

OUTCOME

Advisory Group on Market Infrastructures on Payments

Friday 29 September 2017, 2017, 10.00 – 15.30, Room C3.08/09

European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main

1. Welcome and adoption of the agenda

Outcome

The Chair welcomed the participants and in particular Mr Diederik Bruggink replacing Norbert Bielefeld to represent ESBG.

The members agreed on the agenda.

The ECB provided an update on ongoing work in the field of cyber resilience, including by the G7 Cyber Expert Group (fundamental elements of cyber security), CPMI-IOSCO (Guidance on the cyber resilience for FMIs, public consultation of a discussion note on reducing the risk of wholesale payments fraud related endpoint security¹) and the related Eurosystem work in this field. In particular, the Eurosystem has developed a cyber resilience strategy consistent with the CPMI-IOSCO Cyber Guidance. The Eurosystem cyber strategy is predicated on three core pillars: (i) FMI readiness, (ii) sector resilience, and (iii) industry-regulator strategic dialogue. As part of the strategy, the Eurosystem is developing and implementing multiples tools and initiatives to enhance cyber resilience of the ecosystem such as a pan-European threat led penetration testing framework, cyber resilience best practices for FMIs, and the envisaged establishment of the Euro Cyber Resilience Board.

¹ <http://www.bis.org/cpmi/publ/d170.htm>

2. T2/T2S consolidation

2.1 Outcome of the market consultation

The ECB will inform about the outcome of the public consultation on the T2/T2S consolidation project and the envisaged next steps.

Outcome:

The ECB presented statistics on the feedback received during the market consultation on the T2/T2S consolidation project that took place in May-June 2017.

The members took note of the update.

2.2 Possible impact of the T2/T2S consolidation on liquidity management

In its second meeting, AMI-Pay members questioned the impact of the T2/T2S consolidation on liquidity management. The ECB will provide a presentation on the anticipated impacts in this field for discussion/feedback by AMI-Pay members.

Outcome:

As a follow-up to the joint AMI-Pay-MMCG workshop on the T2/T2S consolidation project market consultation, the ECB presented the possible impact of the project on liquidity management, highlighting the changes introduced since the last presentation to the group. The members were also informed of the high level project plan and go live, with the relevant part of shared services scheduled to be developed earlier in the process to be ready for TIPS go-live. It was highlighted that the plan is still subject to approval by the Governing Council which is targeted for December 2017.

Following questions from some members, the following clarifications were provided:

- Possible opening during the week-end: the technical limitations to allow opening on the weekend will be removed. It could be technically possible to go up to 22/7 with some exceptions in some week end but this should be supported from a business case and business justification perspective as such extended opening would also require a certain level of support and additional costs.
- ASI procedures: procedures 4 to 6 will be kept and be available when the RTGS is available, i.e. also during the night. ASI1 to 3 will be replaced with standard functionalities.
- Possible risk stemming from a big-bang migration: such a big-bang approach needs to be followed due to the network agnostic nature of the project which implies replacing the SWIFT Y-copy which cannot be done partially. To cater for the risk such a big-bang approach implies, it is envisaged to already make the relevant technical specifications available in Q3 2018 to allow for better planning until the planned go-live in Q3 2021, should the project be endorsed by the Governing Council.

The ECB further informed that the Eurosystem will provide a demo of an App of the envisaged features of the CLM in its stand at the upcoming SIBOS event.

3. TARGET2

3.1 Management of long-lasting incidents in TARGET2

The ECB will inform AMI-Pay members of the activities performed by the Eurosystem in response to the changing threat landscape and to further strengthen its business contingency capabilities.

Outcome:

The ECB presented the ongoing Eurosystem work on the enhancements of the TARGET2 contingency arrangements to cover incidents lasting up to five working days. This becomes even more relevant in the context of the ongoing discussions on cyber security.

The members took note of the presentation and the envisaged next steps. Following questions from some members, the following clarifications were provided:

- Level of collateral expected for restart: no specific requirements are set as T2 operator however some collateral management systems allow separating collateral to be used for contingency purposes. The limitation of liquidity in enhanced contingency solution was recognised as being key among the different limitations for the management of long-lasting incidents identified in the presentation. It was further noted that work is ongoing in the context of ECMS to harmonise practices in the field of collateral mobilisation between central banks.
- Impact of this procedure beyond T2: work is being conducted at the Eurosystem level from a monetary policy as well as a financial reporting and accounting perspectives on the impact of this approach. An update will be provided on these points in the next AMI-Pay meeting.
- Only ASI4 would be supported.

4. Instant payments and TIPS

4.1 TIPS project status update

The ECB will provide a status update on the TIPS project.

Outcome:

The ECB provided a status update on the TIPS project after the Governing Council decided on 22 June 2017 to develop this new service for the settlement of instant payments. Members were in particular informed of the ongoing initiatives (such as the set-up of the TIPS Contact Group) and major envisaged deliverables. In particular, it was noted that the envisaged November 2018 go-live date is maintained. This implementation involves different stakeholders including network service providers that would have to be known at the latest by March 2018. In this regard, the interaction with possible end-user solution has been identified as the only missing element, for which reason the ECB suggested organising an event from the App and network perspective with AMI-Pay members and other relevant banks, ACHs, and actors, should AMI-Pay support this idea. The members supported the idea.

Follow-up:

- The ECB will confirm the date of the dedicated instant payments App and network service provider event;
- AMI-Pay members are invited to suggest to the ECB team possible invitees to this event beyond the regular AMI-Pay membership.

4.2 TIPS testing strategy

The TIPS project team prepared a presentation on the TIPS testing strategy – including on-boarding process – shared in the first TIPS Contact Group meeting on 28 September 2017. AMI-Pay members are invited to provide feedback to the proposed strategy.

Outcome:

The ECB provided a comprehensive description of the TIPS testing strategy, covering the testing stages, the EAT and pilot testing phase timeline and characteristics and some features offered by the test environment.

The members took note of the update.

4.3 Common standards, processes and interfaces

Following a letter from German banks raising concerns regarding standardisation of clearing and settlement of instant payments in euro, AMI-Pay members are invited to exchange views on the need for further harmonisation, beyond what the SCT Inst schemes defines.

Background document:

- *Letter from German banks on instant payments – common standards, processes and interfaces*

Outcome:

The German banks representatives opened the discussion by presenting the letter they sent to the ECB with regard to common standards, processes and interfaces for instant payments beyond those already covered in the SCT Inst scheme in order to allow minimising implementation costs from the banks' side.

In reaction, the following main comments were raised in the discussion:

- The ECB and a Eurosystem representative acknowledged the importance of harmonisation and its full support to the goal of common standards, in the interest of efficiency and reachability and stressed the importance of discussing this issue with interested parties to allow for level-playing field in identifying the gaps of the different solutions today and how to further harmonise.
- The STET representative recalled the approach of ACHs putting together a working group to identify additional messages required on the basis of best practices of those ACHs where instant clearing services are already offered. As a result a technical interoperability framework was adopted by the 26 ACHs of EACHA to allow this harmonisation effort.
- The EPC representative noted that as scheme manager they are infrastructure agnostic and therefore fully support the principle of reach and harmonisation, recalling the requirement stemming from art. 4 of the SEPA Regulation for systems to be interoperable, i.e. that CSMs self-declaring themselves to be compliant with the SCT Inst scheme should comply with this.

German banks representatives clarified that their intention was not to favour certain ACHs but rather to ensure the most effective way to reach European consumers in a cost-efficient way. This point was supported by other bank representatives stressing the need to reduce costs implications of multiple accesses in a fragmented environment.

The Chair stressed that the TIPS contact group was created to discuss such issues. This group should meet on a regular basis and notably start by looking at UDFS which contain the format of messages.

AMI-Pay members agreed that the discussion should be followed up in the TIPS contact group.

4.4 Settlement date/value date

During the second AMI Pay meeting, questions emerged regarding the application of business day / value date in the context of instant payments as the PSD2 was not drafted with a view of instant payments. 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. Thereafter, an AMI-Pay member prepared a note presenting the issues at stake as further input to the discussion.

AMI-Pay members are invited to consider this issue.

Background document:

- *Note on the practical implications of instant payments*

Outcome:

As a follow-up to the last AMI-Pay meeting discussions, an AMI-Pay member presented its analysis highlighting that the PSD2 leaves room for interpretation on the question whether outside T2 opening hours banks could/should value date instant payments on the day the funds are made available to the payee or on the day the movement of funds between banks takes place (in the case of ACH solutions)/is value dated (in the case of TIPS), and that if there are differences between banks in this respect, this could create arbitrage possibilities and confusion for end-users.

The European Commission's representatives indicated that there is nothing in the PSD2 preventing banks from value dating instant payments on the day the funds are made available to the payee.

In view of resolving this issue, the members agreed to organise an ad hoc meeting with the Commission (including DG-Comp), the ECB, interested AMI-Pay members and the EPC to clarify what is the scope of interpretation and approach to follow with regard to PSD2 and instant payments.

The outcome of this discussion will be reported to the December 2017 AMI-Pay meeting.

5. AMI-Pay national stakeholders groups

In their first meeting, AMI-Pay members agreed on the importance to liaise with national T2 national user groups and that AMI-Pay members should be the link to their national markets channelling the information in both directions. The ECB prepared a proposal to support this coordination considering the broader scope of the AMI-Pay mandate beyond T2 issues. AMI-Pay members are invited to agree on the suggested coordination of national stakeholders groups.

Background document:

- *Draft mandate for the AMI-Pay NSGs*

Outcome:

The ECB presented the draft NSGs mandate reflecting the creation of the AMI-Pay and the related increased scope of work. The members approved the new mandate.

Following the question from a member, it was emphasised that the mandate allows chairs from the NCBs as well as the private sector.

6. Any other business

Outcome:

As envisaged by their mandates, a joint meeting of AMI-Pay and AMI-SeCo will be organised in December 2017. In this regard, AMI-Pay members were invited to indicate to the Secretariat by end October 2017 issues they would deem relevant to be discussed in this joint meeting beyond those already envisaged (T2/T2S consolidation project and the CLM, harmonisation of practices in harmonising T2S/T2 calendar days, TCMS in the new environment of T2S, update on the T2S performance, update on the harmonisation agenda including CMU and EPTF).

Next meeting:

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