

28 March 2017

OUTCOME

3rd Task Force on Future RTGS Services

DAY 1: 22 February 2017, from 10:30 until 17:00

DAY 2: 23 February 2017, from 09:30 until 16:00

held at the ECB, Sonnemannstraße 20, Frankfurt am Main, room C3.08/09

1. Introduction

The Chairperson will welcome the participants and open the meeting.

Outcome

The chairperson, Holger Thiemann, opened the meeting. The participants approved the agenda.

2. Proposal for main cornerstones for the future RTGS services

Following the input from previous meetings, the Eurosystem has prepared a document that explains the main cornerstones of the future RTGS services for the topics discussed so far in the task force (i.e. central liquidity management, reference data management, high value payments, queue management, assumptions for the minimum reserve calculation). The participants are invited to share their views on the document.

Furthermore, the project team will ask for the participants' input on some settlement services related aspects that have not yet been clarified.

Documents:

- *High Level Business Changes*
- *Settlement services*

Outcome

The project team introduced a document that describes on a high level the aspects of the future RTGS services that the task force has discussed so far. For each following task force meeting, the project team will update the document based on the discussion in the previous task force. The participants took note that parts of this High Level Business Changes document will feed to the URD as executive summary. The participants highlighted the following aspects:

- *The CLM services on the Main Cash Account (MCA) shall be fully manageable over U2A to allow credit institutions using only U2A to have full access to the MCA functionality.*
- *The document shall provide the exhaustive list of services that are provided on the MCA.*
- *In the future, each user can log in to the Eurosystem market infrastructures with a single sign-in ; however each service (CLM, RTGS, T2S, TIPS, reference data, etc.) will have its own GUI screens, which the user can access based on his/her user rights. The CLM GUI shall provide the single view for treasurers on its payment capacity, i.e. balances in each of the services (incl. usage of credit line/auto-collateralisation and queued payments), but shall not allow performing all service-specific functions. Furthermore, some participants requested to also have the information on the value of available collateral presented in the CLM GUI. Early in the project realisation phase, the market shall contribute to the detailed GUI usability definition.*
- *The credit line of a credit institution is assigned to one MCA only, but a credit institution may have several MCAs.*
- *Liquidity transfers between an MCA and related DCAs can be configured in CLM and subject to specific triggers/reasons. For instance breaching the floor amount on an RTGS DCA could trigger an injection of additional liquidity from the MCA (from the balance not reserved for specific purposes or by using the credit line). Excess liquidity (i.e. when breaching a ceiling amount) could in the same way be retransferred from the RTGS DCA to the MCA.*
 - *The participants noted that the T2S governance shall, following the established change management procedures, agree whether they want to introduce functionality at T2S to receive a liquidity injection from the MCA to square the open auto-collateralisation positions.*
 - *In the next task force meeting, the project team shall explain the planned interaction with the ECMS and highlight the main differences compared to today how the credit line would be managed in conjunction with T2S auto-collateralisation and ECMS/collateral management systems. Additionally, it shall be presented which service would take priority in case of simultaneous requests to transfer liquidity from the MCA to a service as there will be different queues in services.*
- *It shall be clarified how the floor/ceiling triggers would work, if a DCA is linked to more than one MCA.*

- *The reference data shall be allowed to be changed real-time as well as with a future-date (pre-entered with a defined validity start date and end date). It shall be defined which reference data may become valid immediately, once modified, and which only at a certain time (e.g. on the following business day).*
- *The document shall state that the connectivity access to the service shall be cost-effective and meet the security requirements in order to address the concerns of credit institutions, in particular the smaller ones.*

The project team asked for the participants' input with regards to the reservations and queueing in settlement services. The participants discussed:

- *On the RTGS DCA, it shall be possible to reserve liquidity for specific business purposes (i.e. the category of the payment) and for ancillary systems. It is not required to reserve liquidity for a single payment as this aim can be ensured with (1) different categories of payments (Highly Urgent, Urgent, Normal); (2) the possibility to change the order of payments in the queue; and (3) the possibility to change the category of the payment.*
- *There shall be a pre-defined list of "business purposes/categories" and the rules how they are identified by the service. If a user wants to make use of liquidity reserved for a "business purpose", the payment message has to meet the respective rules (e.g. contain the related category).*
- *In case of lack of cash for a payment in the respective RTGS DCA reservation, the optimisation algorithm shall take into account (1) the available balance (i.e. cash not allocated to a reservation) on the RTGS DCA and then (2) the balance available in the lower category payment reservation. If still not sufficient, (3) the system shall trigger an automated liquidity transfer from the MCA, if the participant configured the related standing liquidity transfer orders for the automation. Beforehand, the service shall try to offset the payments with the payments of counterparties within the pre-defined bilateral and multilateral limits (entry disposition).

 - *For example, in case a Highly Urgent payment is queueing due to lack of cash in the respective RTGS DCA category, the system shall check (1) the balance not reserved on the RTGS DCA; (2) complement it with the balance reserved for Urgent payments on the RTGS DCA; and (3) trigger automated liquidity transfer from the MCA (taking into account the credit line on the MCA), if configured by the participant.**
- *In case of lack of liquidity for a Highly Urgent payment in the respective MCA reservation, the system shall (1) check the balance not reserved for specific purposes on the MCA and (2) complement it with the available credit line. If still not sufficient, the operations on the MCA may be allowed to pull out liquidity from a DCA, if so pre-*

configured by the participant. Further details shall be defined and, among others, it is still to be discussed

- In which order shall the system check the DCAs for liquidity?*
- Can cash be pulled out from a DCA reservation, if available balance on the DCA is not sufficient?*
- Whether the Highly Urgent reservations on the RTGS DCA and on the MCA are allowed to complement each other?*

Some participants raised concerns, if a CB operation on MCA is allowed to pull out liquidity from a RTGS DCA reservation, as the credit institutions have no control over the timing when the central banks send their CB operation messages to the system and this ruins the banks' liquidity management efforts. However, it was highlighted that this situation exists also today. Furthermore, it was still noted that, in principle, a change in the credit line has the utmost high priority.

- Participants should be allowed to reserve liquidity for AS settlement corresponding to the models other than current model 6. The liquidity reserved for AS settlement in this way is shared for the settlement activities of all ancillary systems.*
- For AS settlement corresponding to the current model 6, liquidity should be set aside on a sub-account of the RTGS DCA.*
- The pre-defined and technical liquidity transfers (i.e. based on triggers and/or generated by the system) shall be*
 - executed in full, if possible, otherwise partially;*
 - treated as Highly Urgent when transferring liquidity from the DCAs to the MCA;*
 - treated with the priority assigned to the "business purpose" which triggered the technical liquidity transfer when transferring liquidity from the MCA to the DCAs.*
- The liquidity transfers initiated by the users for immediate execution shall be*
 - executed in full on an all-or-nothing basis;*
 - treated as Highly Urgent.*
- It is not needed to allow configuring pre-defined liquidity transfers between DCAs (i.e. initiate a transfer from a DCA to another, via MCA, by placing a trigger at one of the DCAs based on its balance).*

Based on the above feedback the project team shall present in the next task force meeting examples for combining reservation types and queueing of different operations.

3. Ancillary Systems Settlement Services

In the previous meeting, the participants identified a number of needs for supporting the settlement of ancillary systems. The project team will propose how to address these needs in the new RTGS service.

Document:

- *Ancillary Systems Settlement Services*

Outcome

The project team introduced the proposal for streamlining the ancillary system processes. The aim of this exercise is to optimise the costs, e.g. for adaptation to ISO 20022 as well as for later maintenance of the service.

The participants noted that the current ASI model 1 (ASI Liquidity transfer), which is not in use anymore, and the ASI model 2 (ASI Real-Time Settlement) are covered by the standard (future) functions defined for the RTGS service.

The features of current ASI model 3 (Bilateral Settlement) can be covered by standard (future) functions for settling payments as well, as long as the following additional features can be provided: (1) information period prior to the settlement; (2) dedicated settlement period; and (3) an overview to trace the status of all instructions sent in the same file.

Although technically rather similar, the ASI model 4 (ASI Standard Multilateral Settlement) and ASI model 5 (ASI Simultaneous Multilateral Settlement) have specific legal differences (e.g. guarantee fund mechanism) which makes it challenging for the ancillary systems to move from one model to another.

The participants took note that some ancillary systems are using one model at daytime (e.g. model 4) and another model at night time (i.e. model 6) as currently only model 6 is supported at night. They observed that if model 4, with some further features currently available for ASI model 6 (ASI Dedicated liquidity and cross-system settlement (interfaced)), is supported during the whole time the system is open, these ancillary systems may give up using the ASI model 6. With this regards, the participants invited the project team to identify any technical reasons that may prevent allowing ASI model 4 to operate at night or enhancing it with further features. Furthermore, the participant took note that the service shall also support ASI model 6 (real-time), which will be introduced as of November 2017.

If the system shall support the specific features of ASI model 6, then the funding shall take place approximately at 19:30 by a dedicated event. Similarly to today, the allocated balances shall be blocked during a cycle and the owner of the account shall be able to transfer the remaining balance from the sub-account of the RTGS DCA or from the dedicated RTGS DCA to the master RTGS DCA when no cycle is running. However, the ancillary system shall be able to release excess funds and transfer them to the master RTGS DCA also during the cycle.

The representatives of CLS and EURO1 confirmed that they would prefer having the possibility to use as an ancillary system the standard interface and sending clean payments with Highly Urgent category.

4. Business Day

The project team will invite the participants to identify what the phases of the business day could look like and when the key events that occur in the business day should happen.

Document:

- *Business Day*

Outcome

The project team invited the participants to brainstorm on the different aspects of the business day schedule. The participants concluded:

- *General daily schedule*
 - *All services shall always settle in the same value date.*
 - *If certain types of payment messages should settle only during specific periods of the settlement day, the service needs to be able to derive this type from the message itself and specific cut-offs should mark the start and/or end of the period for settlement.*
 - *Such cut-offs (business events) shall be discussed and agreed in cooperation with the relevant stakeholders (e.g. an ancillary system and its users; in AML-Pay and NUGs) and subsequently configured by the Eurosystem.*
 - *Due to decoupling of services, each of them may have a different SOD. At the latest, the EOD of all services shall be at 18:00 in order to allow a coordinated change of the value date.*
 - *It is to be defined in which time period the service desk shall attend the operations (standard service hours with standard service levels) and when the system may run unattended.*
- *Daily Maintenance Window (MW)*
 - *There is a preference to (1) align the MW with the one of T2S and (2) shift it to 00:30 – 02:30.*
 - *There must be at least 30 minutes before end of MW and opening of HVP service to modify warehoused payments (see below HVP services).*
 - *Technically it shall be possible to skip the MW (i.e. parameterize) in the future RTGS service in case of emergency conditions.*
- *Weekend Maintenance Window*

- *Over the weekend, the system operator needs certain time windows to maintain the different services. Furthermore, at certain times, the network providers have their weekend maintenance windows that prevent outside access to the Eurosystem market infrastructures.*
- *The current working assumption is that, similarly to today, the CLM and RTGS services close for maintenance window on Saturday (with value date Monday) at 00:30 (based on preferred new schedule) and open on Monday (with value date Monday) at 02:30. During the above period, it will not be possible to transfer liquidity from CLM to TIPS. Nor would it be possible to transfer liquidity to or from the current ASI model 6 that is used to guarantee the instant payment clearing positions.*
- *The Eurosystem took note of the vocal business need to be able to inject liquidity to both solutions over the weekend and not have cash trapped in one or another solution. The participants invited the system provider to analyse the feasibility to open the CLM on weekend from technical and cost perspective.*
- *Central Liquidity Management (CLM) service*
 - *The CLM drives the moment when the change of business day takes place for all services. This shall also be the exact reporting time for all services for calculating the minimum reserve.*
 - *CLM shall start at 19:00 (with the next value date) and remain open until 18:00 for regular CB operations, apart from standing facilities which may settle after 18:00. The CLM shall not be accessible during the daily and weekend maintenance window. However, preferably, no CB operations before 07:00.*
 - *It is to be checked with the monetary policy experts whether it is still required to keep the currently foreseen 15 minutes (cut off at 18:30 instead of 18:15) at the last day of the reserve maintenance period for standing facilities purposes.*
 - *At the EOD, the CLM requires approximately 1 hour for EOD activities and the generation of EOD reporting (i.e. 18:00-19:00). This process shall not prevent the other services (RTGS, T2S, TIPS) to start their day.*
- *High Value Payments (HVP) services*
 - *HVP shall preferably open at 03:00 and shall remain open until 18:00 CET¹.*
 - *The customer payments cut-off shall remain at 17:00 and the interbank payments cut-off at 18:00.*

¹ This shall enable cash payment settlement with finality during Asian operating hours (which is in sync with the USD clearing starting at 9:00 pm ET on D-1)

- *There shall be no technical difference between night time and day time periods. The service shall be automated to a large extent in order to limit the support of the system operator outside normal business hours.*
- *In order to safeguard credit institutions that are mainly active in Europe, there is an interest among all stakeholders to agree on timings from when certain operations shall be allowed to settle. For example, starting from 03:00, allow retail and commercial payments and payments between two willing counterparties.*
- *Warehoused payments shall be queued for settlement at the time of opening of the HVP service, unless the payment instruction includes FROM time. 30 minutes before the opening of HVP, the users shall be able to modify (i.e. change priority, execution time) or revoke the payments.*
- *Ancillary System (AS) services*
 - *Technically, the ASs shall be able to process their cycles from 19:30. Nevertheless, in case of some ancillary systems (e.g. CCPs), the treasurers prefer to be present. However, the meeting participants did not see the need for implementing limitations in the form of (parameterized) time windows when certain ancillary systems could send their payment instructions.*
 - *The AS settlement processes shall finish at 17:00 to have sufficient time to square the positions until 18:00.*
- *Reference Data*
 - *Technically, the users with respective privileges could modify the reference data within the same time period when the CLM service is available. However, the standard (attended) service support is provided from 07:00 until 18:00 on TARGET opening days. The system-wide changes (e.g. blocking of account, insolvency case) that happen outside of this period are treated as exceptional cases.*

Based on the above input, the project team will visualise the business day for the next task force meeting.

5. Status update on the discussion in the ad-hoc WS on messages

The project team will debrief the participants of the discussion in the ad-hoc workshop on messages that took place on 14 February.

Document:

- *Status update on ad-hoc workshop on messages*

Outcome

The project team debriefed the participants of the discussion in the ad-hoc workshop on messages that took place on 14 February. The participants took note that the system provider will take the message standards that the HVPS+ Task Force defines as basis and may propose adaptations to include only message fields that are necessary for the RTGS service. Such discussion shall take place during the project realisation phase.

In addition the participants noted that one option for migration to ISO 20022 is to migrate module-by-module (e.g. first CLM with related messages, while payments continue in current format for a while). Although such approach has certain benefits, it was observed that such approach involves major implementation, testing and migration effort.

In terms of including the time stamp to the positive confirmation message (pacs.002), a participant mentioned that the respective change request is already submitted to ISO for retail payments.

6. Information and reporting

The project team invites the participants to identify what kind of information they need to receive from different business domains, via which channels (U2A/A2A) as well as any other needs with regards to the information and reporting.

Document:

- *Information and reporting*

Outcome

The project team introduced the scope and aim of the business interface (information and reporting) domain to the participants. The task force shall identify requirements for service subscriptions, reports as well as for queries. The participants discussed:

- *All reports and queries sent in A2A shall be ISO 20022 compliant to the extent reasonable. This requirement is not applicable to U2A requested queries and reports.*
- *The users can subscribe for standard reports, which the system generates at pre-defined time or event and the report is either downloadable in U2A or sent in A2A (push-method).*
- *The users can query the system during the opening times of the respective service for immediate information either via A2A or U2A. The response is returned via the same channel (pull-method).*
- *There shall be a limit on number of data lines that the U2A downloadable reports and queries present on screen. It shall be possible to download this information.*
- *Requests for delta reports shall show the changes since the last generated same report. It shall be defined for which reports delta-versions shall be supported.*

- *It is to be defined how long in the past the users can query the system (e.g. at least for the previous day) as well as how long the U2A generated reports are available for later download. The latter aspect could be based on the report type (e.g. official end of month reports shall be available for several months, while daily reports for few days).*
- *The subscription for reports shall be flexible and allow reports per service, per participant and per account.*
- *In general, the users need (1) information on liquidity status (queries); (2) official EOD reports (pre-subscribed reports); and (3) a tool for accessing historical information (including timestamps when a payment settled).*
- *The central banks need specific information, for example, for generating invoices, transaction-level information for statistics, accounting related information in the general ledger and comprehensive views for monitoring purposes.*

In the next task force meeting the participants shall discuss both the functional and non-functional requirements for U2A as well as the proposal for reports and queries and how the users could access the historical information.

7. End-to-end Business Process

The project team will present the status of drafting business processes and the further detailed planning when the project team plans to deliver certain processes to the participants for review.

Document:

- *Business Process Status*

Outcome

The project team presented the current status of the business processes and reminded of the dates when certain (updated) sets will be distributed for review and comments. They clarified that no date is set for the Contingency Processes, which are dependent on the input from the Eurosystem dedicated task force that draft version shall be available in early April.

Some participants asked for a general overview of the access rights concepts and also for a kind of indication for each user requirement whether this is new, with changes or exactly the same as the current functioning of TARGET2. It was noted that there is no URD for TARGET2 that would allow straightforward mapping of requirements.

8. Any Other Business

The chairperson reminded of the dates of the next meetings:

- *16 March – ad-hoc workshop on messages*
- *27 March – Task Force on Future RTGS Services*