

## OUTCOME

### Advisory Group on Market Infrastructures on Payments

Wednesday 3 May, 2017, 09.00 – 17.00, Room C36.02

European Central Bank, Kaiserstrasse 29, 60311 Frankfurt am Main

#### 1. Welcome and adoption of the agenda

##### Outcome

The Chair welcomed the participants and in particular the two new members: Ms Maria João Simões (Banco BPI) and Mr Gergely Misky (Citi).

The members agreed on the agenda, including a change of order, moving item 3 (projects and activities in retail payments as the last item to ensure that enough time is dedicated to the discussion on the T2/T2S consolidation as well as instant payments and TIPS).

#### 2. T2/T2S consolidation

The ECB will inform about the T2/T2S consolidation project and the upcoming market consultation on the related User Requirement Documents. These documents have received substantial input from the members of the task force on Future RTGS Services.

##### Outcome: T2/T2S consolidation

The ECB presented the main cornerstones of the T2/T2S consolidation project, in view of the upcoming market consultation. The members generally welcomed the envisaged features in the context of the investigation phase and raised the following remarks:

- With regard to the envisaged timing, the ECB clarified that the project is now in the investigation phase until end 2017. Once the scope of the project will be defined, the timing will be specified.
- ISO20022 migration: the discussion focused on the envisaged big-bang migration to ISO20022, with several members stressing the highest importance and significant market impact of this change and the need to foresee sufficient time for testing these new setups and this migration. Some members also

highlighted the need to ensure consistency between the versions of the messages used for SCT/SCT Inst and T2 to avoid a mix of ISO 20022 versions for the banks, and more generally consistency at international level for global players. One member suggested dedicating a subset of the market consultation to estimate the envisaged migration timing for various actors.

- CLM and future RTGS: some members questioned the limited extension of operating times for the future RTGS (even if not from the start) where the ECB stressed the need to balance the benefits of extended operating hours with the costs, which would be in an entirely different order of magnitude. In view of the long term and strategic ambition of the T2/T2S consolidation, business day requirements will have to be considered carefully.

Following a question on the future of the contingency module, the ECB noted that the Eurosystem is comprehensively considering contingency scenarios to overcome the limitations of the current procedure in the context of the discussion on cyber-security. Banks would be consulted at a later stage.

**Follow-up:**

The ECB will publish shortly the draft user requirements on the T2/T2S consolidation for market consultation until 30 June 2017. The outcome of the consultation will be further discussed in AMI-Pay.

Further to a question on the impact of this project on liquidity management, the Chair noted the possibility to consider this topic in the next AMI-Pay meeting.

## **2.1 Central Liquidity Management**

The ECB will provide a high-level introduction of the proposed changes to the accounts structure and introduce the Central Liquidity Management features that should support the provision and control of liquidity for the different purposes.

## **2.2 RTGS and Ancillary System Settlement**

The ECB will provide a high-level description of the proposed changes in terms of RTGS and Ancillary System settlement.

### 2.3 Shared Services

The ECB will provide a description of the envisaged shared services (e.g. Eurosystem Single Market Infrastructure Gateway, Common Reference Data, Common Billing) and highlight the rationales, implications and benefits for the different market infrastructures and users.

## 3. Projects and activities in retail payments

An overview of existing projects and activities in retail payments will be provided by the ECB. AMI-Pay members are invited to share information on national projects.

### **Outcome: Update on project and activities in retail payments**

The ECB updated the members of the work conducted in the context of the Euro Retail Payments Board (ERPB), with a focus on the three main current streams of work, namely e-invoicing related to retail payments, P2P mobile payments and payment initiation services.

The members took note of the presentation. Some members stressed the importance of the combination of instant payments and payment initiation services and their combined impact on the retail payments landscape.

Some AMI-Pay members further informed of national projects in the field of retail payments, focusing on P2P mobile payments and instant payments.

## 4. Instant payments and TIPS

The ECB will provide a status update on the TIPS project. The AMI-Pay will also discuss the open items relating to instant payments stemming from the previous AMI-Pay meeting, i.e. settlement date/value date, time out handling in TIPS, and the potential harmonisation of the maximum amount allowed by the EPC SCT Inst Scheme in TIPS.

### **Outcome: TIPS update and follow-up to open items stemming from previous AMI-Pay meetings**

The ECB provided a status update on the TIPS project and presented the envisaged positioning on the open items stemming from the previous AMI-Pay meetings, namely time-out handling in TIPS, processing time, harmonisation of the maximum amount as well as network service provider readiness. The ECB thanked the TIPS Task Force, which has successfully fulfilled its mandate to prepare the TIPS URD based on its members' constructive input.

The members took note of the presentation and discussed / agreed as follows on the different topics:

**- TIPS update:**

Further to questions from some members, the ECB clarified that the pilot testing was foreseen to last two months and that participants still had to be selected. This selection will notably be conducted taking into account the feedback received in the market consultation on expected volumes where respondents were invited to raise their interest.

*Follow-up:*

The ECB will publish the draft TIPS URD updated following the market consultation on the AMI-Pay page of the ECB website.

In case of a positive decision by the ECB Governing Council to launch the TIPS realisation phase, members would be asked to be prepared to be part of a TIPS contact group, review the TIPS UDFS and User Handbook and to conduct pilot testing.

**- Time-out handling in TIPS:**

As a follow-up to previous AMI-Pay discussion on timeout behaviour, the ECB noted that:

- TIPS can time out an instant payment transaction after forwarding it to the Beneficiary Participant or an Instructing Party acting on behalf of the Beneficiary Participant or a Reachable Party;
- The Beneficiary Participant or Reachable Party should wait until TIPS confirms settlement with a settlement confirmation message before crediting the Beneficiary.

The members took note of the clarification, which should mitigate the risk that funds be made available to the beneficiary when TIPS can still time out transactions.

**- Processing time:**

Some members stressed the pressure to reduce the processing time for instant payments to maximise the user experience.

In reply to questions received, the ECB anticipated that on a typical distribution curve 99.9% of payments would be conducted in less than 5 seconds with possibly a median around 1 second, i.e. far below the SLA requirements as is currently the case for TARGET2 payments.

*Follow-up:*

Further to the request of one member, the ECB will investigate if a tool to monitor TIPS participants' behaviour can be developed.

**- Harmonisation of the maximum amount:**

Considering the diverging views on this topic, the members supported remaining at this stage without a uniform maximum amount limit in TIPS for instant payment transactions, knowing that this parameter can easily be adjusted if needed.

**- Network service provider readiness:**

The ECB informed that conscious of the constraints to implement TIPS connectivity technical parameters, it will publish the relevant draft technical documentation as soon as possible under the AMI-Pay page of the ECB website to anticipate the direction envisaged. Should PSPs' IT department/ PSP's network service providers see the need for further information, they should contact the AMI-Pay Secretariat.

*Follow-up:*

The ECB will publish the draft TIPS connectivity requirements.

Besides, the following points were clarified following questions from AMI-Pay members:

- The TIPS testing strategy (including on-boarding process) would be prepared by the TIPS contact group for the next AMI-Pay meeting in case of positive decision on the TIPS realisation phase.
- The pricing would be clarified most probably end of June but should in principle be lower than the 0.5 cent initially estimated.

**Outcome: instant payments and settlement/value date**

The EPC presented the outcome of the EPC legal sub-group review of the regulatory framework (PSD2 given the timing of implementation of the SCT Inst scheme) on settlement date/value date in the context of the SCT Inst scheme.

Some members highlighted the remaining unclarity on several aspects, including the definition of the concept of "business day". The members supported raising this issue to the European Commission (that could not attend this meeting) to see whether they could provide a clarification on this matter. On this basis, AMI-Pay members would consider the topic in one of their upcoming meetings.

**4.1 Management of Liquidity**

At its last meeting, one AMI-Pay member expressed concern regarding the liquidity management implications of participating in two systems in order to provide instant payments. The discussion will be

based on use cases developed by AMI-Pay members and their implications for liquidity management from a bank's perspective.

**Outcome: co-existence of TIPS and management of liquidity**

The ING representative opened the discussion by presenting the pro and con of the possible coexistence of TIPS with other instant payment solutions from a liquidity management perspective.

The ECB presented the feedback received from seven AMI-Pay members in the written procedure preceding the meeting on the use cases they would identify with such coexistence and how this would in their view influence liquidity management from a bank's perspective. The members described a situation that would require banks to maintain sufficient liquidity in two/three different pre-funding settlement accounts with separate liquidity pools leading to higher costs for the bank and being more complex to monitor in the context of BCBS requirements (monitoring tools for intraday liquidity management), besides the challenges for bank treasurers stemming from SCT Inst itself as a new instrument (pre-funding without detailed forecast of expected cash flows; need to maintain funds 24/7).

On this basis, the AMI-Pay members who provided feedback ahead of the meeting suggested the following possible options:

- ACHs shall be allowed to maintain accounts in TIPS to facilitate the settlement of cross-ACH transactions: the ECB clarified that participation in TIPS is restricted to SCT Inst scheme participants which would make use of their own funds to process their own operations. As described in the coexistence note for March AMI-Pay<sup>1</sup>, this does not correspond to the business/regulatory framework of ACHs.
- All banks participating in the SCT Inst scheme shall be asked to have a TIPS account to allow interbank settlement 24/7: the ECB noted that it is unclear under which basis such a requirement would be made. At least the ECB will make the participation of banks in TIPS (in particular TARGET2 participants) as easy as possible.
- Balances in pre-funding accounts with ACHs shall be considered for minimum reserves, with ACHs reporting the balances to the NCB based on respecting closing messages from T2: the ECB clarified that this is not possible. Minimum Reserves are calculated on the basis of the deposits which credit institutions hold on current accounts with their NCB (i.e. not committed funds), as described in the above-mentioned coexistence note for March AMI-Pay.
- The Eurosystem could run a mechanism to allow to balance liquidity between the various systems for clearing and settlement of instant payments: the ECB stressed that TIPS is not designed to

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<sup>1</sup> <http://www.ecb.europa.eu/paym/initiatives/shared/docs/b8b22-ami-pay-2017-03-21-co-existence-of-tips-with-other-instant-payment-services.pdf>

process interbank payments ; interbank payments or liquidity shifts between systems are supposed to take place in the RTGS system.

The feedback received from various AMI-Pay members highlighted that different communities may take different roads depending on the take-up of instant payments. An ACH representative indicated that, as a result of TIPS, the ACHs are considering to play the role of instructing party in TIPS as an alternative to the establishment of links among themselves.

The ECB noted that the TIPS contact group (to be set up in case of a positive decision on the TIPS realisation phase) would notably be considering the topic of liquidity management in a context of coexistence of TIPS with other instant payment solutions. In doing so, the members will analyse how this relates with the T2/T2S consolidation and the fact that market is organised differently for the various markets raising different challenges. The series of new tools proposed including the modernisation payment services at large (T2/T2S consolidation) and ECMS go in the same direction to ease banks' liquidity management.

## **5. Any other business**

No other business

Next meetings:

29 September 2017

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