

FINAL

28 November 2016

OUTCOME OF THE 1ST MEETING OF THE TASK FORCE ON TARGET INSTANT PAYMENTS SETTLEMENT

27 October 2016 – 09:30 to 17:00

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

1. Introductory Remarks

The Chairperson of the Task Force will welcome the participants.

In the introductory remarks it was highlighted that the specific task of the TF-TIPS is to develop the detailed user requirements (URD) and hereby contribute to the scope of the new service. It was also communicated that the solution will be found in close cooperation and interaction within the Task Force.

It was clarified that in case the need for any changes to TARGET2 is identified these changes will not be handled by this project. Either the change will be seen as a change request to TARGET2 or they have to be taken up by the Eurosystem project, named TARGET2-T2S Consolidation project.

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

The Task Force will be introduced to the principles which form the framework for the TIPS. The Task Force will also discuss a set of proposals with the aim to translate them into user requirements of the TIPS.

Background documents:

- *Principles and Proposals of the TIPS*

The Task Force was introduced to the **principles** which form the framework for TIPS. It was clarified that the URD defines the scope of the new service whereas the principles set the framework upon which the new service is based.

The principles have been approved by the Market Infrastructure Board (MIB). However, several Task Force members pointed out the need for **clarification** of the specific principles. In

particular, the distinction between settlement and clearing services was discussed as well as the understanding of offering multicurrency; opening hours, eligibility, cost-recovery and liquidity provision.

With regards to the **clearing** aspect and the process flows of PSPs and ACHs in TIPS, it was pointed out that the new service is expected to do the **settlement** of instant payments in central bank money only. It was agreed that the ECB project team will depict the expected new service and highlight its scope showing also how the potential actors are represented in terms of process flows **[Action Point 1.4]**.

During the discussion on **multicurrency**, it was clarified that TIPS should be designed to allow for utilisation of different currencies, however without providing any currency conversion. For the time being, no additional currencies are expected to be included in TIPS besides the euro; the discussion is more a matter of enabling a modular and flexible design.

For the **opening hours**, it was stated that the new service should technically be capable of offering settlement functionalities 24/7/365. However, certain functionalities, e.g. billing and advanced enquiries, could be available for a shorter timeframe. It was agreed to have a detailed discussion on the availability (including the maintenance windows) and functional capabilities of the service at the next meeting.

During the discussion on participation and **eligibility**, it was agreed that the TIPS will be open to all participants who are eligible for participation in TARGET2, insofar it is relevant to the scope of the services provided by TIPS. With regards to **cost-recovery** it was clarified that the service will operate on a full cost-recovery basis and no subsidising would take place.

Also, few participants raised questions about the **liquidity** provision in TIPS and how TIPS balances might affect the minimum reserve calculation. The ECB proposal for liquidity during the meeting was to enable liquidity transfer facilities between TARGET2 and TIPS, which in the initial phase of TIPS could be available during the opening hours of TARGET2. Task Force participants made proposals for sophisticated features in TIPS such as an auto-collateralisation functionality similar to what is available in T2S. The Chairperson concluded that such features may not be possible to include in a first version of the TIPS, or may be better placed outside of TIPS, but that the topic would be further followed up on within the Eurosystem. Also, the Eurosystem will discuss the potential effects on the minimum reserve calculation in the context of TIPS and any requirements stemming from that discussion will be shared with the Task Force **[Action Point 1.5]**.

Lastly, it was agreed that the ECB project team should follow up and see how to clarify the discussed input around the principles, as in general the principles have already been approved **[Action Point 1.1]**.

The Task Force also discussed a set of **proposals** with the aim to translate them into user requirements of TIPS. The proposals have been shared in advance with the members of the Task Force. For the proposals which found broad agreement in the Task Force, it was agreed to draft specific user requirements and for the Task Force to review them via a written consultation before next meeting **[Action Point 1.2]**. For the proposals that initiated a discussion, it was agreed to clarify any open questions and continue the discussion at future meetings **[Action Point 1.3]**.

Going through proposal 1, the discussion once again turned to the **scope** of the service. Two alternatives were presented, one alternative which required two participants to be online and exchange messages and a second alternative, which required only the sending party to be online. The discussion raised relevant questions such as what objectives the two alternatives are aiming to solve and it was agreed that a clear description of TIPS should be shared with the Task Force at the next meeting **[Action Point 1.4]**. Some Task Force members were of the opinion that the first alternative should be followed as it is consistent with the SCT^{Inst} scheme and clearing services which are offered already today, whilst others expressed arguments towards the second alternative, which is closer to the current TARGET2 model and may offer advantages on the settlement layer which are not yet offered in the market. Whilst some Task Force members felt that the first alternative is the only model that can be offered by an instant payment solution, several other Task Force members appreciated that the second alternative has clear advantages and should be looked into deeper in the next meeting and put into relation to the different possible process flows. The Chairperson took note of all the input and asked the Task Force members to carefully consider the two alternatives, their consistency with the SCT^{Inst} scheme and their applicability for TIPS. No decision was taken on the two alternatives and the debate will continue at the next meeting.

Then a discussion with regards to the use of the term “**payment**” **instruction** was raised. Some members of the Task Force suggested that if a settlement-only service is aspired, then the terminology should refer to settlement instructions and not payment instructions. Also, the Task Force members felt that it was important to define key terms used in relation to instant payments to secure a common understanding. Therefore, it was agreed to prepare a glossary covering all important terms used in relation to the user requirements **[Action Point 1.6]**. In addition, some Task Force members suggested that the use of **Third Party Payment Service Providers** (TPP), as defined by the PSD2, should be avoided, as the terminology of TTP, which is intended to be depicted in the TIPS documentation, is not the same as the definition of TTP in the PSD2.

Other fundamental questions, such as who is able to initiate the transfer; type of payments and the use of bulk payments were raised. The Chairperson clarified that for the time being only

credit transfers initiated by the originator are in scope. However, in the longer run pull transactions could also be considered if a clear business case is present. For the **type of payments**, it was suggested to clarify if only customer-to-customer payments are in scope or if also bank-to-bank transfers should be allowed. Also, the need for **bulk payments** needs to be clarified and one suggestion was to consider bulk payments only in a future version of TIPS. The Chairperson took note of the input received and stated that the two latter topics will be discussed in future meetings.

For **limits check** it was debated if checks should take place in TIPS or elsewhere and what the criteria for the limit should be, e.g. value per transaction, max value per beneficiary, etc. The Chairperson asked the Task Force to consider for the next meeting the need for limits, whether these limits should be checked in or outside of TIPS and what kind/granularity of limits are needed **[Action Point 1.10]**.

On the more technical aspects, a member of the Task Force suggested to be more precise on the **messaging** including making a precise reference to ISO 20022 in the principles and to specify the version number in the proposals. Also, it was discussed if TIPS should use e.g. the latest version or the same version that the SEPA scheme is using. The Chairperson clarified that we need to keep the principles on a general level, whereas the proposals need to be detailed. It was agreed that a discussion with regards to messaging, including the precise version and the precise data in the message will take place at the next meeting **[Action Point 1.7]**.

For the **identification of the accounts**, it was debated if IBAN could be used as the account identifier. A Task Force member suggested using an internal account identifier for the accounts maintained in TIPS. However, payment instructions will follow the ISO 20022 messaging where IBAN will be the account identifier. A few Task Force members requested to explore the capability of using mobile numbers and/or alias/proxy for addressing the payment instructions as well as if ECB is willing to hold e.g. a registry of such numbers. The proposal of the ECB was not to provide a mapping service for mobile numbers/e-Mail addresses and other identifiers but that such mapping should be conducted outside of TIPS.

With regards to **monitoring**, several aspects were debated in particular with regards to the needs and functionality. The ECB proposal was to not have a GUI for TIPS, or if absolutely needed, a “light” GUI. It was also highlighted that the business case needs to be clear in case a GUI shall be developed. Some Task Force members felt that it was important, due to the need of monitoring of intraday liquidity, to have the information about instant payments and TARGET2 payments in a consolidated way to support treasury related functions whilst other Task Force members pointed out that the opening hours of the two services may not be the same. No conclusion was reached, it was therefore agreed, that the Task Force members

should consider for the next meeting whether there is a need for a GUI, where should the GUI be (in TIPS or in TARGET2 or in the banks' own systems), what functionality is needed and what the opening hours of such GUI should be, if applicable **[Action Point 1.9]**.

For **reporting** a Task Force member was of the opinion that an overview of which participants are online is needed. On the other hand, it was recognised that this need would depend on the alternative chosen and had to be debated in that context. Further possible needs such as **account statements** was debated and Task Force members expressed that the reporting in TIPS could serve the needs for reconciliation and potentially also archiving. The participants were asked to consider what their precise need is with regards to the reporting and how the data should be available **[Action Point 1.11, 1.12]**.

It was suggested to include **security requirements** within the non-functional requirements, (for example encryption, cyber resilience, control of network providers etc.). The Chairperson took note of this. For the discussion on **non-repudiation** the proposal was to exclude non-repudiation for instructions below a set threshold as non-repudiation is costly in terms of processing and smaller amounts are unlikely to be disputed. However the initial opinion of most Task Force members was that a differentiation based on the amount may not be optimal. The Chairperson concluded that the Task Force members should check the proposal within their institutions for discussion at the next meeting **[Action Point 1.14]**.

Lastly, the Chairperson asked the Task Force to consider if there are any missing proposals. Any input should be emailed to the project team at TIPS@ecb.eu **[Action Point 1.15]**.

3. Work Plan of the Task Force

The Task Force will discuss the deliverables, objectives and milestones for the way forward. The Task Force will receive a schedule of the planned meetings.

Background documents:

- *Presentation of the Work Plan*

The Task Force discussed the deliverables, objectives and milestones for the way forward. It was highlighted that, besides the draft URD, the project team will also prepare high level input for the testing strategy and already at the next meeting initial thoughts on this will be shared with the Task Force.

The Task Force received a schedule of the planned meetings and an overview of the initial high-level agenda for the meetings. It was clarified that the Task Force will be informed about

the outcome of the planned market consultation and the MIB meeting (for the approval of the URD).

All meeting documents will be published on the ECB homepage (link: <http://www.ecb.europa.eu/paym/initiatives/html/documents.en.html>).

4. Any Other Business

The following meetings are:

- 17 November 2016
- 20 December 2016
- 17 January 2017

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