calendar and the 365 calendar in TIPS could affect financially the PSPs.

The theoretical options presented were (i) to define a conventional rule that corrects the interests given to the PSP taking into account if the PSP is a net receiver or a net sender in a weekend, or (ii) to apply the yearly calendar to value date and to calculate interests not only to TIPS, but also to the other TARGET services.

Some members took the view that option (ii) would seem to be the end goal while option (i) could be an interim nature. No member urged to move quickly to any of the options. Some cautioned on the complexity of the topic that would need to be analysed from different angles, notably the funding perspective beyond the weekends, the reserve management but also the existing time zone difference in Europe. On the latter it was noted that the time zone difference question is only valid for commercial bank money.

One participant noted that whatever the outcome of that discussion, it would need to be adapted also by other CSMs.

Follow-up:

The Secretariat will invite interested members representing the ecosystem to contribute to the further analysis in view of reporting to the next AMI-Pay meeting in the first half of 2024.

4. Review of the AMI-Pay functioning

Following the May 2023 AMI-Pay meeting, participants were invited to indicate via written procedure if they have suggestions on the functioning of AMI-Pay going forward, including on possible topics to be covered. The ECB prepared a proposal for discussion based on the feedback received.

Document:

Presentation – Review of the AMI-Pay functioning

Outcome:

The AMI-Pay Secretariat presented the feedback received in the written procedure on the AMI-Pay functioning organised following the May 2023 AMI-Pay meeting as well as a suggested way forward, namely:

- On the organisation of the group: to have some analysis conducted by smaller groups to allow for more in-depth discussions for specific topics;
- On topics: considering the work conducted in other fora, to first start with a discussion on the following additional topics: (i) What would be an appropriate uptake of SCT Inst?; (ii) How to push the launch/uptake of SEPA Request-to-Pay?

Further possible topics – to the extent they fit in the AMI-Pay mandate – could be considered thereafter.

AMI-Pay supported the suggested approach.

5. Any other business

The ECB presented the recently **updated Eurosystem's retail payments strategy**, adopted by the Governing Council and published on the ECB website end-November 2023¹.

The ECB further informed AMI-Pay of the **ongoing compilation of initiatives contributing to the G20 cross-border payments targets** and invited members to report relevant initiatives via the dedicated page of the BIS².

¹ [The Eurosystem's retail payments strategy – priorities for 2024 and beyond](#) and related MIP News: [Eurosystem updates its retail payments strategy](#)

² The questionnaire is accessible at: <https://bis.survalyzer.swiss/wuzzkcprvg?!=en>