

## OUTCOME

### Advisory Group on Market Infrastructures on Payments

Monday 11 May 2020, 09:30 – 11.30, by videoconference

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

**Outcome:**

The Chair welcomed the participants and explained that due to the need to organise the meeting as a videoconference, the agenda was trimmed to the most crucial and time-critical issues. On other topics, AMI-Pay will be consulted by written procedure or, if deemed desirable, via a dedicated teleconference, such as on T2 pricing.

The Chair announced that three new members were appointed: David Llana (CaixaBank), Salvatore Alonzo (Banca d'Italia) and Rainer Olt (Eesti Pank). Several temporary replacements were exceptionally agreed for this meeting. Moreover, representatives from SWIFT and SIA have been invited to join as additional observers for this meeting.

The members agreed on the agenda.

#### 2. Debriefing

AMI-Pay participants will be updated on relevant developments in the field of payments.

**Outcome:**

The Chair reminded that the most relevant developments, i.e. the impact of COVID-19 on the operational readiness of payment services, as well as SWIFT's new approach to ISO 20022 adoption, were discussed at the 3 April AMI-Pay ad hoc teleconference. The AMI-Pay members did not raise other relevant developments.

The Chair recalled that the mandate of the Fintech Task Force had been extended to cover also payments. He gave the floor to its Chair, Chiara Rossetti from Borsa Italiana. The Chair of the Fintech-TF presented the recently launched work: (a) an analysis of the use of DLT for the deployment of innovative payment solutions; and (b) a mapping exercise of fintech solutions in the field of payments.

The Chair informed the members that, following a question raised during the December 2019 AMI-Pay meeting on potential national requirements that would prevent centralisation of TARGET2 payments by banking groups active in multiple jurisdictions, the matter had been checked with NCBs which all confirmed that there was not such an impediment to consolidate RTGS activities at European level. It was agreed to have another update in the next AMI-Pay meeting.

### **3. TARGET2**

The ECB will provide an update on the latest developments of TARGET2 operations.

*Document:*

*Presentation on TARGET2 operations*

#### **Outcome:**

The ECB presented the latest traffic indicators for TARGET2, focussing on the last two months and the effect of the COVID-19 pandemic on TARGET2 operations. While the traffic remained relatively stable in March, April showed a significant drop in the number of payments, namely by 9.4% compared to April 2019. This was mainly driven by customer payments, which fell by 10.1%, but with significant differences between countries.

*Note: The presentation had to be halted due to loss of connection by the presenter before the latest status of the financial performance of TARGET2 could be given: total cost recovery reached 98.4% in 2019.*

### **4. T2/T2S consolidation**

#### **4.1 Update on T2/T2S consolidation project**

The ECB will provide a status update on the T2/T2S consolidation project and the community readiness, as well as on the measures taken to minimise the impact of the delay in SWIFT's ISO 20022 adoption for cross-border payments. In turn, SWIFT will present their Blueprint of the planned measures.

*Document:*

*Presentation on the status of the T2-T2S consolidation project*

*Presentation on the community readiness*

*Presentation on SWIFT mitigation measures*

*Presentation of the Blueprint by SWIFT*

*Letters between SWIFT and the ECB (sent to AMI-Pay on 24 April)*

**Outcome:**

The Chair introduced the item which consisted of two elements: an update on the status of the T2/T2S consolidation project and a discussion on the project within the overall roadmap for European projects.

The ECB presented the status of the T2-T2S consolidation project, which is very well advanced and on track. Specifically, no areas are marked as 'issues' ("red"), even though there are some 'moderate challenges' ("yellow"), also because of the impact of the COVID-19 pandemic.

The Community Readiness has the risk of becoming such a challenge. For that reason, the ECB proposed to reposition the milestone for the completion of the procurement of the Network Service Provider (NSP4), originally due by 31 July 2020, to 31 October 2020, without impacting any of the forthcoming key milestones, in particular the milestone for the start of the connectivity testing by market participants (NCO1) by 31 December 2020. Upon a question by a participant, the ECB confirmed that this repositioning would not lead to a reduction in the time available for the testing. In addition, the ECB pointed out that monitoring activities have been strengthened.

Following the discussions at the ad hoc AMI-Pay meeting in April 2020, the ECB continued the dialogue with SWIFT on the mitigation measures proposed by SWIFT for its new approach to ISO 20022 adoption for cross-border payments. These measures allow removing dependencies between the timing of SWIFT's ISO 20022 migration and the timing of the T2-T2S consolidation project. A new Eurozone Market Practise Working Group has started and is focusing on reviewing the usage guidelines for cross-border payments.

The representative of SWIFT gave a presentation on the four mitigation measures: 1) Usage Guidelines, that ensure payment data can be transported without truncation; 2) Validation software, that can be used to check that an ISO 20022 message conforms to these usage guidelines; 3) Translation software, that can be used to translate from ISO 20022 payment messages to the MT standard; and 4) An ISO 20022 network service, that enables users to bilaterally use ISO 20022 for payments and cash reporting. One participant asked for the Usage Guidelines to apply to all TARGET2 payments, not just those with a 'leg-out', and for the Eurosystem to enforce these guidelines. The representative of SWIFT explained that a technical check can be done centrally. The ECB added that it was investigating whether to embed such validation software.

The ECB summarised that, from the project perspective, there was no reason or need to reschedule the T2-T2S consolidation project's overall timeline.

**4.2 European projects from a holistic perspective**

The ECB will provide an overview of the European projects roadmap. Thereafter, AMI-Pay members are invited to have an exchange of views.

Document:

*Presentation on the overview European projects roadmap*

*Letter from European banking associations*

**Outcome:**

The ECB presented an overview of ongoing market infrastructure projects, as well as several legal and regulatory implementation projects that the payments industry currently faces, next to its own priorities. The ECB is aware of concerns on the workability of the current projects roadmap. A meaningful discussion on mitigation measures and on changing the conditions for one or more projects requires a clear understanding of any inter-dependencies between the various projects and with input from all the stakeholders. Dependencies could exist between projects inside individual stakeholder organisations, e.g. two projects affecting the same IT system, or between projects at infrastructure / community level. The ECB announced to launch a consultation by written procedure to take stock of any inter-dependencies. The Chair then opened the floor for an exchange of views.

One member emphasised that due the COVID-19 pandemic several projects in her bank were being postponed to end 2020. Her expectation was that the T2-T2S consolidation deadline of November 2021 had become very difficult to meet for all. The mitigation measures proposed by SWIFT would bring additional work first. Therefore, she asked that the deadline be moved by one year. Another member agreed that the mitigation measures would cause additional development work, and indicated a preference for a delay or a “like-for-like” approach. A member questioned the desirability of investing into mitigation measures for a one year period, especially if the timeline is already at risk of becoming a challenge. Another member stressed that his bank would now report preparedness as an issue, not just a challenge. One member recalled that for his bank there were two benefits of the T2-T2S consolidation, one of which – the richness of using ISO 20022 – would no longer be reached in November 2021 due to SWIFT’s postponement; he asked for a one-year postponement. The one year postponement was supported by 5 further user members. One member asked to consider also other scenarios, such as a 6 months postponement. One member indicated that his community was currently neutral on the question.<sup>1</sup>

Several members stressed the need to get clarity on the timeline for the T2-T2S consolidation project soon.

The ECB reiterated the need to first understand the bigger picture, including any dependencies, in order for the MIB to be able to take the right decision and prepare a well-informed proposal for the ECB Governing Council. For this, and for identifying possible scenarios, a questionnaire will be sent to both the AMI-Pay and AMI-SeCo NSGs for a community-wide consultation. The Chair indicated that based on the inputs received a Market Infrastructure Board decision would be taken still in June.

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<sup>1</sup> Moreover, 6 users did not speak out on this issue at the meeting, and one user did not participate.

## 5. Any other business

### Outcome:

Participants did not raise any other business.

The Chair mentioned the upcoming meetings for AMI-Pay:

- ad-hoc Joint AMI-Pay and AMI-SeCo meeting on the T2-T2S consolidation project in June;
- AMI-Pay meeting on 2-3 December;
- Joint AMI-Pay and AMI-SeCo meeting on 2 December.

The Chair thanked all for their participation and closed the meeting.