

FINAL

1 February 2017

OUTCOME OF THE 3rd MEETING OF THE TASK FORCE ON TARGET INSTANT PAYMENTS SETTLEMENT

20 December 2016 – 09:00 to 16:30

European Central Bank, Sonnemannstraße 20, Frankfurt am Main, Germany

1. Introductory Remarks

The Chairman will make introductory remarks.

The Chairperson gave a debriefing from the MIB meeting held last week in Frankfurt. A key point highlighted from the meeting was that MIB confirmed the scope of TIPS and will in addition closely monitor the reachability and interoperability requirements and if necessary react. However, this would be in the context of the TARGET2-T2S consolidation project where these issues should be addressed. Also, the MIB reviewed the URD and the next version of the URD will run through an approval process at MIB level before initiating the market consultation. The MIB did not review the changes to the TIPS principles; however, it is expected that the updated principles will be reviewed by the MIB and included into the TIPS URD for the market consultation starting on 9 January 2017.

Furthermore, the Chairperson explained about the upcoming TIPS on Tour which will be held in different countries around Europe, starting in Amsterdam on 22 December 2016. The aim of these events is to meet the respective market participants and to have a dialog about the expected TIPS service.

2. TIPS related topics

A representative of the ECB T2/T2S consolidation project team will present insights into the consolidation and optimisation of T2 and T2S services, where relevant for TIPS.

Background documents:

- *Overview and high level architecture elements of T2/T2S consolidation proposals*
- *Outcome of the discussion on TARGET2-TIPS topics in WGT2*

A presentation on the Eurosystem TARGET2-T2S Consolidation project was made to provide the TIPS Task Force (TF) members with the broader picture surrounding TIPS. In particular, the architectural overview of the expected future landscape indicated how TIPS could fit into the new set-up. It was highlighted that a common data reference management, a common billing component as well as a common data warehouse could be developed for all services.

Also, regarding the connectivity approach it was clarified that the intention of the Eurosystem is to let each TIPS Participant to decide on their own on the network vendor, as long as this network vendor is certified by the Eurosystem. The Eurosystem will set out the requirements that the network provider should adhere to. This will ensure competition and give the participants the flexibility to select the service provider that offers the best solution. A participant asked if this could result in weak links, where to the ECB team member emphasised that the Eurosystem requirements would be adequate enough to prevent such situations. Another participant asked whether a list of certified connectivity providers would be published as this would make it easier for prospective TIPS participants to choose from a connectivity provider. The ECB replied that the point had not yet been discussed internally, however that the approach would be considered.

Then a presentation of the key topics discussed with the National Central Banks (NCBs) in the working group on TARGET2 (WGT2) took place.

On the liquidity transfer topic, a participant wanted to know who owns the funds on the transit account. It was clarified that the transit account is a technical account used between debiting an RTGS account and crediting a TIPS account. Therefore, there is no concept of ownership of funds. Also, a participant wanted to know the period of time for which liquidity transfers between TARGET2 and TIPS would be possible. A member of the ECB team clarified that liquidity transfers can only be completed within the opening hours of TARGET2. This is not foreseen to be changed on the short run. However, as emphasised by the Chairperson, TARGET2 opening hours may be extended as a result of the TARGET2-T2S consolidation project. This would then result in longer operating hours for funding/defunding liquidity in TIPS.

Regarding the reporting needs, the timing of the trigger point for the generation of the reports was discussed. It was clarified that the Participants will receive a statement of accounts at the end of the day of the RTGS, which will include the processing of all the payment instructions received by 18:00, i.e. on the same business day as in TARGET2. This is due to the fact that no instruction is accepted for settlement in TARGET2 after 18:00 (the processing of the payments still continues for some remaining seconds/minutes until the last algorithm is executed).

A participant asked if the NCBs are foreseen to receive one common general ledger or several different general ledgers. It was clarified that the TIPS service will send a separately generated general ledger to each NCB, as well as to the ECB/TARGET2, for the calculation of the minimum reserve.

A question was raised if the calculation of minimum reserve requirements would also be applied for funds that banks ring-fence on the technical accounts of clearing houses. The ECB clarified that the funds held on the technical accounts of clearing house in the context of ASI6 RT will be assimilated to a guarantee funds falling under the decision of the Governing Council of 9 June 2016, which foresees a remuneration at deposit facility rate.

With regards to blocking functionality outside the normal opening hours, in particular the case of insolvency, it was clarified that TIPS participants will have to call their NCB as the NCB is responsible for managing insolvency. The TIPS service desk will provide support on technical and connectivity issues; however the NCB is responsible for liquidity management and reference data set-up topics, the availability of which is planned within office hours.

On the discussion on the GUI it was clarified that the current version of the URD does not include some of the topics presented in the meeting (e.g. the possibility to send liquidity transfers via U2A mode). However, the version of the URD for the market consultation will contain additional requirements for the GUI. It was also clarified that the potential changes in TARGET2 will need to be agreed by the TARGET2 users, as the bill has to be financed by them.

The Chairperson thanked the NCBs for their valuable input on the interaction and dependencies between TIPS and TARGET2. The discussion on TIPS will continue in the WGT2.

3. URD of the TARGET Instant Payments Settlement (TIPS) service

Relevant TIPS topics, identified via the draft URD Version 0.0.2 feedback, will be presented to the Task Force. The Task Force will also discuss the feedback received and the way forward. The updated URD will be presented to the market on 9 January 2017 for a 7 weeks market consultation.

Background documents:

- *Draft TARGET Instant Payments Settlement User Requirements*
- *Feedback and clarification on URD version 0.0.2*

On the discussion on the TIPS account/CMB mapping it was initially proposed that TIPS will not provide a mapping table. A participant suggested that in case a participant is not providing the account/CMB information a default should be selected. It was agreed that the participant of the TF should consider the default approach and that it will be discussed at the next meeting in January [**Action point 3.01**].

Then the discussion continued on the reachability and the different layers of the service. It was clarified that Reachable Parties can be directly connected to TIPS if they act as Instructing

Parties; but they are using the account of a Participant for settlement. The NCB will set up the reference data and will perform the necessary checks when an actor is set up in TIPS.

A TF participants expressed the need for that ACHs should be able to settle individual transactions in real-time amongst each other in TIPS from their technical accounts to facilitate interoperability. If this was to be supported, an important element for risk mitigation to achieve interoperability would be managed. The Chairperson clarified that the concept of the technical accounts is specific to the Ancillary System Interface and cannot be included in the TIPS scope.

A discussion regarding recalls and recall replies followed. It was confirmed that positive recall answers will give rise to a new payment transaction according to the SCT Inst rulebook. Furthermore, the used ISO message for positive recall answers (pacs.004) was confirmed. It was suggested that URD needs to be updated to elaborate the requirements around positive recall answers. This will be discussed in the next meeting.

A participant asked what business day TIPS will use for reporting. The Chairperson confirmed that TIPS will use the business day of TARGET2. This will mean that from Friday evening, TIPS will have Monday as the business day. Several participants highlighted that in case an instructing party is acting on behalf of other participants then this party needs to have information and receive reports as well. The topic of information flows to different types of participants will be addressed more clearly in the next version of the URD and the next meeting.

Then a general discussion followed on how the URD will be presented to the market, and in particular how ECB will reflect the points raised by TF members which are not taken on board in the URD. The Chairperson clarified that the URD, published for the market consultation on 9 January, will be enhanced with input from WGT2 meeting and our TF meeting. ECB will provide responses for the comments not implemented. The Chairperson also encouraged the participants to submit comments on the market consultation version of the URD before our next TF meeting.

Lastly, a participant wanted to know how TIPS will handle planned downtime, scalability and speed. For the planned downtime, it was clarified that the requirement for planned downtime is not for implementing releases, but rather only to have a possibility – in case of need – to be able to stop the service in agreement with users. If the requirement would not exist, there would be no possibility. The URD will present the requirement on planned downtime more clearly in the next version of the URD. The same participant raised that the availability should be 99.9% measured on a quarterly basis (including planned and unplanned downtimes). On the discussion on scalability and speed it was emphasised by a TF participant that there are different schemes and thereby different speeds in Europe. It was suggested that TIPS considers how to accommodate and support the different communities. The Chairperson stated that the ECB will consider a possible refinement of the requirement on speed.

The list of action points was presented and it was agreed to close 1.05, 2.01, 2.02, 2.05 and 2.06.

4. Testing Strategy Input

Based on the feedback received by 30 November 2016 the Task Force will continue the discussion on the testing strategy.

Background documents:

- *Test Strategy*

An updated test strategy was presented to the participants, clarifying the content of the different test stages and their timeline. The TF suggestion to do pilot testing, executed by an early joiners group, was incorporated. Furthermore two different test stages were explained.

It was stressed that (i) the Eurosystem provides only a minimum set of test cases, users are expected to create additional cases for pilot testing on their own and (ii) pilot/certification testing includes a free testing phase.

A participant raised the question if the suggested testing period could be shortened. It was clarified however that the presented testing period includes Eurosystem internal testing as well as external testing time for participants, thus only half of the time should be considered available for external testing. The participant acknowledged that the timing then seemed more in line with expectations.

A participant from the ECB highlighted the need to consider and align with the TARGET2 testing plan for testing of the liquidity. It was pointed out that in the time period before August/September 2017 a simulation of liquidity transfers to/from TARGET2 is needed, whereas after this point in time “real liquidity transfer” could take place.

A few participants suggested the use of pre-defined test windows. The Chairperson stated that this proposal seemed appropriate and will be discussed internally.

5. Work Plan of the Task Force

The Task Force will receive an update of the work plan.

Background documents:

- *Presentation of the Work Plan*

The URD will be enriched with the comments provided in the meeting. This enriched version will be presented to the market on 9 January 2017 for the 7 weeks of market consultation.

The TF meeting on 17 January will be used as a part of the market consultation to discuss any input you and your institutions might have on the URD. Please provide comment on the URD by the 16 January 2017 at 12.00 **[action point 3.02]**. These comments will be discussed at the TF meeting on 17 January.

By the end of January ECB will ask the service provider to prepare an offer for the TIPS service. The service provider will be presented with the version of the URD used for the market consultation enriched with the comments provided on the 17 January. By the end of the market consultation, the URD will be updated and, if needed, presented to the service provider again.

The planned TF meeting on 9 March might be moved as the current planning leaves no time for preparing the URD and consolidating feedback from the market consultation.

6. Any Other Business

A participant from the ECB emphasised the need for aligning the camt message versioning in TARGET2 and in TIPS. No conclusion was agreed on this point. However, such requirement should be considered in the scope of the T2/T2S consolidation.