EUROPEAN CENTRAL BANK

EUROSYSTEM

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

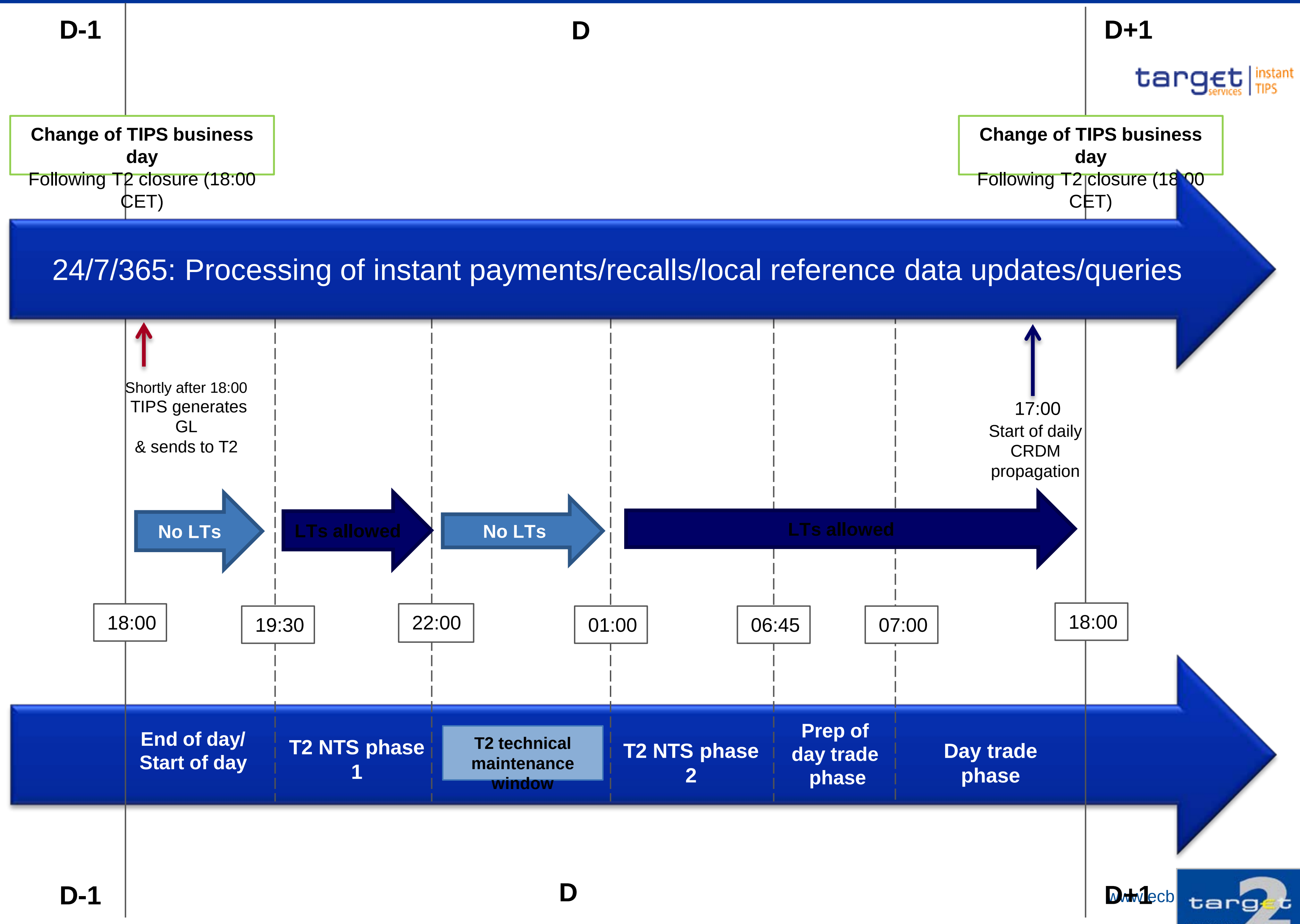
For discussion

- 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


D-1
D
D+1
target services | instant TIPS
Change of TIPS business day
Following T2 closure (18:00 CET)
Change of TIPS business day
Following T2 closure (18:00 CET)
24/7/365: Processing of instant payments/recalls/local reference data updates/queries
Shortly after 18:00
TIPS generates GL
& sends to T2
17:00
Start of daily CRDM propagation
No LTs
LTs allowed
No LTs
LTs allowed
18:00
19:30
22:00
01:00
06:45
07:00
18:00
End of day/
Start of day
T2 NTS phase 1
T2 technical maintenance window
T2 NTS phase 2
Prep of day trade phase
Day trade phase
D-1
D
D+1
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