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## **Consultation on the future RTGS services – T2/T2S consolidation**

### **URD for central liquidity management (CLM)**

1.1 A future move to managing liquidity on a global basis should be taken into account in the design.

1.1.1 Whilst we accept that it is still a work in progress, clarification on how it is envisaged ECMS will interact with CLM will be appreciated.

1.1.1 Will the MCA link directly with DCAs in all the services?

1.2.2 Process Overview: Fully automated processing is highly desirable.

1.2.3.1 (CLM.UR.CLM.LTSEN.010.020) We believe it is necessary to check more than the references of orders. Please clarify if additional checks will appear in the UDFS.

1.2.3.3 SETTLE LIQUIDITY TRANSFER AND UPDATE CASH BALANCE: Where possible, defaults should be parameter driven at account level by users.

1.5.2 Process Overview: Although not technically within the Glossary definition of Liquidity Transfer Order, can a transfer be made between DCAs belonging to different participants both within a single service and in different services without the obligation to hold an MCA?

1.5.2 Process Overview: How is "on behalf of" defined?

1.5.3.4 (CLM.UR.CLM.LTDCA.030.020) "debited" and "credited" should replace each other.

1.5.3.6 PROCESS FEEDBACK FROM RECEIVING SETTLEMENT SERVICE: It is important to avoid round tripping in the event of any messaging delays, possibly by employing some form of duplicate checking.

1.6.3.6 (CLM.UR.CLM.PAYT.050.010/020) The creation of a defined floor amount should be optional. Furthermore, if a defined floor amount is created, release of an inter-service liquidity transfer should also be optional. In addition, reference should be made to the full payment capacity comprising both the cash balance and available credit line.

1.6.3.7 QUEUE ORDER: It is essential that sufficient information is provided to participants to enable them to be sure their back-office systems are providing up to date and accurate information. In order to achieve this, full information on message flows and structure is required as soon as it is available.



1.6.3.7 (CLM.UR.CLM.PAYT.060.030) We believe this touches on complex legal issues around ownership of funds and the rights of central banks vis-à-vis commercial participants. We suggest neutral legal opinion is sought but in any event the account owner must be notified immediately in order to enable it to manage its liquidity.

1.7.3.5 (CLM.UR.CLM.LIQR.040.030) Why should a pending reservation request automatically trigger a liquidity transfer from the default RTGS DCA to the MCA without the account owner's permission? In any event, the account owner should be notified. Also, the reservation made on the MCA should refer to the full payment capacity (cash + available credit line).

2.1 (CLM.UR.NFR.ALL.010) Since systems all over the world are steadily moving towards 24/7 operation, with TIPS a leader in this respect, CLM design should anticipate potential future need for 24/7 operation.

2.1 (CLM.UR.NFR.ALL.010) It is important to ensure that any outstanding funds arising from T2S autocoll are included in CLM dashboard reporting.

3. USER INTERACTION: It is considered essential that the GUI provides at least the same functionality and efficiency as the existing ICM for TARGET 2 transactions.

3.1.2 (CLM.UR.ALL.UI.030) Please clarify how this would work, particularly for A2A.

3.1.2 (CLM.UR.ALL.UI.040) The "on behalf of" functionality appears to be restricted to central banks and operators. Please clarify whether financial institutions can act on behalf of other financial institutions, particularly in a group situation.

3.1.2 (CLM.UR.ALL.UI.060) Please clarify how the stipulation of "four eyes approval" would work in an A2A scenario.

3.2.1 (CLM.UR.CLM.UI.030) It is important that users have the ability to query available liquidity at both individual account and aggregate levels on all accounts for which they are responsible.

3.2.1 (CLM.UR.CLM.UI.040) Will there be a facility for financial institutions to offer services such as managing reserve requirements for other financial institutions, particularly in the same group? If yes, how?

3.2.1 (CLM.UR.CLM.UI.050/60) Although this functionality already exists in T2S, we believe it is essential to analyse the implications for participants in relation to payment transactions.

3.2.1 (CLM.UR.CLM.UI.060) For the fulfilment of the minimum reserve, Adjustment Management Information should be maintained but it is not present in the list.

### **URD for future RTGS (RTGS)**

1.1 Migration to ISO 20022 is likely to be highly complex and require full end to end analysis since it will need to be coordinated and synchronised across the whole end to end chain involving not only the central system and participants but also in some cases participants' customers. It is estimated that at least 3 to 4 years will be needed following finalisation of the UDFS and possibly longer dependent on further analysis. It will also be important to recognise that correspondent banking interfacing with RTGS may still be using FIN.



1.1 Is a modular facility to be provided (as in HAM accounts vs PM accounts) to enable smaller banks to outsource some services or not participate in them at all?

1.1.2 Business Processes: It is suggested that Direct Debits should be restricted to those which are compliant with the exemption for large-value payment systems in Article 1(b) of Regulation (EU) 260/2012 which is summarised below and it is made clear that RTGS is not intended to be used for retail direct debits.

*"This Regulation does not apply to payment transactions processed and settled through large-value payment systems, excluding direct debit payment transactions which the payer has not explicitly requested be routed via a large-value payment system."*

1.2.2 Process Overview: The second bullet point states: If either of these checks fails" which implies two checks but only one is mentioned as an example i.e. "on the execution time reached". What is the other please?

1.2.2 Process Overview: In the second paragraph, what is the thinking behind the phrase "possibly over-exploited" since we would have thought this would be a participant responsibility?

1.2.2 Process Overview: The statement that following successful provision checks the platform will finally and irrevocably book the payment order on the debit and credit accounts does not appear to ensure maximum protection against insolvency under Directive 98/26/EC and national implementing legislation. Also, please clarify whether it is envisaged that each service such as RTGS will be designated separately or whether the infrastructure will be designated as a whole.

1.2.3.2 (RTGS.UR.HVP.PAYT.020.010) The owner of the account to be debited is presumed to be an RTGS participant but such participant is unlikely to be the original sender. Could you please clarify the intention?

1.2.3.2 (RTGS.UR.HVP.PAYT.020.040) Please clarify which white list is being referred to.

1.2.3.5 (RTGS.UR.HVP.PAYT.050.060) Sending of a liquidity transfer should be an optional facility since some banks operate their own liquidity management facility and may not want automated liquidity transfers.

1.2.3.7.1 (RTGS.UR.HVP.PAYT.070.100) Assuming this will be a designated system, this statement appears to be ignoring the provisions of Directive 98/26/EC and also confusing finality of the payment with account entry finality.

4.2.1 Query: It is assumed that "Owner BIC of RTGS DCA" refers to 11 character BICS identifying individual DCAs. Could you please confirm?

4.2.1 (RTGS.UR.RTGS.UI.060) It is stated that the RTGS service shall provide the functionality to query information on payments within one AS file. However, it is not clear whether it is possible to combine the selection criteria as all the information related to a single payment in an AS file should remain with the AS itself. Please clarify.



## **URD for shared services (SHRD)**

### **1.1.2 General User Requirements for ESMIG: Please provide more information on access privileges.**

1.1.2 (SHRD.UR.ESMIG.ALL.000.010) It is recommended that the choice of Network Service Providers is subject to a consultation with the whole user base. Is internet-based access to be provided as happens with TARGET 2 now?

1.1.2 (SHRD.UR.ESMIG.ALL.ALL.000.090) Please clarify method(s) of authentication. For example, use of a USB would cause serious operational problems for some banks and is not recommended.

1.1.2 (SHRD.UR.ESMIG.All.000.130) Is the "Market Infrastructure Market Resilience requirements" document referring to the paper issued by CPMI-IOSCO in June 2016?

1.1.2 (SHRD.UR.ESMIG.ALL.000.450) What is meant by "general access to the requested service" please?

1.2.1 (SHRD.UR.ESMIG.NFR.010) Please clarify whether this means that ESMIG availability will differ by service and whether there will be an exact match with service opening hours.

1.2.2 (SHRD.UR.ESMIG.NFR.050) What is the envisaged involvement of the network service provider in this process?

2.2.2 Process Overview: Is the business day for all Common Reference Data referred to the one for RTGS business defined in the Glossary? If not, what is it?

2.4.3.2 (SHRD.UR.CRDM.DELRD.020.020/030) Why is the occurrence of Common Reference Data logically deleted on the Valid from Date/Event? It is also noted that section 2.6.3.2 (SHRD.UR. CRDM.BLKRD.020.050/060) refers to the CRD being blocked. An explanation will be appreciated.

2.6.3.3 (SHRD.TR.CRDM.BLKRD.030) It is suggested this is amended to read "No new credits or debits allowed on the account". However, is there a CB override or does the blocking need to be removed temporarily?

2.8.3.2 (SHRD.TR.CRDM.CLOACC.020) It is suggested that "closing process" is defined in the Glossary.

2.8.3.2 (SHRD.UR.CRDM.CLOACC.020.040) Please clarify the meaning of "closed account" for this purpose and what requirements the CB must satisfy to move the balance, ownership of which may be disputed by a liquidator.

2.9.2 (SHRD.UR.CRDM.DIR.000.010) How is it proposed to deal with unpublished BICS which may be used in connection with some services?

2.10.1 (SHRD.UR.CRDM.NFR.010) What happens if blocking is required outside the hours but when TIPS is open?

3.3.3.1 (SHRD.UR.BD.EODSOD.000.060) Can all the services retain liquidity at the end of the business day? Specifically, will this apply to T2S DCAs? Also, can T2S liquidity be swept back to a DCA in any service?



3.3.3.2 (SHRD.TR.BD.EODSOD.010) It is assumed that EOD/SOD are service specific but what about TIPS operating 24/7?

3.4.2 User Requirements: Timings should be parameter driven so that they are flexible.

3.4.2.1 (SHRD.UR.BD.OPER.000.010) Notwithstanding de-coupling the same business logic and business day should apply.

3.4.2.1 (SHRD.UR.BD.OPER.000.030) Please explain why a settlement attempt has to take place after a cut-off.

3.4.2.2 (SHRD.UR.BD.OPER.000.040) It is important that all associated functionality, particularly relating to liquidity, is also available.

3.4.2.2 (SHRD.UR.BD.OPER.000.090) All timings should be parameter driven in order to facilitate any changes needed in the future.

3.4.2.2 (SHRD.UR.BD.OPER.000.100) Please clarify the meaning of "technical solution". Also, we understand that the option to maintain one or more RTGS accounts will remain a participant's decision and opening an RTGS account should not be forced by an AS decision. Please confirm.

3.4.2.2 (SHRD.UR.BD.OPER.000.140) Why are the CRDM operating hours aligned with RTGS and closed at weekends when TIPS will still be open and may require an urgent change on CRDM?

5.3.3.3 (SHRD.UR.IR.SCHRPT.030.010) It is important for banks to know as soon as possible what format(s) is proposed for these reports in order to check that it is compatible with their own systems.

5.3.3.5 (SHRD.UR.IR.SCHRPT.050.020) What happens if a bank is only using U2A?

6.2.3.1 (SHRD.UR.DWH.COLL.010.020) We guess that DWH stands for data warehouse but suggest that it is defined the Glossary.

7.4 (SHRD.UR.NFR.ALL.000.070) We suggest that Trouble Management System (TMS) is included in the Glossary.

8.3.2 (SHRD.UR.CRDM.UI.310) Is a specific White(s) List being referred to and, if so, which one(s)?

9.2 (SHRD.UR.BDD.050) Since Payment Bank is not a generally recognised term outside the Eurosystem, we suggest it is defined in the Glossary.

9.2 (SHRD.UR.BDD.100) Please clarify which ISO 20022 message types are proposed.

9.2 (SHRD.UR.BDD.110/120) Why does Liquidity transfer only refer to transfers from MCAs and not also vice versa whereas standing orders include vice versa?



## **Glossary**

Backup payments – backup liquidity redistribution payments are a means of relocating liquidity by means of short term repayable deposits and do not relate to any specific underlying payments. This is a critical distinction since the giver will be accepting credit risk on the receiver which may not be acceptable in respect of the banks receiving the underlying payments.

Business day – the definition should be wider and not restricted to RTGS.

CLS - CLS Bank is an institution within CLS but the two entities are different.

Final (finality) - for transfer orders we suggest this is defined in terms of the SFD and national implementing legislation.

Final (finality) and Final settlement – we suggest these definitions should be linked to the SFD.

Final transfer – we are concerned about the unqualified statement reading “which effects a discharge of the obligation to make the transfer” since an underlying commercial obligation may not be discharged. We believe it is important to distinguish between the payment and any underlying obligation. Also, it isn’t clear how delivery and payment can be defined as a final transfer except in certain defined circumstances.

Reserve holdings – intraday liquidity may morph into overnight liquidity but the two are different and intraday liquidity does not form part of overnight reserve holdings Also, why is the definition restricted to RTGS DCAs when liquidity on other accounts such as TIPS DCAs may also count towards reserves?