Liquidity provision measures for instant payments outside TARGET2 opening hours

AMI-Pay, 14 May 2019
Background

• Inquiry by an AMI-Pay member about solutions allowing payment service providers to raise additional liquidity for instant payments outside TARGET2 opening hours in the event of unforeseen circumstances or a failure of pre-funding procedures

• Question whether a common approach across Europe could be put in place, and what this common approach could be
Issue at stake

- Instant payments infrastructures (both TIPS and ACHs) require full prefunding
- PSPs can only increase their balances in instant payments infrastructures during TARGET2 opening hours
- Insufficient prefunding would result in the inability to initiate SCT Inst transactions
- This leads to a reputational risk which increases as user expectations move towards instant as the new normal
- To prevent this, PSPs may wish to have a solution allowing them to increase their liquidity outside TARGET2 opening hours in emergency situations
- The higher the volumes and values of SCT Inst transactions, the more relevant this issue becomes
For discussion

• Extent to which the issue may materialise:
  – In the short term
  – In the medium to long term

• Potential for PSPs to prevent liquidity shortages, including by using liquidity available in TIPS in case of insufficient liquidity at an ACH
  – Potentially mandating the ACH as an instructing party to forward any SCT Inst transactions that cannot be processed within the ACH’s own system to TIPS

• Possible directions for a harmonised Eurosystem approach:
  – Is there a need for a procedure to increase liquidity in emergency situations?
  – Is there a more general need to be able to move liquidity into and out of instant payment systems outside current TARGET2 opening hours?
Annex – overview of TIPS business day
24/7/365: Processing of instant payments/recalls/local reference data updates/queries

- **D-1**
  - Change of TIPS business day following T2 closure (18:00 CET)
  - T2 NTS phase 1
    - LTs allowed
    - 18:00
  - T2 technical maintenance window

- **D**
  - T2 NTS phase 2
    - No LTs
    - 01:00
  - Prep of day trade phase
    - 06:45
  - Day trade phase
    - 07:00

- **D+1**
  - Change of TIPS business day following T2 closure (18:00 CET)
  - LTs allowed
    - 17:00
    - Start of daily CRDM propagation
  - End of day/start of day
    - Shortly after 18:00 TIPS generates GL & sends to T2
    - 19:00
    - 22:00

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