European Central Bank
EUROSYSTEM

07 March 2017

OUTCOME

2nd Task Force on Future RTGS Services

DAY 1: 25 January 2017, from 10:30 until 17:00

DAY 2: 26 January 2017, from 09:30 until 16:00

held at the ECB, Sonnemannstraße 20, Frankfurt am Main,

room C2.04 (on DAY 1); room C3.08/09 (on DAY 2)

1.   Introduction

The Chairperson will welcome the participants and open the meeting.

Outcome:

Mr Holger Thiemann, the chairperson, welcomed the participants and opened the meeting. He reminded that the ancillary system representatives[1] attend the Task Force on Future RTGS Services (TF-FRS) in this and in the following meeting in February. The participants approved the agenda.

2.   Central Liquidity Management

The project team, taking into account the comments received during and after the previous task force meeting, has prepared a proposal for aligning and expanding the current liquidity management and monitoring tools. The project team will illustrate the proposal through different scenarios.

Document:

- *Central Liquidity Management*

Outcome:

The project team presented two alternatives for implementing the central liquidity management. During the assessment of the alternatives, the participants pointed out:

- *The settlement on the dedicated cash accounts shall be based on the liquidity available on these DCAs: either as cash only (e.g. TIPS) or cash with autocollateralisation (e.g. T2S). The payment capacity on the Main Cash Account or RTGS account shall take into*

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[1] CLS Services Ltd, EBA Clearing, equensWorldline, Eurex Clearing AG, Iberpay

account also the intraday credit line that is assigned to a Party. Furthermore, a lack of cash on TIPS, T2S (if T2S autocollateralisation is not sufficient) or on any other DCA will trigger a liquidity transfer from the Main Cash Account/RTGS account, which can lead to a request for intraday credit line utilisation that is executed on the Main Cash Account/RTGS and the proceeds allocated to the respective DCA.

- *It shall be allowed for participants to open several RTGS accounts, potentially for different purposes and some of them might be configured as not eligible for payments (e.g. an unpublished RTGS account for specific purposes). Depending on the needs of a participant, specifically, the setting aside liquidity for AS settlement, which can then no longer be used for RTGS settlement shall be possible either via dedication on one or several RTGS-type of (sub-)account(s) or as a reservation on the RTGS account itself.*

- *The reservation of liquidity shall be a generic functionality that participants as well as central banks could use on the Main Cash Account and/or RTGS accounts (e.g. for cash withdrawals).*

- *The participants are invited to highlight to the project team, if they identify local account structures, that are prescribed by legal constraints and if it is not clear whether these account structures are supported by the proposed alternatives.*

- *It is to be assessed at what time periods it shall be possible to transfer liquidity (including benefiting from the credit line) to or between services (e.g. RTGS, TIPS and T2S). The working assumption is that the system rules and the availability of additional liquidity for TIPS and for AS model 6 for instant payments must be the same. Furthermore, the working assumption (to be confirmed by the Eurosystem policy committees) is that the technical liquidity transfers generated by the system are not charged to the banks.*

- *In case of Alternative 1,*
    - *The intraday credit line shall be linked to the Main Cash Account. To serve the requirements of the market to allow the provision of central bank liquidity to the TIPS service (if approved by the Governing Council) during extended business hours (in comparison to today) an extended availability of CLM will have to be assessed.*
    - *Liquidity may remain on the Main Cash Account without being allocated to a service. However, the participants shall be able to configure automatic liquidity transfers based on "floor"/"ceiling" triggers from the Main Cash Account to a service, such as TIPS, T2S or the RTGS account to settle payments and, vice-versa, from the RTGS account to the Main Cash Account to settle monetary policy operations.*
    - *It shall be defined which intragroup operations may take place on the Main Cash Account.*

- *In case of Alternative 2,*
  - *The account for handling the intraday credit line would still have to be investigated. In any case, it shall be assessed how the availability of liquidity (including the availability of the credit line) could be ensured during the extended business hours to support TIPS (if approved by the Governing Council). The legal and operational feasibility of this aspect is still to be assessed.*
  - *To be assessed whether a party may have more than one RTGS-type of account in case of this alternative.*
  - *Irrespective of the scenario for account structure a credit institution chooses depending on its business (e.g. a local bank only settling CB operations, up to group of banks using different services with an entity managing all or parts of the payments or liquidity), the RTGS account could have a limited purpose and support only operations with central banks and not payment transactions, as is the case today with the HAM account.*
- *The scenario 4 (multinational bank with various branches) does not depict the correct situation and shall not be the basis of user requirements.*
- *Currently, a "banking group" (as a group of associated parties) definition only exists for the purpose of monitoring by the central banks. It shall be assessed whether the existing definition for monitoring purposes can also be applied for operational purposes (management of liquidity, multi-addressee access rights, etc.) or a new concept shall be established to implement group functionalities with a narrower scope of credit institutions. Nevertheless, the liquidity transfers between accounts belonging to different parties (irrespective whether both parties belong to the same banking group or not) shall be subject to additional eligibility checks ("white list of eligible liquidity providers / liquidity receivers" to be set up in common reference data by the party).*
- *The scenario 6 (group of banks with one entity managing RTGS payments) shall foresee management of liquidity by party A on accounts of other parties within a market as well as across markets/central banks. In addition, the other parties may have DCAs and they shall be able to grant privileges to manage liquidity separately from the privileges to manage payments.*

The participants noted that one or another alternative would be more favoured by a market depending on the approaches the banks are used to in this market. However, despite some participants preferring to combine the alternatives, the project team explained that, technically, the alternatives cannot be combined as they are mutually exclusive. The Chairperson generalised that the future RTGS system shall (1) support the banks in doing business with central banks as currently on HAM accounts and provide at the same time flexibility to larger banks; (2) allow segregation of services and, thus, support their different availability times; (3)

allow efficient management of liquidity with appropriate tools; and (4) be cost-cautious with respect to operator, central bank and users.

*The participants considered different options for **automated liquidity transfers** between accounts and proposed that, preferably, it shall be possible to define a fixed amount that shall be transferred to or from an account (1) for a specified "business day event" (e.g. EOD) or (2) once the liquidity on that account falls below a predefined level (floor amount) or goes above a predefined level (ceiling amount)). Furthermore, the participants asked to consider the possibility, upon the trigger event from the T2S DCA, to immediately transfer missing liquidity to T2S to square the auto-collateralisation position at EOD. They took note that making the T2S cash sweep at EOD optional requires raising a change request in T2S.*

In terms of minimum reserve fulfilment, the participants agreed that the service shall follow a symmetrical approach: if the monetary policy experts agree, the cash on DCAs shall be taken into account for minimum reserve calculation; the exact handling of outstanding intraday credit at the end of the day is still requiring further discussion amongst the central banks.

3. Reference Data

The project team will present the party and account relationship model for the future RTGS and invites the participants to review the list of attributes that shall be defined for reference data items/entities.

Document:

- *Reference Data Management*

Outcome:

The project team presented the party model, its attributes and reference data entities. The participants noted that

- *The working assumption is that eligible participants for euro (party type) remain as currently defined. Nevertheless, the party types for other Central Banks, that decide to bring their currency to the same platform and open accounts for their users, may be different from the ones for euro.*

- *Today the BIC as a party attribute is used for identifying the party for message routing. However, for ISO20022 communication (i.e. addressing a message), instead of the BIC, the Distinguished Name (DN) that includes the network provider identifier is used as technical address.*

- *As a party may have several RTGS accounts, then one of them shall be defined as default one to be credited in case the payment instruction only includes the receiving party BIC. Each account shall have a unique identifier (i.e. account number).*

- *In terms of access rights, the central banks shall have the right to perform all operations on behalf of their participants.*
- *The participants belonging to a banking group shall be allowed to indicate in a service-related reference data a list of actors or accounts in their banking group that shall be grouped into a kind of pooling or managed by one of the actors.*
- *Blocking of parties shall be part of the common reference data, while the blocking of accounts shall be a service-related reference data. Central Banks should be able to specify, whether a blocked account shall be allowed to be credited and/or debited for any new or unsettled payment or liquidity transfer.*
- *Open topics:*
  - *How can participants set-up/modify their reference data (U2A and/or A2A)?*
  - *Where to indicate the accounts that fall under minimum reserve calculation?*
  - *Where to configure the relevant DNs for V-shape messaging (e.g. confirmations on settled payments instructed on behalf to account owner and instructing party)?*
  - *Which notification messages will be needed?*

4.   Settlement Services

4.1   HVP Settlement Services

The project team will present the outcome of the feedback received on High Value Payment settlement services after the previous task force meeting. In addition, the project team will introduce a proposal for queue management for payment transactions.

Document:

- *HVP Settlement Services*

Outcome:

The project team presented the feedback received in writing after the previous task force meeting. The participants confirmed that they are fine how their business needs are currently supported by TARGET2 settlement services. They clarified:

- *The optimisation features shall support differentiation of payments that shall settle urgently (time-critical by nature, but shall be indicated in the message; mainly bank-to-bank payments) and that shall settle with as optimal liquidity usage as possible during the business day (mainly customer payments). The customer payments shall take into account the bilateral and multilateral limits that the bank has set up toward its counterparts. The participants noted that the optimisation results will be the better the*

more banks forward the payments to RTGS immediately and do not hold them back in their own systems.

- *Liquidity transfers that are not eligible for partial settlement shall be queued/attempted again for settlement[2]. In case not settled on the day, the system shall cancel the pending liquidity transfers at EOD. Such queueing for business reasons shall be seen separately from queueing for system reasons, when all incoming liquidity transfers and payment instructions are queued and waiting for settlement due to a specific ongoing system process (e.g. batch settlement).*

- *In addition to changing the priority, execution time, order in a queue and revocation of queued transactions, the participants shall also be allowed to introduce or change the ID for a reservation type until the payment or liquidity transfer is settled. While for payments or liquidity transfers the initiator/sending party can make such interventions, for direct debits the reverse approach shall apply, i.e. the one who is going to be debited shall be allowed to make the interventions.*

- *It shall be defined until what time/status a liquidity transfer or payment instruction can be modified or revoked.*

- *All payment instructions shall be eligible for warehousing (up to 5 business days in advance) and they shall be allowed to be modified/revoked as any pending instruction during the system opening times. The service shall perform technical validation of the instructions at receiving and business validation on the settlement date. In the context of the business day discussion, it is to be decided at what time on the settlement date warehoused payments shall become eligible for settlement. However, in any case, the business day shall foresee the possibility for users to modify/revoke the warehoused payments on the value date before they become eligible for settlement. The initial attempt for settlement shall also take into account the FROM time, if indicated in the instruction.*

4.2 Ancillary Systems Settlement Services (Day 2)

The project team will invite the participants to discuss and identify the future business needs for the ancillary systems settlement in the context of the future RTGS.

Document:

- *Ancillary Systems Settlement Services*

Outcome:

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[2] The treatment of liquidity transfers was re-discussed in the following task force meeting on 22-23 February 2017

The project team explained the context of the ancillary system (AS) related services and invited the participants to identify the related needs. The participants pointed out:

- *Potentially, also in the future RTGS some AS related messages may still not be registered with ISO but may remain ISO-like messages as it is today.*

- *At least one of the AS models shall support the SSS/CSD settlement in euro that are not in T2S.*

- *While the highest possible priority shall be with the monetary policy transactions, the next priority level shall be with the AS transactions. Nevertheless, also amongst the ancillary systems, one may have higher importance due to its role in the systemic risk context. The central bank representatives shall discuss the potential need for different priorities in their next meeting.*

- *The guarantee fund (current ASI model 4 and 5) could be kept on a separate (technical) account under control of the entity defined by the AS rules (Central Bank or AS). Similarly to the solution today, where the guarantee fund is embedded in the AS Interface, in case of the respective event, the system shall check this account and take the necessary steps to overcome the event.*

- *The AS representatives asked to consider extending the operating hours for their payment processing close to 24/5,5 as well as consider supporting different settlement models at any time during the business day. Technically, in very exceptional cases, it shall be possible to open the system also on Saturdays/Sundays and on TARGET holidays (payments and liquidity transfers still settling with valid TARGET business day value). There is no need to change the EOD/SOD timings. Nevertheless, the bank representatives asked for a dedicated time when the AS shall have finished their daily processes and before EOD in order to balance the positions for customers.*

- *The working assumption is that, if an amount is dedicated for AS settlement and under the control of the AS irrespective whether reserved on the party's account, transferred to a sub-account of the party or to a technical account of the AS, it shall not be counted as part of the payment capacity nor for minimum reserve, if the liquidity remains allocated to AS-settlement at EOD.*

- *In case of a party lacking the liquidity to settle an AS "batch", the system shall allow increasing the amount for this party without unblocking the balances taken into account for other parties. Similarly, the system shall allow an AS (and not parties) to transfer out excessively allocated liquidity to the respective party.*

5.   End-to-end Business Process

The project team will present the first set of the business processes with description and related user requirements. The participants are invited to take note of the high level planning when the project team plans to deliver certain processes to the participants for review.

Documents:
- *End-to-end Business Processes*
- *Business processes documents*
  - o *HVP – queue management*
  - o *Liquidity transfer*

Outcome:

The project team presented a list of end-to-end business processes and when they plan to send the first draft of a process to the participants for review. These processes shall ensure that no requirement is missed and they build up the URD. When drafting, the team can assess whether a process could be merged with another one or split. The participants invited the project team to check also the current TARGET2 UDFS in order to ensure that all possible processes are covered. In addition, the project team stressed that the business domains show rather interrelated processes, but does not dictate the technical modelling or business operational usage of the system. Furthermore, the project team is closely cooperating with the ECMS and TIPS teams to align the expectations/interfaces between the services.

As an ad-hoc topic, the project team presented the intended table of content of the URD for T2/T2S Consolidation project. It is still to be decided whether the requirements for Eurosystem Single Market Infrastructure Gateway (ESMIG) shall remain in this document or moved to another one for future documentation perspective.

The project team introduced the business process documents for High Value Payments and for Central Liquidity Management and invited the participants to review and provide comments by Friday, 03 February. After the meeting, the project team will provide also the explanation of the different symbols in the diagrams.

The participants pointed out that they would appreciate receiving a high level description of the future RTGS service that shall help them understanding the context of one or another process (a 'la executive summary of the URD). The project team shall elaborate this high level description with additional details once they have been discussed with the participants.

6.   Any Other Business

The Chairperson reminded that an ad-hoc workshop on messages for the future RTGS services will take place on 14 February at the ECB premises. The information will be sent to the

nominated message experts as well as to the task force participants. The aim of this ad-hoc workshop is to identify the messages that shall be sent at a certain time/event and the message flows.

*The next TF-FRS will take place on **22-23 February** at the ECB premises.*