

Outcome

Advisory Group on Market Infrastructures on Payments

Thursday 9 February 2017, 09.00 – 17.00

European Central Bank

Frankfurt am Main

1. Welcome and introduction

The Chair will welcome the participants to the first meeting of the newly established Advisory Group on Market Infrastructures on Payments (AMI-Pay), invite participants to introduce themselves and ask for the approval of the agenda.

Outcome

The Chair welcomed AMI-Pay participants. After a short introduction by participants, the agenda was approved.

2. AMI-Pay - mandate and working procedures

The ECB will provide the background for establishing AMI-Pay, its objectives and the expected interaction with and contributions from AMI-Pay participants.

Outcome

The ECB underlined the importance for the Eurosystem of having an active dialogue with market participants, and that the establishment of the AMI-Pay is one activity in supporting such a dialogue. Active contribution from AMI-Pay members was furthermore emphasised as essential for the success of AMI-Pay. To ensure transparency, the intention is to have a 'real-time' outcome of the meetings, to be agreed at the meeting and published as soon as possible thereafter, together with presentations and other relevant documents.

The broad scope of the AMI-Pay was appreciated and the group agreed that it is important to liaise with T2 national user groups. It was agreed that AMI-Pay members should be the link to their national markets, channelling information in both directions.

The following upcoming meetings were announced:

21 March 2017 (teleconference),

3 May 2017,

29 September 2017 and

6-7 December 2017 (joint meeting with AMI-SeCo)

3. Quo vadis AMI-Pay?

AMI Pay participants are invited to articulate their expectations regarding AMI-Pay as well as their reflections on current and future developments in the area of payments. Participants will also be invited to provide input on services provided by the Eurosystem; e.g. governance and market involvement, as well as market developments potentially influencing the Eurosystem role in the field of payments.

Outcome

Participants considered the following policy aspects that should be considered in the future:

- PSD2 effects on the payments landscape,*
- new channels, actors and level of integration from a market infrastructure perspective,*
- safety, security and resilience were furthermore emphasised as key,*
- interoperability, access to systems, cross-border and cross-currency payments including the lack of infrastructures fit for micro payments at international level.*

There was a broad consensus to focus on strategic policy, harmonisation and innovation related aspects, affecting payment market infrastructures, avoiding duplication of what is being done in other groups, in particular the ERPB. An overview of existing projects and activities in the retail payments area, including P2P payments will be provided at the next meeting.

In the area of products and projects it was suggested that the group should actively consider market infrastructure related issues related to liquidity management. It should also consider the economic performance of services.

4. Reporting on TARGET2

The ECB will provide information on forthcoming TARGET2 releases, and an overview of the operational and financial performance of TARGET in 2016.

Outcome

The ECB reported on TARGET2 operational and financial performances in 2016. It was highlighted that the number of transactions remained stable compared to 2015, despite the migration of a number of CSDs to T2S. The overall traffic as recorded in the last months of 2016 showed a positive trend and helped achieving a cost recovery of 104% in 2016. More details will soon be published in the TARGET2 annual report.

Technical availability was explained as being based on several indicators; it was suggested that lessons learned from serious incidents could be discussed in this forum. At the request of a member, the AMI-Pay presentation for a future meeting will be enriched where possible with elements on the usage of ASI.

5. T2/T2S consolidation and future RTGS services

To create awareness amongst participants, the ECB will provide information about objectives and upcoming consultations regarding the T2/T2S consolidation and future RTGS services. Participants will be invited to have an initial discussion on liquidity management and account structure for these future Eurosystem services.

Outcome

The ECB presented the objective of its current investigations on the consolidation of TARGET2 and T2S. It was clarified that, besides the technical and functional consolidation of the systems, the Eurosystem is also considering providing new RTGS services to participants. Some examples of such new services were provided and references were made to the public consultation organised in February/March 2016. The main aim is to increase efficiency to the benefit of European financial market infrastructure functioning.

A wide variety of issues was discussed, e.g. cyber resilience, data protection, opening hours, and governance. The Eurosystem mentioned that some issues are already being addressed in various contexts, to be further discussed together with the banking industry in the further proceedings of the project.

6. Liquidity risk in the context of CLS

In the context of CLS some concern has been raised in relation to the funding of foreign denominated payments via nostro agents and the associated intraday credit risk faced. It has been suggested that central banks could try to facilitate resolving the credit risk by providing a payment guarantee mechanism. Participants are invited to outline their considerations on this issue.

Outcome

A member of the group raised the issue of CLS Nostro contingency, i.e. when a nostro agent in a different currency fails to fulfil its clients' payment obligations. Banks explained that committed credit lines and other private solutions would be very unlikely to work in a crisis scenario, asking for more active involvement of central banks, ensuring the stability of the system. In this context the concept of the Scandinavian cash pool was mentioned as a possible option to explore. At the same juncture, it was mentioned that the primary responsibility rests with participants to fulfil their settlement obligations and with the system operator to ensure end of day settlement. It was mentioned that such issues could also happen in the context of correspondent banking.

Action point: *It was agreed to provide an AMI-Pay note – based on contributions of some members – summarising the problem, to be submitted to the central bank community for further discussion.*

7. Instant payments

The ECB will inform about developments in the context of instant payments, e.g. the ERPB objectives, the EPC scheme and the ongoing work with the clearing industry

The ECB will also provide Information about the TARGET Instant Payment Service (TIPS) and the respective public consultation on the User Requirements Document. The group will also be informed about experiences gained from national TIPS, the reasoning behind pricing and the TIPS usage questionnaire.

Participants will be invited to provide detailed and substantial feed-back.

Outcome

The background of instant payments, as well as the TIPS project was presented to the participants.

Some concern was revealed that TIPS would force participants to participate in two systems. The Eurosystem pointed out that TIPS is not a new payment system, i.e. it is legally an extension of TARGET2 services to extend reachability for instant settlement.

One participant raised some concern related to the business case of instant payments, referring to other means of payment providing the same user experience. Others were of the opinion that there will be a shift to instant from other means of payment, also keeping in mind the increasing demand for real time services in general. It was emphasised, however, that full reachability is a necessary condition to ensure the success of instant payments.

The ECB clarified that the cost estimation includes investments and provision of services within the first 5 years, while the pricing model is not yet defined. The cost recovery calculation is based on 2-4 million payments/day, the system would, however, be capable of processing 10 times as much traffic from day one.

A number of issues were discussed in relation to the technical functioning of TIPS. Diverging rules on maximum amounts were raised as a potential problem that will be monitored over time by the EPC.

The relationship between TIPS and ACHs was discussed and to what extent it would be possible to use only one service provider. Transactions could still be channelled via ACHs as instructing party, using TIPS to ensure reachability. A TIPS account would in this context be equal to today's T2 liquidity account, which is different to accounts for transactions channelled via ACH, and a distinction should be made between clearing (via ACHs) and settlement (via TIPS).

Questions were raised regarding the management of reserve requirements and it was emphasised that balances in TIPS will count as minimum reserves and its management might be a learning and adaptation process over the longer run.

Action point: *To investigate settlement date/value date in relation to instant payment based on the EPC input.*

8. Any other business

The Chair thanked all participants for their attendance and contributions.