



# RTGS UDFS Replacement of ASI 2 and ASI 3 by standard payment functionality

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

### Agenda

- URD Requirements
   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 <u>inform</u> 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



### 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).



### **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.



#### **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)



#### 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
Clearstream Banking Frankfurt AG (CBF)	SSS	DE
ECC European Commodity Clearing AG (ECC) Eurex Clearing AG	CCP CCP	DE DE
VP SECURITIES A/S	SSS	DK
BANCO DE ESPAÑA - ASI	other	ES
IBERCLEAR CADE / AIAF	SSS	ES
IBERPAY / SNCE	RPS	ES
LCH SA	CH/PEACH	FR
DIAS Interbanking Systems S.A.	RPS	GR
Cassa di Compensazione e Garanzia SpA	CCP	IT
e-MID spa	MMS	т
Monte Titoli s.p.a.	SSS	IT
KDPW _CCP S.A.	SSS	PL
KDPW S.A.	SSS	PL
INTERBOLSA	SSS	PT
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Many AS are using procedures 2 and/or 3. However, only very few use a technical account.

SP3

SP3

SP3

SP3 SP3 SP3 SP3 SP3 SP2

SP2

SP3



### **RTGS** – envisaged approach

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





### **RTGS** – envisaged approach

Overview (1/2)				
Торіс	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)shall be allowed to use the top priority (i.e. urgent)		
Messages used/received by AS	<ul> <li>Procedure 2:</li> <li>ASTransferInitiation is sent to debit one account and to credit one account</li> <li>ASInitiationStatus is sent to the AS to inform about failure/success</li> <li>Procedure 3:</li> <li>ASTransferInitiation is sent with all debits and credits</li> <li>ASInitiationStatus is sent to the AS to inform about failure/success</li> <li>Note: Possible to opt for a global notification or for single notifications</li> </ul>	AS sends single payments (i.e. <b>pacs.009</b> ) either individually or bundled in a file On an optional basis, the AS as sender can get a booking confirmation (i.e. <b>pacs.002</b> )		
Messages received by Settlement Bank	<ul> <li>Procedure 2:</li> <li>On an optional basis, settlement banks are notified via MT900/910 (debit/credit notification) in case of successful settlement</li> <li>Procedure 3:</li> <li>In case information period is used, settlement banks receive a broadcast notification on the start of the information period</li> <li>On an optional basis, settlement banks are notified via MT900/910 (debit/credit notification) in case of successful settlement</li> </ul>	Settlement bank debited can get a debit notification (camt.054, optional) Settlement bank credited receives a payment (pacs.009) Consequence: Settlement banks need to be aware that they receive payments (i.e. pacs.009) due to AS business		

### **RTGS** – envisaged approach

Overview (2/2)				
Торіс	TARGET2	RTGS component		
Revocation	<ul> <li>Procedure 2:</li> <li>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</li> <li>Procedure 3:</li> <li>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</li> </ul>	AS needs to revoke single payments using <b>camt.056</b>		
Accounts to be used for settlement	Technical account can be used or settlement take place directly on the PM accounts of the settlement banks	Only <b>RTGS DCAs</b> can be used <u>Consequence</u> : A technical account can only be used in case a dedicated AS procedure available in RTGS is used		
Optional mechanisms available	<ul> <li>Procedure 2:</li> <li>Scheduled time "from"</li> <li>Settlement period "till"</li> <li>Procedure 3:</li> <li>Information period</li> <li>Settlement period "till"</li> </ul>	<ul> <li>Message elements available in pacs.009</li> <li>FromTime</li> <li>TillTime</li> <li>RejectTime</li> </ul> Consequence: No broadcast to settlement bank for e.g. start of information period; no "procedure specific functionality" available		
AS role	<ul> <li>Dedicated AS roles:</li> <li>ASMANATE /ASMANAFE - AS Manager</li> <li>ASINFOTE - AS Read Information</li> </ul>	AS are allowed to debit/credit the RTGS DCAs of the settlement banks which have authorised the AS. The AS will have similar information rights like today		

### **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

