

## OUTCOME

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

2 December 2022, 11:15 – 13:00 and 14:00 – 16:00 (CET)

WebEx teleconference

#### 0. Introductory remarks and approval of the agenda

The Chair welcomed the members and in particular Ms Simone Loefgen (Commerzbank) replacing Mr Stefan Wloch and Mr Carlo Bovero (BNP Paribas) replacing Ms Dominique Le Masson.  
The participants agreed on the agenda.

#### 1. Digital euro investigation

The ECB will provide an update on the work conducted in the context of the digital euro investigation phase launched on 1 October 2021.

Document:

*Presentation – Update on digital euro investigation*

**Outcome:**

The ECB provided an update on the work conducted in the context of the digital euro investigation phase launched in October 2021 recalling the Eurosystem motivations, the status of the work, design decisions to be confirmed by the Eurosystem and those in discussion with market stakeholders.

AMI-Pay took note of the update.

Following the questions raised by some members it was clarified that:

- further discussions are to be held with banks' treasurers on funding/defunding;
- technology should follow function and will most likely be one of the last elements to be decided, not necessarily in the context of the investigation phase;
- in general, the intention is to build as much as possible on standards already existing, to the extent they fit the digital euro design.

## 2. TARGET in operations

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

Document:

*Presentation – update on TARGET in operations*

**Outcome:**

The ECB provided an update on TARGET in operations, focusing on the traffic and turnover evolution, incidents and overall cost recovery development. On this latter aspect, it was noted that the objective of cost recovery is expected to be achieved when the system ends operations in March 2023.

AMI-Pay took note of the update.

## 3. Instant payments

### 3.1 European Commission legislative proposal on instant payments

The European Commission will provide an overview of the legislative proposal on instant payments published on 26 October 2022. In this context, and following the May 2022 AMI-Pay discussion, the EPC representative will be invited to provide a preliminary view as to whether based on the current proposal any changes at the scheme level would be necessary.

**Outcome:**

The European Commission representative presented the main elements of the legislative proposal on instant payments adopted on 26 October 2022. The legislative proposal would amend the 2012 Regulation on the Single Euro Payments Regulation by introducing four key requirements that pertain to:

- mandatory provision of instant credit transfers in euro (Article 5a);
  - level of charges for instant credit transfers in euro (Article 5b and amendment to Regulation (EU) 2021/1230);
  - addressing discrepancies between the name and payment account identifier of a payee (Article 5c);
- and
- screening instant credit transfers in euro for EU sanctions (Article 5d).

AMI-Pay took note of the presentation.

The following main points were raised as preliminary reactions to the proposal:

- on the IBAN/name check: it was questioned whether other options could be envisaged in case already in place e.g. using an ID number for the check rather than the name given the difficulties encountered for matching with the name. Some members commented on the implementation approach, i.e. whether such a check should be performed or left to a body like EPC or other standardisation initiative to ensure a harmonised approach. The Commission representative clarified that the proposal does not prescribe a specific method as it is left for the industry to design it;
- bulk files: some noted the complex implementation from an infrastructure perspective in relation to the expected benefits. The Commission representative noted that possibility to make instant credit transfers in bulk is particularly important for promoting their use by corporates;
- charges: some stressed the difference between SCT and SCT Inst. The Commission representative noted that premium charges for instant credit transfers in euro, based on the analysis carried out by the Commission, is considered to be the most impactful obstacle for their higher uptake;
- risk of fraud: some noted that the increasing number of instant payments would potentially lead to new types of fraud patterns. The Commission representative referred to ongoing work on increasing consumer protection against fraud under PSD2 review.

### **3.2 Value dating for instant payments**

Following the adoption of the [non-binding AMI-Pay best market practice](#) on value dating SEPA instant credit transfers (SCT Inst) in 2018, one member will present suggestions for a possible update. AMI-Pay participants will be invited to share their experience on the implementation of this practice in view of further Eurosystem consideration of this matter.

#### Document:

*AMI-Pay member presentation – value dating for instant payments*

*ECB presentation – background on AMI-Pay work on value dating for SCT Inst*

#### **Outcome:**

An AMI-Pay member presented a possible alternative to the approach endorsed by AMI-Pay in 2018 for value dating SCT Inst transactions on T2 closing days, suggesting notably to consider introducing snapshots of TIPS balances on Saturday/Sunday evening and other closing days given the evolution of the interest rates and SCT Inst maximum amount since the best practice was adopted.

The ECB provided a presentation recalling the work conducted by AMI-Pay on the question of SCT Inst value dating that led to the non-binding best market practice adopted in 2018. Accordingly, the common approach for PSPs is to value date SCT Inst transactions on the calendar date on which they are executed. It was noted that the impact of a change to positive interest rates and increase of the SCT Inst maximum amount were then already identified by AMI-Pay. It was acknowledged that an ever-

increasing volume of SCT Inst payments makes the economic implications of the practice more relevant and therefore might eventually justify to revisit it.

On this basis, AMI-Pay members were invited to share their experience with the implementation of the non-binding best market practice and their feedback on the possible alternative approach raised by an AMI-Pay member.

Two other members supported conducting further analysis of this possible alternative noting however the need to carefully assess its potential impact. One noted that if such snapshots were introduced in TIPS over the weekend/T2 closing days, other CSMs would need to follow the same approach.

The ECB noted that the alternative suggested would also be relevant for the calculation of minimum reserves and would have wider ramifications possibly going in the direction of having 7 days value days per week. In addition, the mismatch between SCT Inst 'bene-banks' and 'debtor banks' may be linked to the fact that the instant payments market is not yet fully matured. When the market matures and banks act as initiators and beneficiaries of instant payments more equally, the case for making the change as suggested might be less obvious.

AMI-Pay will further consider this option next year based on analysis from the ECB and interested AMI-Pay members. This analysis would notably consider the potential broader impact this option may have.

## 4. TIPS

### 4.1 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, information on volume per markets, liquidity indicators as well as incidents. It was notably stressed that unsettled transactions remained stable but at a rather high level. The analysis performed by the Eurosystem revealed that there are no “structural” problems in TIPS that led to this high number of unsettled transactions and the main reasons explaining a high level of rejections can rather be found on participants' side. These participants have been contacted and invited to take remedying actions.

AMI-Pay took note of the update.

One member suggested including figures on TIPS' performance with the time required for a TIPS transaction end to end for the next updates to AMI-Pay.

Following the question of a member it was clarified that the review of the TIPS consultative group mandate and membership led to the conclusion to refocus participation criteria: participation should be based in particular on the volume of transactions sent to TIPS as this group deals with TIPS change requests and operational issues. It was further noted that all interested NCBs are in the group and can relay the information from/to their own market.

## **4.2 Update on migration to ISO20022 version 2019**

Following the May 2022 AMI-Pay meeting, the EPC representative will update AMI-Pay participants on the preparations for the migration to ISO20022 version 2019 envisaged in the context of the SCT Inst scheme in November 2023.

### **Outcome:**

The EPC representative informed AMI-Pay on the preparations for the SCT Inst scheme migration to the ISO20022 version 2019 in November 2023. The EPC advised that based on market demand it formally announced on 27 October 2022 that the “entry-into-force time” for the 2023 SCT Inst scheme rulebook was set for 19 November 2023 at 03:30 CET, which will be preceded by a SEPA-wide downtime of 30 minutes. This aims to facilitate a smooth change-over from the 2009 version to the 2019 version of the ISO 20022 standard for the XML messages used for the SCT Inst scheme.

AMI-Pay took note of the update.

## **4.3 TIPS pricing update<sup>1</sup>**

Following the 3 May 2022 ad hoc workshop, the ECB has analysed possible options for the review of the TIPS pricing and will present its considerations to AMI-Pay. Participants are invited to take note of the update and provide feedback.

### **Document:**

*Presentation – Considerations on the TIPS pricing review*

### **Outcome:**

As anticipated in the 3 May 2022 ad hoc workshop, the ECB presented the Eurosystem considerations in the review of the TIPS pricing, expected to enter into force in November 2023. Three main principles were underpinning the Eurosystem’s considerations, taking into account also the feedback received in the May ad hoc workshop:

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<sup>1</sup> Considering the focus of this discussion, ACHs not represented in the AMI-Pay membership were invited to join the discussion.

- capping the contribution of ACHs related to their internal settlement of SCT Inst transactions to 20%;
- applying some fixed fees for the participation in TIPS to increase the contribution of PSPs to the cost recovery of TIPS;
- introduce some degressive fee structure for the ACH fee, in order to break the linear proportionality between the ACH bill and their internal volumes (“softening the curve”).

Participants took note of the update.

The following main points were raised in reaction to the ECB presentation:

- considering the expected evolution of instant payments, some participants asked whether the new pricing could apply as soon as possible and even retroactively. It was clarified that retroactivity is not feasible and that the new pricing is envisaged to enter into force in November 2023;
- one participant claimed that without increasing the settlement fee it is impossible to reach the full cost recovery of TIPS. In this regard it was explained that the mathematical models supporting the new TIPS pricing instead shows that this is possible, but this can only be achieved by introducing some fixed fees in addition to the settlement fee.
- In response to related requests, the ECB agreed to consider providing additional information on the financial performance of TIPS in the future.

**Follow-up:**

The ECB will share the presentation provided at the meeting with participants. Additional feedback can be shared with the AMI-Pay Secretariat by 9 December cob.

#### **4.4 Project Nexus**

AMI-Pay participants will be updated on the BIS Innovation Hub project Nexus, that aims at connecting national payment systems into a cross-border platform. In this context, the ECB will provide an update on the work on a cross-currency instant payments functionality in TIPS.

**Outcome:**

The representative from the BIS Innovation Hub provided a presentation of **project Nexus**, highlighting in particular the vision behind it and how Nexus would address the scalability challenge connecting multiple instant payments systems multilaterally.

Following questions from members, it was clarified that:

- work on a draft scheme is ongoing. The operator would not be the BIS;
- In a context where the cost of setting-up bilateral links in a non-standardized way is becoming prohibitive, Nexus is seen as a cost saving;

- technically, there are no reasons why the model would be limited to the consumer market. The B2B flow could also use this. The merchant's flow has however not yet been addressed,

The ECB provided an update on the work on the **cross-currency instant payments functionality in TIPS**. It was noted that by Q1 2023, it is expected that a decision on the choice of settlement model shall be made including feedback from a market consultation. In this regard, participants were invited to express interest in taking part of the market consultation. A recommendation of a pilot with potential front-running banks and a possible timeline will be submitted to the MIB for review.

Finally, the **EBA Clearing** representative provided an update on **their immediate cross-border (IXB) payments initiative** for the instant settlement of cross-currency transactions, initially between USD and EUR. The initiative aims at leveraging investments made on instant payments around the world to interconnect systems with a light approach. A live pilot is planned for Q1 2023.

Members took note of the updates. It was welcomed that work to improve cross-border payments is also initiated by the private sector which should contribute to the fulfilment of the FSB quantitative targets for cross-border payments, to be met by end-2027.

**Follow-up:**

AMI-Pay participants interested to join the market consultation on the TIPS cross-currency functionality are invited to contact the TIPS team (TIPS@ecb.europa.eu) preferably by 23<sup>rd</sup> December.

## 5. Any other business

**Outcome:**

**Emergency liquidity arrangements for instant payments:** one member suggested thinking of access to liquidity on a 24/7 basis as a community.

**Dual connection to ESMIG:** one member referred to some questions internally on the progress around the dual connection to ESMIG. Once the ECB receives the questions, feedback will be provided also more broadly to AMI-Pay participants as relevant.