ECB
DG-MIP
T2/T2S Consolidation Project Team

T2/T2S Consolidation

HVP settlement services

Task Force on Future RTGS Services

2nd TF meeting, 25-26 January 2017

Objectives of the presentation

- During the 1st TF-FRS meeting, the participants were asked to provide written feedback on the presentation on Settlement Services with the aim at identifying the business needs for HVP settlement

- The presentation summarises the received feedback and gives the direction taken to draft the business processes and the requirements

Overview

1	**Received written feedback**
2	Queue management
3	Warehouse Payments

Main feedback

In summary, the current business needs behind the T2 settlement services are confirmed:

- In the RTGS world, queue management is a key element
  – The first rule shall be to manage entry disposition according to the priority/ date of submission
  – The second rule shall be to include offsetting/technical netting at the first settlement attempt in order to reduce the liquidity needs

- The queue management is needed allowing to
  – Change the order of payments
  – Change the FROM/TILL times and
  – Revoke payments

- There is no need for any Hold/Release function in this context

Main feedback

Some further elements to take into account:

- In line with the enhanced liquidity management, it shall be possible to set up reservations
  – Based on the priority, but also for specific purposes
  – On an individual basis or for specific business cases

- Optimisation could as well be enriched in order to reduce as much as possible the liquidity needs

- Some participants supported bilateral limits, and some others multilateral limits
  – Should both functions be confirmed?

- The feeding of TIPS with liquidity 24/7 is required

Overview

1	Received written feedback
2	**Queue management**
3	Warehouse Payments

Proposed processing flow of incoming payment transactions - Validations

- A transaction which successfully passed the validations of the business interface will then be validated as follows:
    - Mandatory field checks
    - Duplicate checks (on Transaction ID and Message ID)
    - Check of access and privilege rights
    - Format validations
    - Consistency checks (e.g. cross-field integrity, checks on Reference Data)

- If the transaction is not valid, it will be passed back to the business interface with the final state "Rejected"

Proposed processing flow of incoming payment transactions - Settlement

- If the transaction is valid, settlement will be attempted
  - If the settlement took place successfully it will reach the final state "Settled"
  - In the event of an unsuccessful settlement attempt it will be queued (intermediate state "Queued")

- A transaction in state "Queued" can be subject to
  - A change of certain parameters (see next slide) which may result in
    - A successful settlement of the transaction (so that the state will become "Settled")   or
    - No change, so that the transaction remains in the state "Queued"
  - A revocation, so that it will reach the final state "Revoked"

⇒ Do you see the need of additional transaction states or state changes?

Interventions on queued payment transactions

- Interventions on queued payment transactions can be performed
  - By the sending participant, the account owning participant or the CB on behalf of its credit institutions / customers
  - As long as the payment is not settled

- Proposed interventions on queued transactions
  - Change of priority
  - Change of execution time (including deletion)
  - Change of transaction order in a queue
  - Revocation of transaction

⟹ Do you see a need for additional interventions?

⟹ Do you see a need for any of the current restrictions available for these interventions or possibly adding additional ones?
  - Change of priority: exception for highly urgent payments
  - Change of execution time: only if it was set before

Overview

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3	**Warehouse Payments**

Additional requirements provided by the TF participants after the first meeting

- Warehouse payments
  - Are required because some liquidity transfers need to be executed at 7.00 a.m.
  - Should be accessible before the start of day trade phase (6.30 – 7.00 a.m.)

$\Rightarrow$ Which type of payments should be warehoused?

$\Rightarrow$ For which purpose an access to the warehouse payments is required before the start of day trade phase?

$\Rightarrow$ Would it be fine if cancellations of payments are executed independent of the phase of the settlement day (with the exception of the maintenance window)?

$\Rightarrow$ Would you still see a requirement for warehouse payments in case payments would be allowed during the night or, respectively, queued by the system till 7.00 a.m.?