TIPS Migration, Testing and Readiness Strategy for the Reachability Measures

AMI-Pay meeting
03 December 2020

Reflection on the previous AMI-Pay workshop

- On **8 September 2020** the second **AMI-Pay workshop** on the pan-European reachability for instant payments took place in extended composition.

- The **European Commission** expressed their appreciation and **full support** for the entire package implementing the pan-European reachability.

- Detailed **technical questions** have been addressed in a **technical workshop** that was held on 1 October 2020 and by means of a regularly updated **FAQ document** on the ECB website.

- A follow-up **workshop for ACHs** with the aim to tackle questions particularly in view of their **migration strategy** was organized on 16 November 2020. ACHs were informed that their readiness will be monitored, with a summary readiness reporting to the MIB on a regular basis.

Initiatives of the Market Infrastructure Board

- The mandate of the **TIPS Consultative Group** (TIPS-CG), which collects input from TIPS users to support the MIB in steering TIPS, is currently being reviewed in order to reflect the diversity of stakeholders, in particular the future **participation of ACHs** in TIPS.

- In connection to the unusually high number of **"unsettled" payments** (especially on a cross-border basis) and possible corrective measures, the AMI-Pay is invited to exchange views on which could be the **underlying reasons**.

Deployment dates and go-live

Deployment process to CERT environment
(24/09/2021 – 01/10/2021)

An **earlier deployment** is currently being investigated and is subject to an agreement with the relevant governance of the impacted TARGET Services (T2S).

Deployment process to PROD environment
(20/11/2021 – 26/11/2021)

Central Banks can start to capture the reference data of the ACHs after the installation of CRDM-related components is completed (22/11/2021).

Go-live of pan-European reachability
(07/12/2021)

The actual date depends on the reference data setup and migration activities.

Draft key milestones for ACHs and PSPs

Q1

PSE – 29 Jan 2021
Project is set up

NSP1 – 29 Jan 2021
NSP Selection begins

NSP2 – 31 Mar 2021
Completion of NSP Procurement

IAD1– 31 Mar 2021
Drafting of Internal Documentation begins

Q2

IAD2 – 28 May 2021
Internal Documentation drafted

IAD3 – 31 May 2021
Internal Development started

NCO – 30 June 2021
Network Connectivity begins

Q3

TRA – 30 Jul 2021
Training is completed

IAD4 – 31 Aug 2021
Internal Development completed
Internal Testing completed

UTA – tbd
User Testing begins

Q4

CLD – 29 Oct 2021
Contractual and legal documentation completed

OBP – 22 Nov 2021
On-boarding activities on production environment are read to start

GLI – 7 Dec 2021
Go-live (first business day)

Connectivity of ACHs and PSPs in TIPS

The majority of ACHs are already interacting with TIPS

These ACHs will have no further configuration to make in terms of connectivity

The TIPS connectivity guide is available on the ECB website

ACHs and PSPs who are not connected will be supported by the Eurosystem and the NSPs during the connectivity testing period

TIPS Specifications

The current user specifications cover the overwhelming part of the development needed to implement TIPS. The ECB also provide a FAQ on the ECB Website.
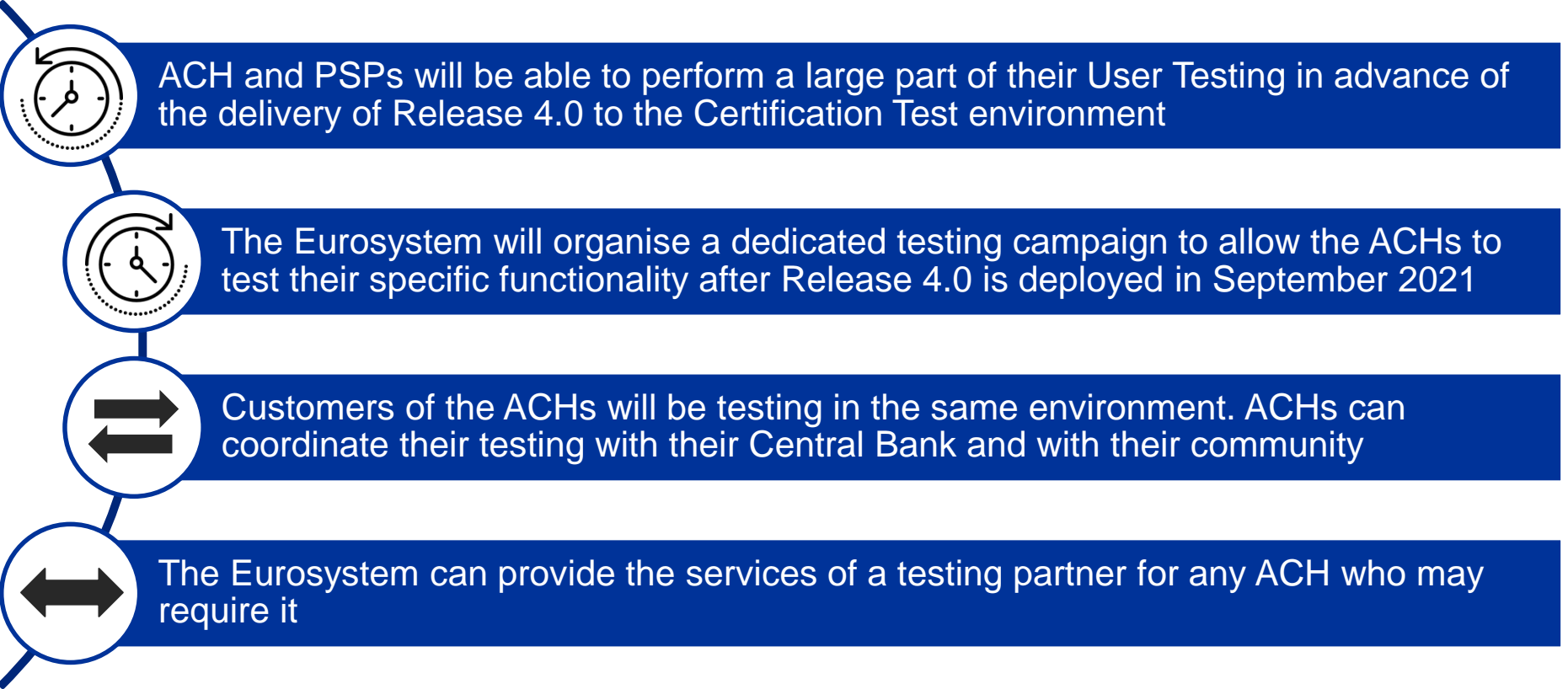
The CR33 detailed assessment (published on 9 November) and the DA of CR39 (published on 30 November) will provide the changes envisaged to the TIPS UDFS and UHB and a detailed description of the new business case. The Scope Defining Documents will be provided on 26 April 2021 without any new substance.

Only two new message types have been introduced as a result of the Release 4.0 . ACHs can immediately commence working with the XSDs available on the ECB Website.

User Testing in TIPS

ACH and PSPs will be able to perform a large part of their User Testing in advance of the delivery of Release 4.0 to the Certification Test environment

The Eurosystem will organise a dedicated testing campaign to allow the ACHs to test their specific functionality after Release 4.0 is deployed in September 2021

Customers of the ACHs will be testing in the same environment. ACHs can coordinate their testing with their Central Bank and with their community

The Eurosystem can provide the services of a testing partner for any ACH who may require it

Certification Testing

The ACHs and PSPs will have to certify by passing a set of certification tests

These tests will be defined by the Eurosystem. PSP tests are already available on the ECB website

The certification tests will not be a comprehensive set of test cases but rather an indication that the PSP or ACH can perform the basic functionalities.

The partner central bank will issue the certificate which shows that the participant has successfully completed the certification tests

Pre-Migration for ACHs

Pre-migration is the creation of the reference data needed in the CRDM and in TIPS to allow the ACH to begin its business in the TIPS system

Once Release 4.0 has been deployed the Ancillary System Party can be created in CRDM

The pre-migration activities can be practiced in the test environment

The full pre-migration process will be rehearsed once in the test environment

The rehearsal of the process will allow the Eurosystem and the ACHs to assess how much time will be needed for this activity in Production

Migration Principles 1/2

- PSPs can on-board to TIPS at any time before November 2021
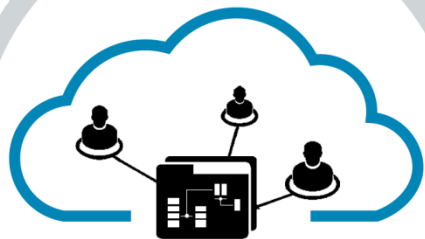
- PSPs must liaise with their Central Bank to co-ordinate their on-boarding

- PSPs will have the use of the on-boarding checklist to assist in their go-live preparations

- PSPs must define their reachability strategy as early as possible (Direct/Instructing Party , Participant/ Reachable Party)

Migration Principles 2/2

- After a suitable pre-migration period the ACHs are expected to commence their business in TIPS
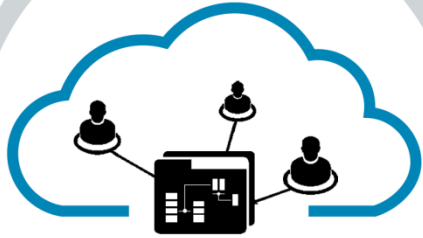
- The Eurosystem will assist the ACHs by coordinating their go-live

- The ACHs will go live as early as possible so as to fulfil the request of the European Commission

- The MIB considered that a short transition period of max 3 months may be needed for risk mitigation purposes

Migration Feedback from the ACH workshop

- The ACHs see migration waves as a means of mitigating migration risk. The ECB proposes early December 2021, early February 2022 and early March 2022

  - The proposal of a contingency wave at the end of the transitional period was welcomed. The ECB proposes late March 2022

  - The ACHs saw an advantage in migrating together in the same wave if their business is linked

- The ACHs requested a clear plan for the cutover from TARGET2 to TIPS. The Eurosystem will work with them to provide this in the form of the Migration playbook

In order to ensure the on-boarding/migration readiness of the PSPs and ACHs subject to the reachability measures across all national communities, a community readiness monitoring needs to be put in place.

❑ Objective:

➢ Monitoring the progress and preparedness of the PSPs and ACHs in order to ensure a smooth on-boarding/migration to TIPS;

➢ Early identification and resolution/mitigation of identified risks.

❑ Scope:

➢ Reporting on the readiness of

o PSPs against their status for four key phases (Preparation, Implementation, Testing, On-boarding)

o ACHs against the completion of key milestones as defined in the project plan

Community Readiness Monitoring

➤ Guiding Principles (1/2)

☑ **NCBs will lead the PSPs and ACH readiness monitoring process in their respective country** and support the ECB in coordinating the monitoring process.

☑ **Each PSP and ACH is responsible for ensuring its own readiness** as well as the readiness of its reachable parties.

☑ **One key milestone is set in the context of the reachability measure applicable to PSPs which is common to all PSPs and marks the latest point in time for PSPs to on-board to TIPS.** PSPs may finalise their on-boarding activities at any time before this milestone. **Activities expected to be performed by PSPs towards reaching the milestone will be clustered in key monitoring phases.**

☑ **The key milestone defined in the context of the reachability measure applicable to PSPs as well as the key phases are to be considered by all PSPs in their internal adaptation plan.**

Community Readiness Monitoring

➢ *Guiding Principles (2/2)*

☑ **Key milestones in the context of the reachability measure applicable to ACHs are common to all ACHs** and aim to ensure their go-live readiness in a synchronised manner across all national communities.

☑ **ACHs will take ownership of the key milestones and integrate them in their internal adaptation plans**

☑ **Readiness progress is reported to the relevant governance bodies.**

Community Readiness Reporting (1/2)

☑ The readiness reporting aims at **collecting information for monitoring the readiness status, identifying potential risks/issues and providing regular status** updates to the TIPS Steering Level.

☑ PSPs and ACHs will **be approached on a regular basis** – exact frequency still to be confirmed – **by their responsible NCBs to provide information on their readiness status.**

☑ **Reporting information collected from PSPs subject to the PSP reachability measure:**

➢ **Confidence level to on-board by the date defined by each PSP in its internal adaptation plan** - will be monitored using the "traffic-light-approach"
- o Green = No issues identified
- o Yellow = Issues identified but the related mitigation actions are being put in place
- o Red = Issues identified for which no solution has been found for the time being.

➢ **Status per key phase** - will be monitored using the "traffic-light-approach"
- o Green = phase successfully completed
- o Yellow = phase is on-going
- o Grey = phase has not started yet

Community Readiness Reporting (2/2)

☑ **Reporting information collected from ACHs subject to the ACH reachability measure:**

- ➢ **Confidence level to migrate by the date defined by each ACH** - will be monitored using the "traffic-light-approach"
  - o Green = No issues identified
  - o Yellow = Issues identified but the related mitigation actions are being put in place
  - o Red = Issues identified for which no solution has been found for the time being.

- ➢ **Status per milestone** - will be monitored using the „Y/N-approach"
  - o Y = Yes, milestone completed
  - o N = No, milestone was not completed

☑ NCBs will **communicate the information to the ECB for compiling a consolidated status report** on the readiness of both PSPs and ACHs in view of the reachability measures.

Thank you for your attention!

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Annex: Summary of main benefits

> **Pan-European reachability package**
> The package allows that all Participants are reachable across the chain, irrespective of which ACH (or TIPS) they are using for instant payments.

- All CSMs/PSPs are **pan-European**: Interoperability, **SEPA / SCT Inst compliance**.

- No need for fragmentation of banks' **liquidity pool** and removal of liquidity traps.

- Elimination of **credit risk** exposure and **instant finality** for inter-ACH transfers.

- Optimized liquidity management with **24/7/365** availability for funding and defunding.

- PSPs can decide to send payments either **ACH internally**, from an **AS technical account,** or using their **TIPS account/CMB**.

Benefits

Clarification on applicability of measures (1/2)

> All **PSPs** which have adhered to the **SCT Inst scheme** and are reachable in **TARGET2** should also become **reachable in a TIPS central bank money** liquidity account, **either as a participant or** as reachable party (i.e. **through the account of another PSP** which is a participant).

- This applies to both **direct and indirect** SCT Inst compliant TARGET2 participants.

- Hence, it is **foreseen** that the **TARGET2 Guideline** will indicate:

i.   that the **PM account holders** which have adhered to the **SCT Inst scheme** are **required** to hold a **TIPS DCA** or to be **reachable** via another TIPS DCA holder;

ii. that the **indirect participants** or **addressable BICs** which have adhered to the **SCT Inst scheme** would **only** be **registered** if they hold a **TIPS DCA** or are **reachable** via another TIPS DCA holder.

Clarification on applicability of measures (2/2)

> All **ACHs** offering instant payment services should migrate their **technical accounts** from **TARGET2** to **TIPS**.

- This measure formulates the **obligation** for **all ACHs** connected to TARGET2 **clearing SCT Inst** payments to **open a technical account in TIPS**.

- As a result, this measure is **not restricted to** those ACHs which already have an **ASI6-RT connection** in place.

- It **also applies** to ACHs that may use **other models** than ASI6-RT for prefunding instant payments.