



EUROPEAN CENTRAL BANK

21 February 2001

DIRECTORATE GENERAL PAYMENT SYSTEMS

RECOMMENDATIONS FOR CLS PAYMENTS IN EURO

Scope of the recommendations

The following recommendations are intended to cover payments relating to CLS Bank (CLSB) which are made through TARGET and are thus denominated only in euro.

These recommendations do not give rise to any legally enforceable rights or obligations and are therefore not intended to supersede rules agreed in domestic systems, or any legally binding bilateral agreements. If a contradiction arises between those rules or bilateral agreements and the recommendations hereafter, the latter should be used as a basis for an update of the rules and agreements. Observance of these recommendations (covering normal and abnormal circumstances) and the monitoring thereof will be left to the interested market participants, i.e. to CLS settlement members and/or nostro agents, wherever applicable.¹

❖ Recommendation 1

- a) Settlement members should prepare their *first pay-in deadline*² payments immediately after receipt of their final *pay-in schedule* and, where applicable, instruct their nostro agents as soon as possible, at the latest by 7 a.m.
- b) Settlement members/nostro agents should submit CLSB payments for the *first pay-in deadline* as early as possible, with sufficient funds on their accounts to ensure that their local RTGS system can settle the payment and that the sender's account is debited by 7.15 a.m. at the latest.³
- c) Settlement members/nostro agents should, if the funds available for payments allow them to do so, accelerate their remaining pay-ins as much as possible; since the last pay-in (at 12 noon CET) is expected to be relatively small, settlement members/nostro agents

¹ Only these two types of entities can be involved in payments to and from CLSB.

² As defined in the CLSB's pay-in schedule, the first pay-in is due at 8 a.m.

³ Settlement members wishing to fulfil their own CLS euro payment obligation from an EU Member State that has not adopted the single currency should, if necessary, step up their early-morning liquidity arrangements. Nostro agents for euro payments (and euro liquidity providers) should act from a place where they have unrestricted access to central bank credit in euro.

should attempt to make this payment by the 11 a.m. CET deadline (in one go, together with the pay-in due at that time).

- d) If CLSB issues a revised pay-in schedule or a pay-in call⁴, the settlement members/nostro agents concerned should react promptly by sending the relevant payment instruction(s) and by closely monitoring the corresponding debit in their relevant central bank account. If they cannot trace the posting of the transaction(s) to this account, they should contact the local NCB as soon as possible.

❖ **Recommendation 2**

In the event of problems⁵ impacting CLSB and triggering contingency processing, settlement members/nostro agents should be prepared to accumulate funds for CLS-related payments in order to aggregate and accelerate their pay-ins to CLSB, so as to enable their funding to be completed as quickly as possible under contingency conditions, with a reduced number of payments.

❖ **Recommendation 3**

If a settlement member/nostro agent is facing problems and an expected pay-in has not been received by CLSB (and if this is confirmed by the ECB/NCB concerned), the settlement member/nostro agent should be prepared to submit the payment to its RTGS system, using the agreed contingency channel, once it has been confirmed that its RTGS account has not been debited. The settlement members/nostro agents should then ensure that the necessary actions are taken in order to neutralise the initial payment instruction. The local NCB and the ECB will, on a best-effort basis, also try to avoid the double processing of the instruction, if need be.

As a mechanism to process payments in a timely manner, settlement members/nostro agents might also use alternative access points to TARGET when experiencing problems in their own systems.

⁴ For *account value*, for *settlement* or for *currency close*.

⁵ Including one or more of the following situations:

- a) system problems at the credit institution level;
- b) RTGS connection problems (between the credit institutions and the NCBs);
- c) problems in any of the TARGET components (RTGS, Interlinking, CBT or others) at the NCBs/ECB.

Notwithstanding its focus on problem scenarios, the acceleration of pay-ins may also apply to normal circumstances.

❖ **Recommendation 4**

If an NCB is facing problems and an expected pay-in has not been received (and if this is confirmed by the ECB), settlement members/nostro agents should be prepared to resubmit the payment to their RTGS system (via the normal or the contingency channel, as agreed at a bilateral level), as long as it is confirmed that their central bank account has not been debited. The NCB should then ensure that the necessary actions are taken to neutralise the effect of the initial payment instruction, in order to avoid double processing.

On the other hand, if the settlement member/nostro agent is able to confirm that the debit has already taken place, a copy of this confirmation (including the payment details) should immediately be sent to the NCB, for further investigation and processing, without an additional debit on the settlement member's/nostro agent's central bank (RTGS) account.

As an optional mechanism to process payments in a timely manner, settlement members/nostro agents might also use alternative access points to TARGET when experiencing problems in their RTGS system. Where necessary, the failing NCB will provide the necessary assistance to allow the settlement members/nostro agents to shift liquidity to the RTGS system serving as their alternative access point to TARGET.