28 September 2018

Usage of specific terms in the context of the T2-T2S Consolidation project

1.   Introduction

The aim of the T2-T2S Consolidation project is to consolidate and optimise the provision of the TARGET2 and T2S services and to address the increasing demand for having an effective facility for the provision of liquidity to existing and future Eurosystem payment and settlement services. The ECB consulted the market on the draft User Requirements Document (URD) in May-June 2017 and is currently consulting the market on the draft User Detailed Functional Specifications (UDFS) for RTGS and for Central Liquidity Management (CLM) components.

With this document, the ECB invites the market to share their views on the usage of the terms "rejection", "revocation", "cancellation" and "recall" in the context of the T2-T2S Consolidation project as well as in the context of the future legal framework for the introduced market infrastructure.

The respondents are invited to send their contributions to the email address T2-T2S.Consolidation@ecb.europa.eu by **22 October 2018**.

2.   Proposal for the terms

During the processing of a cash transfer[1] order, there are a number of situations when the processing is or shall be stopped. For example:

1) the order does not pass the technical or business validations conducted by the system
2) the sender of the message in A2A mode needs to rescind the order as it was sent erroneously
3) the validator of the order, which was entered in U2A mode via GUI, needs to rescind the order as it was submitted erroneously

Furthermore and especially in case of a payment order, the sender of the message in A2A mode may need to rescind the order even if it has already finally settled and booked on accounts in the market infrastructure.

Keeping in mind the different situations and timings when the processing of a cash transfer order can be stopped, the ECB proposes to use the following terms

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[1] Cash transfers encompass payments (e.g. credit transfers, direct debits, payment returns), liquidity transfers and ancillary system (AS) transfers

Term	Definition	Example
Rejection	Action by the system to refuse to continue processing	The system rejects a cash transfer order because of • failed technical or business validations • during the End of Day procedure (due to insufficient liquidity) The system rejects an AS file because of • failed technical or business validations • reaching the End of Day procedure • due to insufficient liquidity on settlement banks' accounts at the end of AS settlement period or at the end of AS settlement cycle
Revocation	Action to invalidate the operation by withdrawing the order or data update before it is confirmed by an authorised user for further processing	An authorised user, as the 2nd pair of eyes/ validator in 4-eyes approval process in U2A mode via GUI, requests to revoke • a cash transfer order • a file • a reference data update
Cancellation	Action to annul an operation and prevent the settlement of an order once it passed the technical and business validations conducted by the system and is released for further processing	An authorised user requests a cancellation of • a pending or warehoused payment order • a pending AS file
Recall	Action to request the receiver of a payment to annul the settled payment and return the settled amount	If the underlying payment is already settled in the system, the system forwards the request from the sender of the payment to its receiver for recalling the settled amount (i.e. step 2 in processing of camt.056 'FIToFIPaymentCancellationRequest')