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

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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/due 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
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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

1. Received written feedback
2. Queue management
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.)

⇒ Which type of payments should be warehoused?
⇒ For which purpose an access to the warehouse payments is required before the start of day trade phase?
⇒ 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)?
⇒ 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.?