



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

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

No LTs

LTs allowed

No LTs

LTs allowed



17:00 Start of daily CRDM propagation

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