

RTGS UDFS

Replacement of ASI 2 and ASI 3 by standard payment functionality

Slides 1-12 are unchanged compared to TCCG presentation on 18.07.2018
New slides 13-14 provide answers to the questions raised in the meeting

Meeting: TCCG
Location: Frankfurt
Date: 18 July 2018
Version: 0.1

Agenda

- 1 URD Requirements
- 2 Current TARGET2 functionality
- 3 RTGS – envisaged approach

Aim of the presentation

AS using payments (i.e. pacs.009)

- | The aim of the presentation is to inform the TCCG on how the agreed functionality will be implemented and incorporated in UDFS version 0.4
- | Moreover, it is envisaged to have an URD Change Request to further clarify already in the URD how the functionality will look like

URD Requirements

RTGS URD 1.1.1 – chapter 2.1.5

Procedure	Former ASI Procedure	Description
Direct settlement in the former TARGET2 PM account (e.g., Continuous Linked Settlement payments).	Participant interface	Usual real-time gross mode settlement of bilateral high value payments.
Real-time Settlement	2	Usual real-time gross mode settlement of bilateral high value payments.
Bilateral Settlement	3	Usual real-time gross mode settlement of bilateral high value payments.

Considering the migration to ISO20022, there will be no difference in RTGS between the participant interface and AS interface. As a consequence, the functionality of the former procedures 2 and 3 will be provided using individual payment XML messages. Banks will be able to grant to AS the right to debit the account of the bank for the AS settlement. HU priority will be used for AS transactions, and From Time / Information period / Settlement period can be defined (see HVP URD / Payment Order Processing above). AS transactions can be sent in a file (see Shared Services / ESMIG).

Source: <https://www.ecb.europa.eu/paym/initiatives/shared/docs/bfa2d-t2-t2s-consolidation-user-requirements-document-future-rtgs-rtgs-v1.1.1.pdf>

- Based on the agreed URD version 1.1.1, „real-time“ and „bilateral settlement“ are no longer provided as dedicated AS procedure, but standard payment functionality needs to be used

Current TARGET2 functionality

Generic description of procedures 2 and 3

| Source: https://www.ecb.europa.eu/paym/t2/shared/pdf/professionals/release_12/T2_UDFS_book_1_v12.0.pdf

| Real-time settlement – procedure 2

- ASs perform a real-time settlement either on the accounts of two PM participants or between the account of an PM participant and the AS technical account.
- Settlement of transaction coming from a single transaction oriented DVP model.
- Settlement of independent balances (e.g. margin calls).

| Bilateral settlement – procedure 3

- AS sends simultaneously debits and credits to PM. Each transaction (both the debit and the credit leg) is processed independently from the other one.
- Settlement of independent individual transactions coming from batch oriented DVP model.
- Settlement of independent balances (e.g. margin calls).

Current TARGET2 functionality

Procedures 2 and 3 - Technical aspects (1/2)

Procedure	Mechanisms used	Description
Real-time settlement (procedure 2)	Scheduled time (“from”)	If an AS sends instructions before the scheduled settlement time, payment instructions are stored until scheduled settlement time is reached.
	Settlement (“till”)	A limited period of time is allocated to the settlement by the AS, so as not to prevent or postpone the settlement of other operations. The transactions not settled at the end of this period, are rejected.
Bilateral settlement (procedure 3)	Information period	Settlement banks have to check their balances in the AS to collect the needed liquidity. In exceptional circumstances the settlement banks may express disagreement within the “information period” to avoid the settlement of erroneous balances (the suitable communication means has to be agreed within the contractual relationship with the AS).
	Settlement (“till”)	A limited period of time is allocated to the settlement by the AS, so as not to prevent or postpone the settlement of other operations. The transactions not settled at the end of this period, are rejected.

Current TARGET2 functionality

Procedures 2 and 3 - Technical aspects (1/2)

- | When using procedure 2 or 3, the settlement in TARGET2 may take place
 - either using two PM accounts, i.e. directly on the accounts of the settlement banks or
 - using a PM account of a settlement bank and an technical account of the AS

- | Technical account – in procedure 2 and 3:
 - Owned by the responsible AS
 - Identified by a BIC
 - Balance is always zero at the end of the day
 - BIC is not published in the TARGET Directory and is not part of the CUG (Closed User Group)

Current TARGET2 functionality

AS currently using procedure 2/3

Source:

https://www.ecb.europa.eu/paym/t2/shared/pdf/professionals/profiles/Info_AS_Settlement_times_and_profiles.pdf?eae0dc41fac9bbcc0f08be013e1434c4

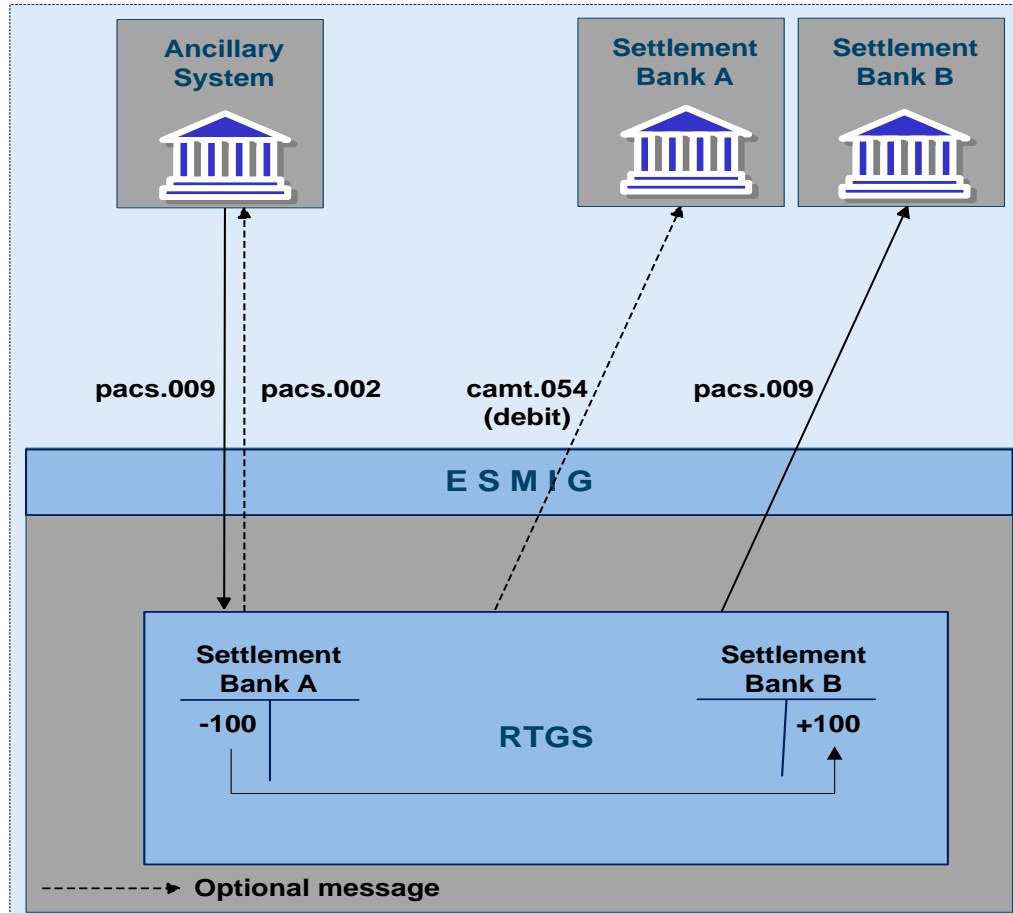
(extract)

OeKB/Direct Settlement Advanced	SSS	AT	SP2
Clearstream Banking Frankfurt AG (CBF)	SSS	DE	SP2
ECC European Commodity Clearing AG (ECC)	CCP	DE	SP2
Eurex Clearing AG	CCP	DE	SP2
VP SECURITIES A/S	SSS	DK	SP2
BANCO DE ESPAÑA - ASI	other	ES	SP2
IBERCLEAR CADE / AIAF	SSS	ES	SP2
IBERPAY / SNCE	RPS	ES	SP3
LCH SA	CH/PEACH	FR	SP3
DIAS Interbanking Svstems S.A.	RPS	GR	SP3
Cassa di Compensazione e Garanzia SpA	CCP	IT	SP3
e-MID spa	MMS	IT	SP2
Monte Titoli s.p.a.	SSS	IT	SP2
KDPW _CCP S.A.	SSS	PL	SP2
KDPW S.A.	SSS	PL	SP2
INTERBOLSA	SSS	PT	SP3

Many AS are using procedures 2 and/or 3. However, only very few use a technical account.

RTGS – envisaged approach

Payment Flow – AS using payments (i.e. pacs.009)



RTGS – envisaged approach

Overview (1/2)

Topic	TARGET2	RTGS component
Priority	AS using the procedures 2 and 3 are allowed to use the top priority (i.e. highly-urgent)	AS using payments (i.e. pacs.009) containing the related code word benefit from urgent priority
Messages used/received by AS	<p>Procedure 2:</p> <ul style="list-style-type: none"> • ASTransferInitiation is sent to debit one account and to credit one account • ASInitiationStatus is sent to the AS to inform about failure/success <p>Procedure 3:</p> <ul style="list-style-type: none"> • ASTransferInitiation is sent with all debits and credits • ASInitiationStatus is sent to the AS to inform about failure/success <p>Note: Possible to opt for a global notification or for single notifications</p>	<p>AS sends single payments (i.e. pacs.009) either individually or bundled in a file</p> <p>On an optional basis, the AS as sender can get a booking confirmation (i.e. pacs.002)</p>
Messages received by Settlement Bank	<p>Procedure 2:</p> <ul style="list-style-type: none"> • On an optional basis, settlement banks are notified via MT900/910 (debit/credit notification) in case of successful settlement <p>Procedure 3:</p> <ul style="list-style-type: none"> • In case information period is used, settlement banks receive a broadcast notification on the start of the information period • On an optional basis, settlement banks are notified via MT900/910 (debit/credit notification) in case of successful settlement 	<p>Settlement bank debited can get a debit notification (camt.054, optional)</p> <p>Settlement bank credited receives a payment (pacs.009)</p> <p><u>Consequence:</u> Settlement banks need to be aware that they receive payments (i.e. pacs.009) due to AS business</p>

RTGS – envisaged approach

Overview (2/2)

Topic	TARGET2	RTGS component
Revocation	<p>Procedure 2:</p> <ul style="list-style-type: none"> Transactions not yet settled can be revoked by the CB of the AS. In such case a broadcast is sent to the AS and to the relevant settlement bank <p>Procedure 3:</p> <ul style="list-style-type: none"> Transactions not yet settled can be revoked by the CB of the AS. In such case a broadcast is sent to the AS (or the CB) and to the relevant settlement bank 	<p>AS needs to revoke single payments using camt.056 or related UZA functionality</p>
Accounts to be used for settlement	<p>Technical account can be used or settlement take place directly on the PM accounts of the settlement banks</p>	<p>Only RTGS DCAs can be used</p> <p><u>Consequence:</u> A technical account can only be used in case a dedicated AS procedure available in RTGS is used</p>
Optional mechanisms available	<p>Procedure 2:</p> <ul style="list-style-type: none"> Scheduled time “from” Settlement period “till” <p>Procedure 3:</p> <ul style="list-style-type: none"> Information period Settlement period “till” 	<p>Message elements available in pacs.009</p> <ul style="list-style-type: none"> FromTime TillTime RejectTime <p><u>Consequence:</u> No broadcast to settlement bank for e.g. start of information period; no “procedure specific functionality” available</p>
AS role	<p>Dedicated AS roles:</p> <ul style="list-style-type: none"> ASMANATE /ASMANAFE - AS Manager ASINFOTE - AS Read Information 	<p>AS are allowed to debit the RTGS DCAs of the settlement banks which have authorised the AS.</p> <p>The AS will have similar information rights like today on the pacs.009 it sent</p>

Change Request

Clarification

- | The URD Change Request shall serve for further clarification of the replacement of the former procedures 2 and 3 by using individual payment XML messages.
- | It shall be clarified that the use of e.g. information period is not foreseen for plain payments

Clarification

- | Can a revocation (camt.056) be sent in U2A too
 - According to RTGS UDFS chapter 5.2.6 a revocation is possible using A2A and U2A
- | Is there any possibility for an AS settlement bank to be informed about an upcoming payment initiated by the AS
 - The RTGS component does not foresee such functionality. For this reason it could be recommended to set up internal means within the ancillary system's community to inform settlement banks on upcoming payment orders and the needed liquidity

Slide added compared to TCCG version

Clarification

- | How can an AS settlement bank detect, that the receiving pacs.009 is an AS transaction
 - The pacs.009 sent by AS (and in the end forwarded to the credited settlement bank) has to contain a specific code word (“ASTI”). Additionally the BIC of the AS has to be used in field “DebtorAgent”. With this two fields (and URGENT priority) the receiver of the camt.054 as well as the receiver of the pacs.009 will be able to identify the transaction as driven by the indicated AS
- | Are there any features foreseen to check that an AS can only send pacs.009 within its AS community and not to everyone
 - The AS needs to be granted with appropriate privileges to send pacs.009 debiting RTGS DCAs. So the authorization is to be done for the debit leg on a bilateral basis.

Slide added compared to TCCG version