TARGET2 info session

28 February 2019

DeNederlandscheBank

EUROSYSTEEM

Agenda

09.30 – 10.30 TARGET2 and T2S consolidation

10.30 – 11.00 Coffee break

11.00 – 12.00 TARGET Instant Payment Settlement (TIPS)

12.00 – 13.00 Lunch

13.00 – 15.00 The transformation of the European payments landscape (SWIFT)

TARGET2 and T2S consolidation

Marcel Otten

TARGET2 and T2S consolidation

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1	Motivation
2	Objectives
3	Features
4	Timeline
5	Next steps

TARGET2 and T2S consolidation

1. Motivation

For more than a decade TARGET2 has been running smoothly.

However:

- the payments landscape has changed significantly

- technical opportunities have further increased

- the cost structure has been challenged

TARGET2 and T2S consolidation

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TARGET2 and T2S consolidation

2. Objectives

✓ improved efficiency

✓ optimised liquidity management

✓ easier access to services via harmonised interface

✓ enhancement of RTGS services

✓ aligned use of messaging standards

✓ reduced operational costs

TARGET2 and T2S consolidation

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TARGET2 and T2S consolidation
Main changes

- Communication will be changed from MT-messages to ISO20022-messages (MX-messages).

- SWIFT Y-copy mode will be changed into V-shape-mode, i.e. payments have to be addressed to T2 and not to beneficiary bank.

- No separate Home Accounting Module (HAM) anymore, current Home Accounts will become part of the Central Liquidity Management (CLM), just like the current Payment Module Accounts.

- There will be no CB Customer Module anymore, CB customers will have to be administrated in own CB-application.

- No Standing Facilities Module anymore. Functionality will become part of CLM.

- No Reserve Management Module anymore. Reserve management will be handled in CLM.

- T2 will be network agnostic and will make use of at least two network providers. SWIFT specific features (like SWIFT RBAC) will be discontinued (i.e. replaced with T2-specific access right management).

- Liquidity Pooling/Virtual account and related functionality will be discontinued (Consolidated Information will remain).

- One common communication infrastructure for T2, T2S, TIPS and ECMS for both U2A and A2A-mode, i.e. Eurosystem Single Market Infrastructure Gateway (ESMIG).

- Static data of T2 will be shared with T2S, TIPS and ECMS (Common Reference Data Management (CRDM)).

- Multi-currency, but no conversion.

TARGET2 and T2S consolidation
High level functional domains
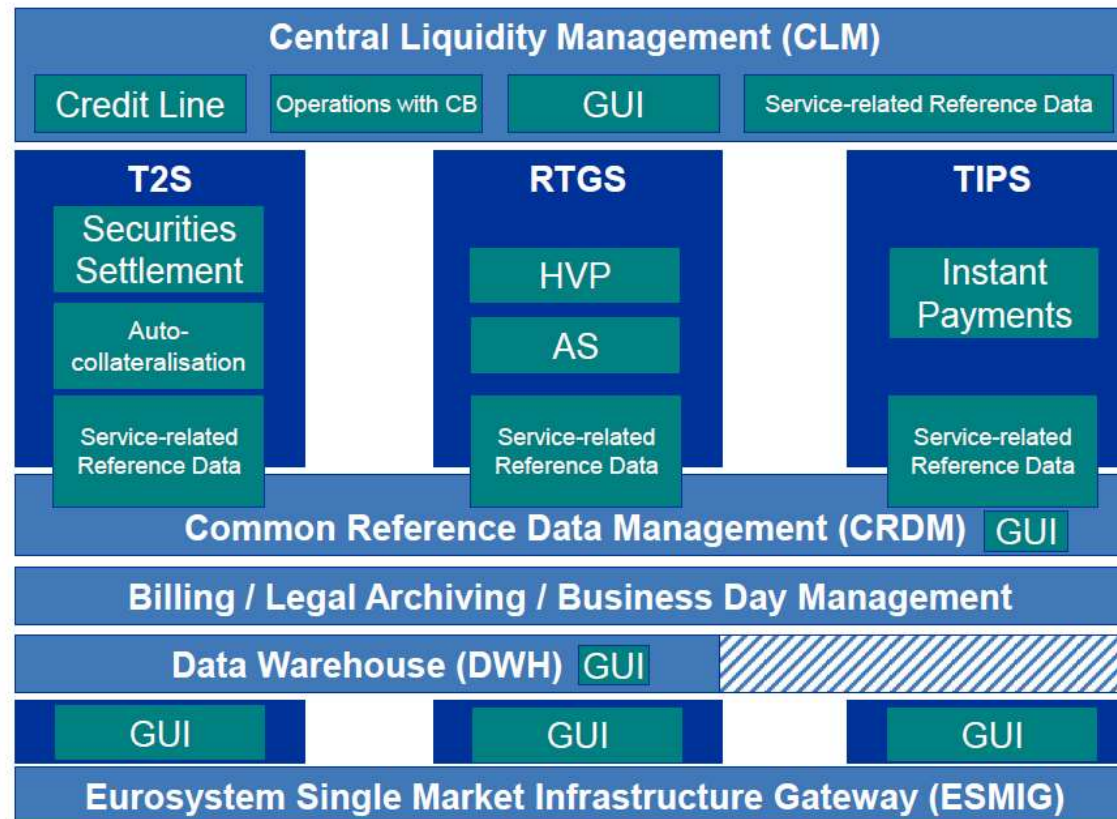
TARGET2 and T2S consolidation
Central Liquidity Management - Account Structure
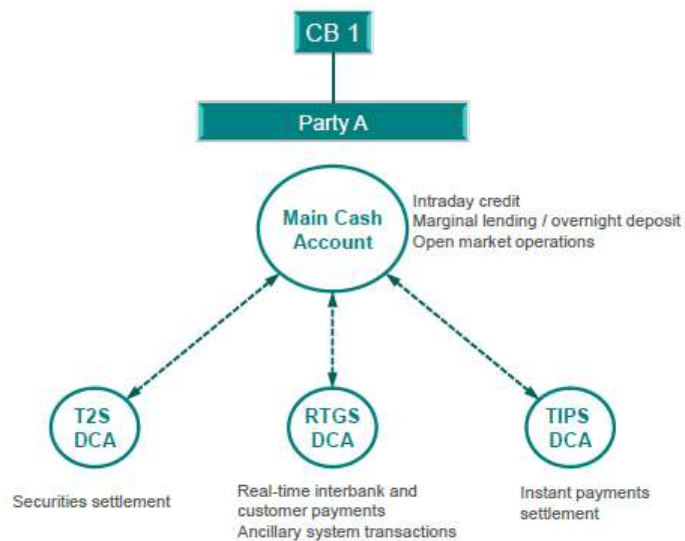
Figure 2: Basic account structure model

TARGET2 and T2S consolidation
CLM - Main Cash Account (MCA)

- The scope of operations of the MCA is:

  - Holding of minimum reserves.

  - Credit line management.

  - Standing facilities for counterparties on their own initiative (i.e. marginal lending on request and overnight deposits) as well as automatic marginal lending.

  - Cash withdrawals

  - Open market operations

  - Any other monetary policy operation

  - Debiting of billing amounts

  - Interest payments related to standing facilities and minimum reserves

  - Any other activity carried out by Central Banks in their capacity as Central Bank of Issue.

- No payments between market participants are allowed on a MCA. However, liquidity transfers with other MCAs within the same Liquidity Transfer Group are allowed, see next sheet.

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TARGET2 and T2S consolidation
CLM for a group of banks
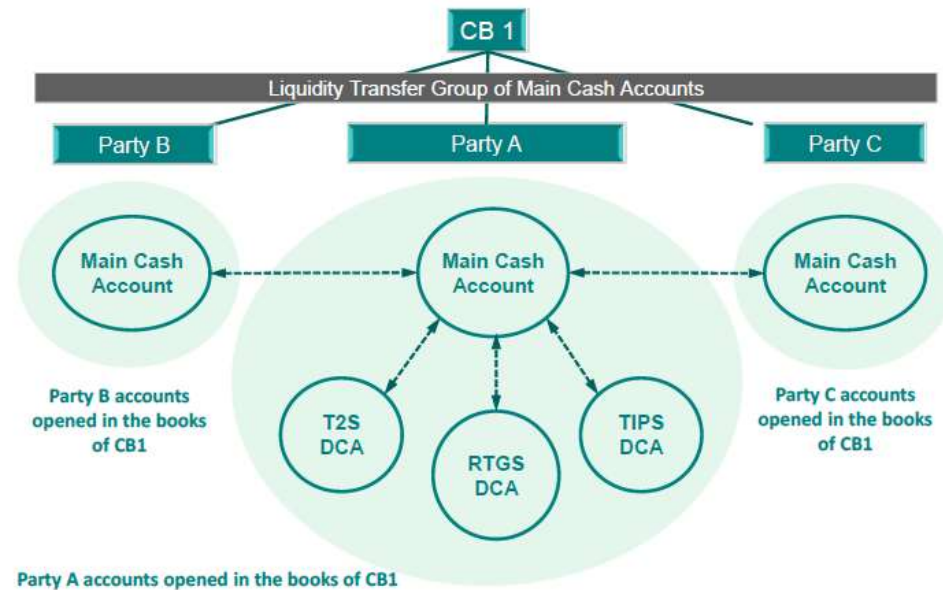
Figure 4: CLM for a group of banks

TARGET2 and T2S consolidation
Dedicated Cash Account in RTGS

- The Dedicated Cash Account in RTGS is for settlement of real-time interbank and customer payments and for transactions with ancillary systems.
- A party may have several RTGS DCAs each with a unique BIC11.
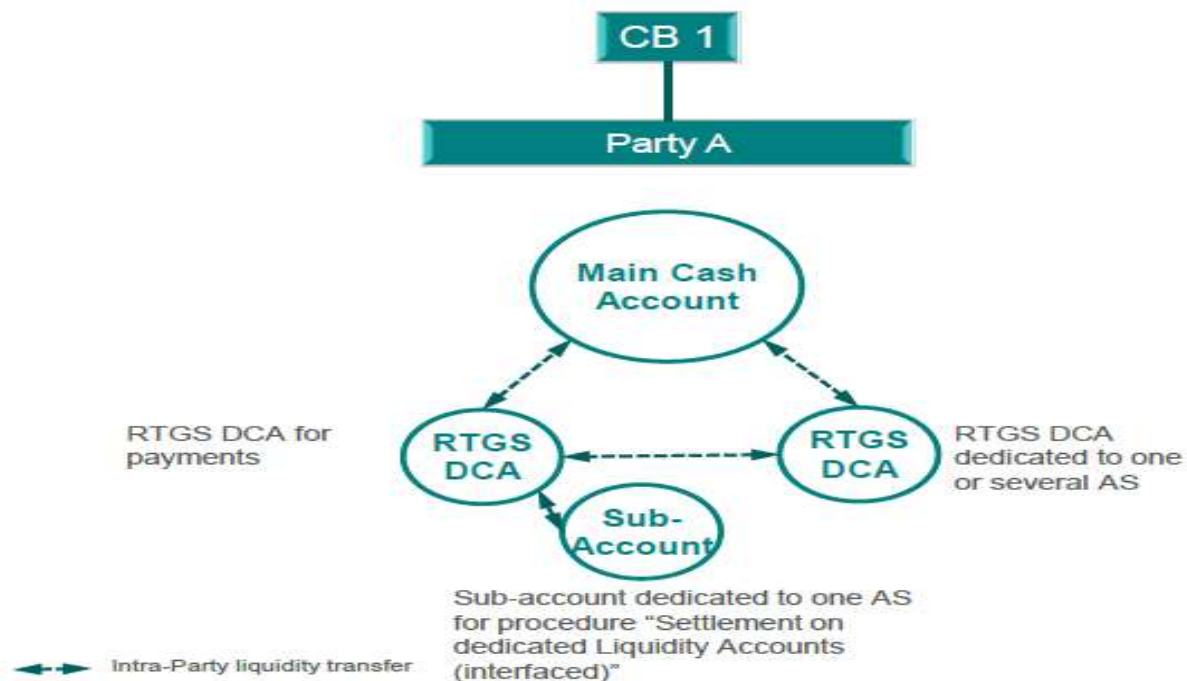
Figure 5: Model for RTGS accounts

TARGET2 and T2S consolidation
Liquidity monitoring tools
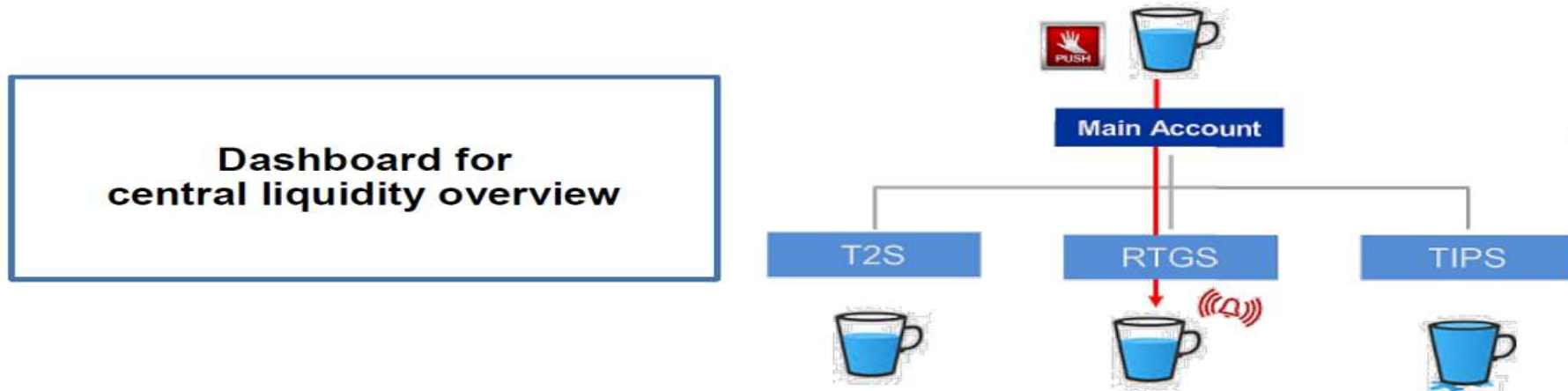
- The Graphical User Interface (GUI) allows the party to access RTGS and CLM components in U2A mode:
  - In the CLM-GUI a overall overview on all MCAs, RTGS, T2S and TIPS accounts will be given.
  - In the GUI of a dedicated settlement service (i.e. RTGS, T2S, TIPS) specific information on the DCAs in the respective service will be given.
- The user can subscribe to alerts and notifications that CLM and RTGS push out to the GUI or in A2A-mode when an event takes place in the settlement process (e.g. breaching floor or ceiling amounts).
- The party can subscribe to standard reports that CLM or RTGS shall create on certain times or during certain events (e.g. end-of-day).
- The party can set up an Account Monitoring Group, see next sheet.

TARGET2 and T2S consolidation
Account Monitoring Group
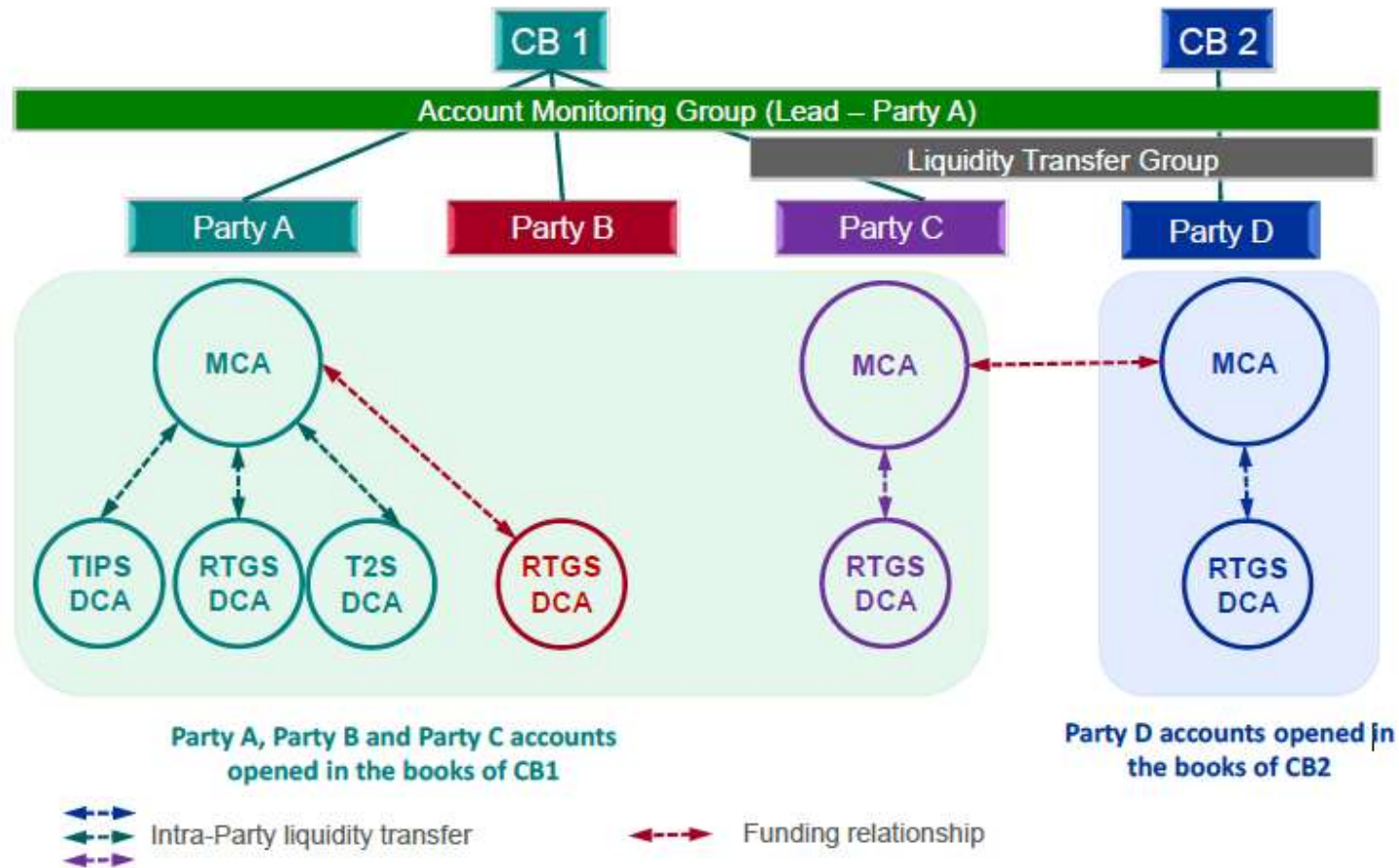
Figure 6: Multinational Account Monitoring Group

TARGET2 and T2S consolidation
Liquidity management tools

- Liquidity transfers entered manual in GUI.
- Manual liquidity transfers in A2A-mode.
- Automatic liquidity transfers configured in GUI, for example at start-of-day, end-of-day, breaching floor or ceiling amounts.
- In case of lack of payment capacity on the MCA to settle a CB operation, the system triggers automated liquidity transfers and tries to pull the amount of liquidity missing from the default RTGS DCA.
- For each MCA and RTGS DCA a party can define floor and ceiling breaching amounts in the GUI.
- Priority classes: Urgent (CB and AS only), High and Normal.
- Payment queue management.
- Liquidity Transfer Group (LTG): liquidity transfer are only allowed between RTGS DCAs or CLM MCAs that belong to the same LTG.

TARGET2 and T2S consolidation
Settlement of payments
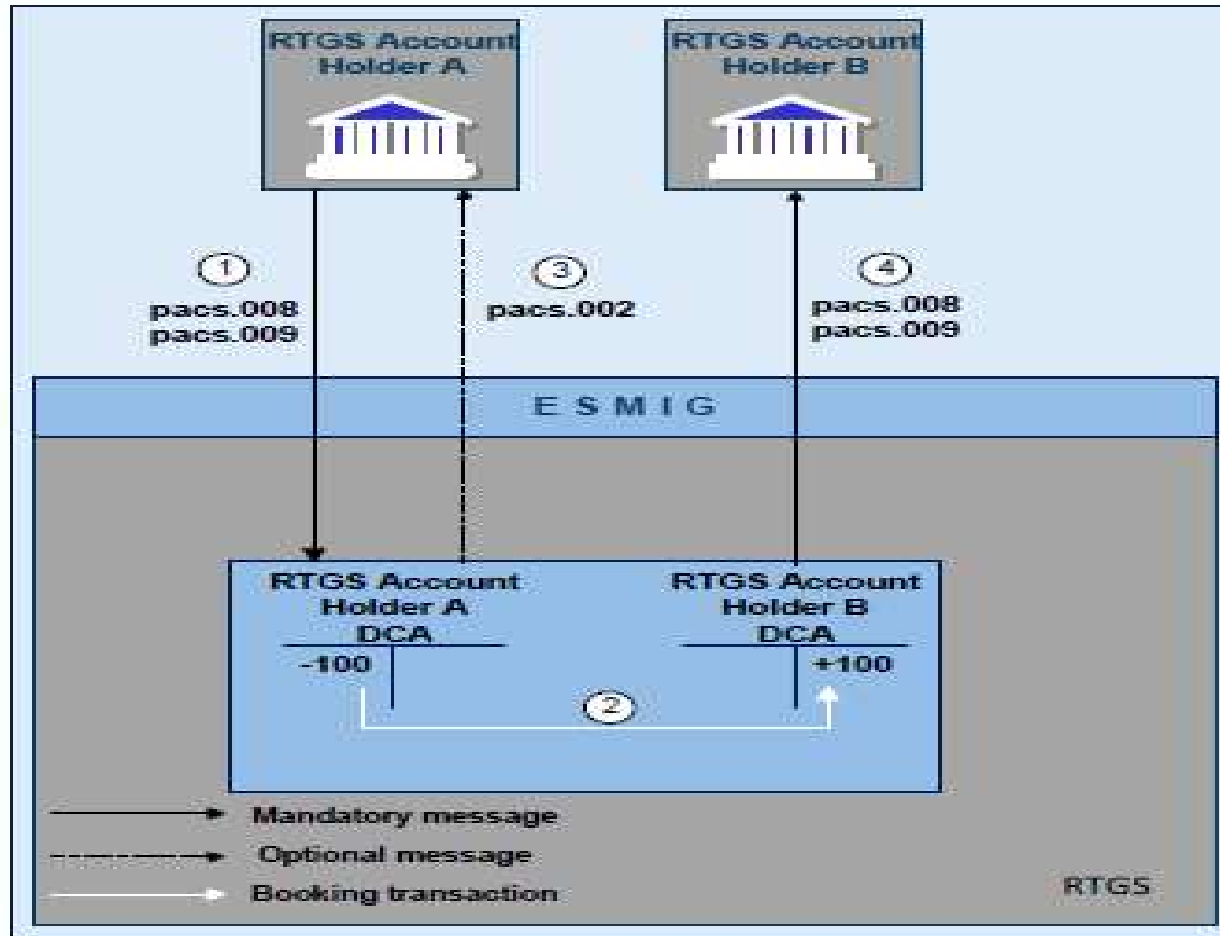
Figure 16 - pacs.008 – CustomerCreditTransfer/pacs.009 – FinancialInstitutionCreditTransfer

Example of a RTGS-message – payment from Bank A to Bank B

Technical Header

Sender : DN of Bank A
Receiver: DN of T2-RTGS

Business Message

ISO 20022 Business Application Header (head.001)

<AppHdr>

…

</AppHdr>

From : BIC of Bank A
To : BIC of Bank B

ISO 20022 Message (e.g. pacs.009)

<Document>

…

</Document>
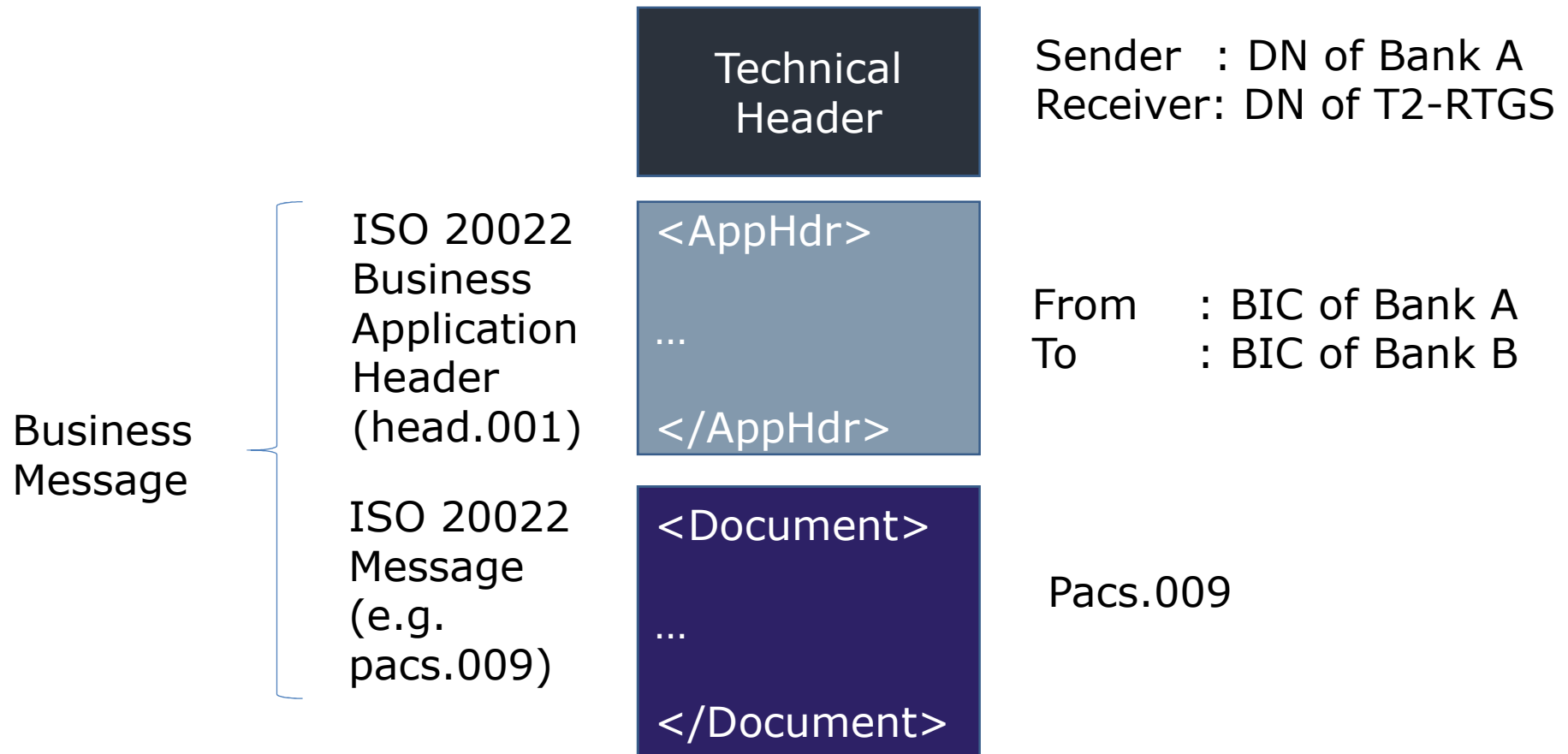
Pacs.009

Example pacs.009

```xml
<?xml version="1.0" encoding="UTF-8"?>
<Document xmlns="urn:iso:std:iso:20022:tech:xsd:pacs.009.001.07">
    <FICdtTrf>
        <GrpHdr>
            <MsgId>MSGIDpacs.009</MsgId>
            <CreDtTm>2018-08-24T09:30:44Z</CreDtTm>
            <NbOfTxs>1</NbOfTxs>
            <SttlmInf>
                <SttlmMtd>CLRG</SttlmMtd>
            </SttlmInf>
        </GrpHdr>
        <CdtTrfTxInf>
            <PmtId>
                <InstrId>INSTRIDpacs.009</InstrId>
                <EndToEndId>NOTPROVIDED</EndToEndId>
                <TxId>TXIDpacs.009</TxId>
            </PmtId>
            <IntrBkSttlmAmt Ccy="EUR">1000000</IntrBkSttlmAmt>
            <IntrBkSttlmDt>2018-08-24</IntrBkSttlmDt>
            <SttlmPrty>NORM</SttlmPrty>
            <InstgAgt>
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                </FinInstnId>
            </InstgAgt>
            <InstdAgt>
                <FinInstnId>
                    <BICFI>BNKCXXYYXXX</BICFI>
                </FinInstnId>
            </InstdAgt>
            <Dbtr>
                <FinInstnId>
                    <BICFI>BNKBXXYYXXX</BICFI>
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            </Dbtr>
            <Cdtr>
                <FinInstnId>
                    <BICFI>BNKCXXYYXXX</BICFI>
                </FinInstnId>
            </Cdtr>
        </CdtTrfTxInf>
    </FICdtTrf>
</Document>
```

TARGET2 and T2S consolidation
Minimum reserve fulfilment calculation

- Amounts on MCAs, RTGS DCAs, T2S DCAs and TIPS DCAs will be taken into account to calculate the minimum reserve fulfilment calculation.
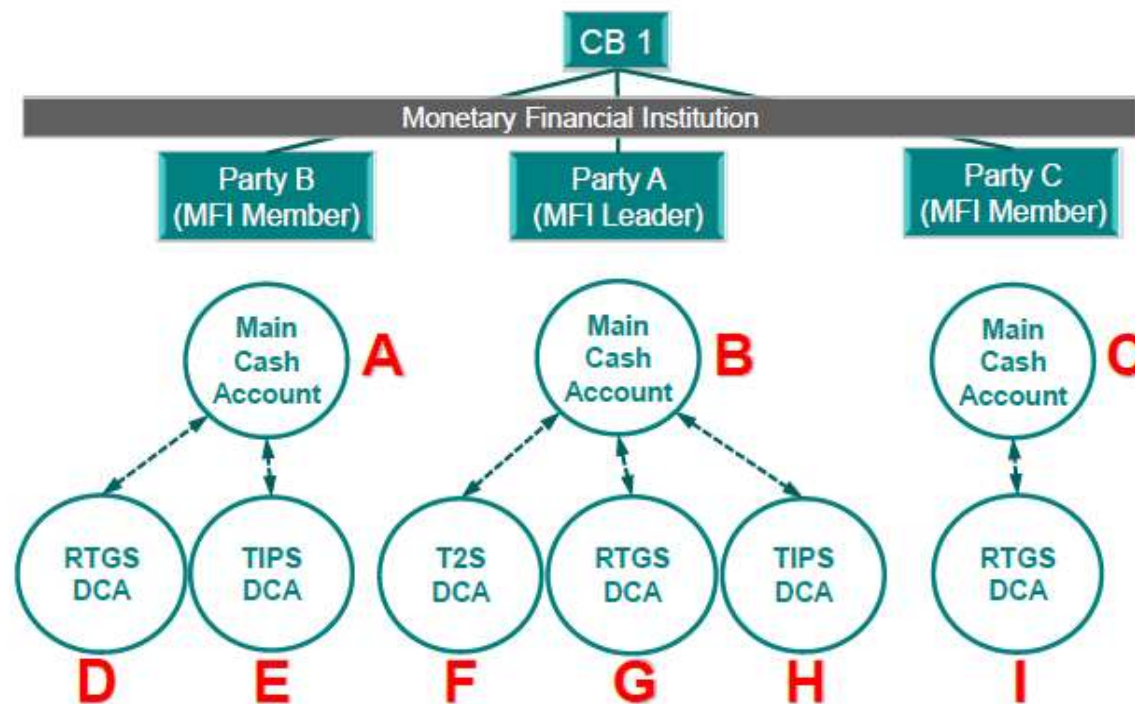
Minimum Reserve fulfilment for MFI = Sum of cash balances in A, B, C, D, E, F, G, H and I

Figure 7: Minimum reserve fulfilment calculation

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TARGET2 and T2S consolidation
Standing facilities management

- The accounts for the Standing Facilities (i.e. marginal lending and overnight deposit) will be opened in CLM.
- Account holders can initiate overnight deposits via liquidity transfers from their MCA to their overnight deposit accounts.
- Account holders can initiate marginal lending on requests via liquidity transfers from their marginal lending accounts to their MCA. Before the Euro-ECMS these marginal lending on requests will have to be initiated by the local CMS (i.e. ECMS for DNB).
- CLM will initiate automatic marginal lending via liquidity transfers. For this all balances in MCA, RTGS, T2S and TIPS will be taken into account.
- CLM will calculate the interest regarding the overnight deposit and will automatically return the capital amount and credit the interest (or debit in case of a negative interest rate) to the MCA at the start of the next business day.
- CLM will calculate the interest regarding the marginal lending and will automatically return the capital amount to and debit the interest from the MCA at the start of the next business day.

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TARGET2 and T2S consolidation
Cash withdrawals

- Cash withdrawals are debited on the MCA of a party.
- Liquidity can be reserved for 'Central Bank Operations' (CBO). If this has been done by a party, cash withdrawals are taken from this reservation.

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TARGET2 and T2S consolidation

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TARGET2 and T2S consolidation Planning

Phase	2018				2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Overall T2-T2S Consolidation realisation phase																Operational phase				
Specification phase																				
Development and internal testing																				
Eurosystem Acceptance and CB Testing[1]																				
User Testing[1]																				
Migration implementation																				
Stabilisation and closing																				
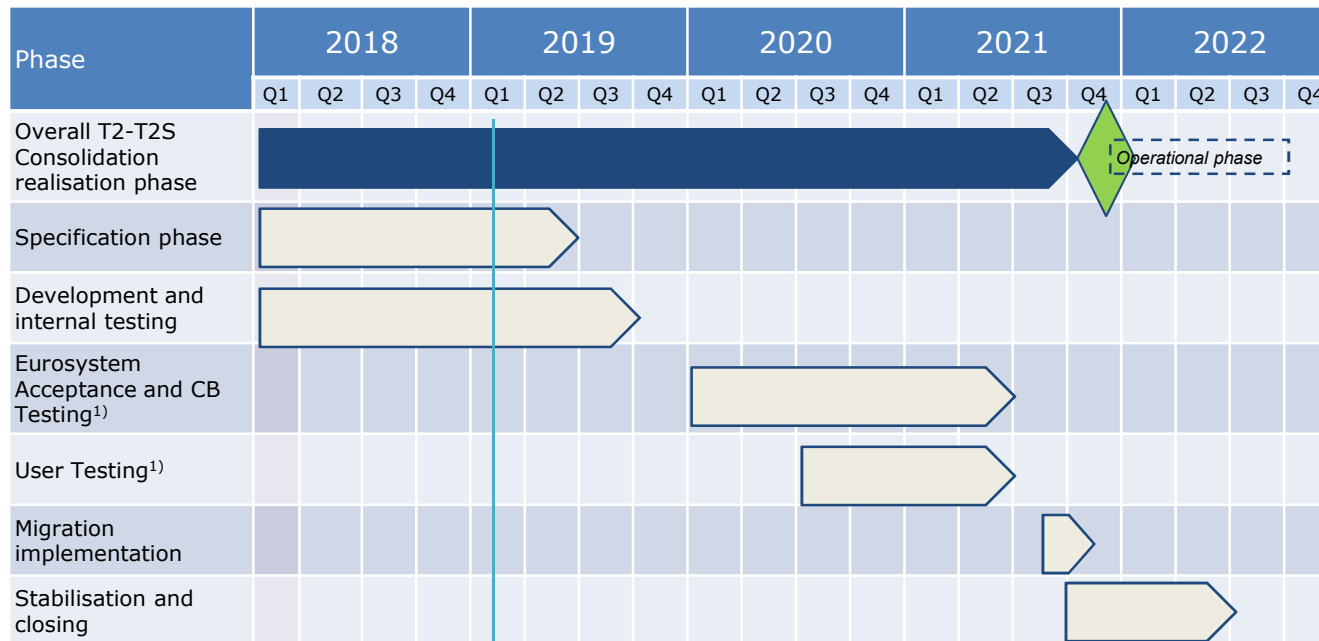
Today

[1] Preparation and Execution phase are included to equal proportions

TARGET2 and T2S consolidation Planning
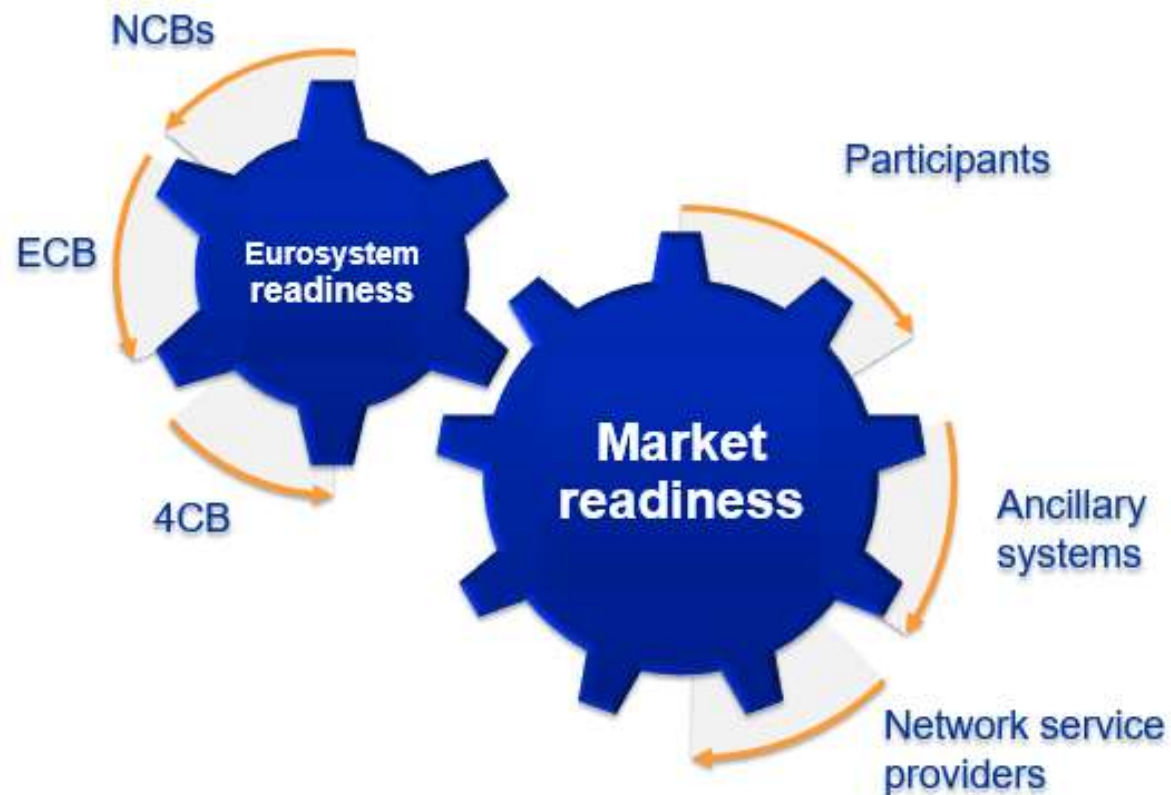
TARGET2 and T2S consolidation Planning

WHAT are the consequences of not being ready?

A participant who is **not ready** to go-live will:

- Not be able to settle CB monetary policy operations

- Not be able to pay or to be paid in central bank money

- Be cut from ancillary system settlement in central bank money

- Need to access payment services through another counterparty

TARGET2 and T2S consolidation Planning

WHAT are the main challenges for each T2 service participant?

Technical readiness	- Assess required adaptations of IT infrastructure (software and hardware) - Update interfaces - Implement ISO20022 for messaging - Set-up connectivity - Perform internal testing
Business and operational readiness	- Assess business impact - Align business model and processes - Define operational procedures - Prepare legal arrangements - Procure Network Service Provider - Train staff for testing, migration and operations - Perform connectivity and user testing - Prepare for and participate to migration rehearsals

TARGET2 and T2S consolidation Planning

WHAT are the main tasks and milestones?

Ready for an activity ● Activity completed ● Go-live

2018 — 12/2018 Internal project set-up and impact analysis started

2019 — 03/2019 Detailed internal adaptations assessment started

2020 — 07/2020 NSP procured | 10/2020 Software development completed | 12/2020 Internal testing & network configuration completed

2021 — 03/2021 Connectivity test completed / Ready for user testing | 09/2021 Internal testing completed / Staff trained / Operational procedures adapted / Legal adaptations completed | 10/2021 Ready for migration activities | 11/2021 Migration activities completed | 22/11/2021 GO-LIVE

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TARGET2 and T2S consolidation

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5	**Next steps**

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Project plan deliverables

Requirements and specifications

Client readiness

ESMIG Connectivity

- ☑ User Detailed Functional Specifications (UDFS v1.1 – RTGS & CLM)
- ☑ Business Description Document (BDD) (v1.0)
- ☑ GUI screens

- ☑ Client Readiness Framework
- ☑ Milestones for participants

Project plan deliverables

Requirements and specifications

Client readiness

ESMIG Connectivity

UDFS v1.1

☑ Approved by the MIB on 17 January 2019

☑ Submitted to TCCG/TSWG and published on the ECB website on 21 January 2019

☑ Market consultation: 21 January 2019 – 05 April 2019 (11 weeks)

UDFS v2.0

☐ Implementation of market feedback from the consultation on UDFS v1.1

☐ Submission of the final version to TCCG/TSWG and publication on ECB website: July 2019

Description	2018												2019								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
UDFS v1.0																					
UDFS v2.0																					

Drafting   MIB approval

Market consultation   Publication

TCCG - 9th Meeting on 06 February 2019

Project plan deliverables

Requirements and specifications	Client readiness	ESMIG Connectivity

UDFS - approach for work after v1.1

☑ UDFS v1.1 was published on 21 January addressing the missing parts relevant for banks and expanding the quality of scope items included in version 1.0;

❑ Remaining aspects to be covered in UDFS 2.0:

  ❑ CB related functionalities; Multi-currency; Billing; Data warehouse; Legal archiving; Consistent propagation of static data updates; Contingency services; Operations and support; Message and usage guideline updates; CRDM A2A scope

TARGET2 and T2S consolidation
Client readiness monitoring

Each accountholder will have to send progress reports to DNB on a regular basis. This will be used as basis for the progress report that DNB will have to send to the ECB about the client readiness of the DNB-community.
A T2/T2S Consolidation Contact Group for DNB-accountholders (TCCG-NL) will be established. This group will consist of the Project Managers and the Business Experts of the main DNB-accountholders and will meet regularly to discuss about the T2/T2S consolidation and the progress of the DNB-community.

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CLM and RTGS GUI workshops

RTGS and CLM GUI screens

Development of main GUI screens is structured in packages based on use cases

- **Payments**
- **Liquidity**
- **Liquidity management features**
- **Ancillary system functions**
- **Monetary policy functions, administration, …**

Workshops are being held with users to discuss and agree on the design of the GUI screens

These are being followed by a user consultation (duration 2 weeks) to enable the community to provide feedback on the respective packages of screens (power point slides with snapshots of screens)

Workshops Dates

RTGS and CLM GUI screens

Timing of workshops

2019

15 January	February	13 March	12 April	29 May	June	17 July
Payment		Liquidity	Liquidity manage-ment features	Ancillary System functions		Monetary policy functions, Admini-stration

RTGS and CLM GUI User Handbook

Development will be based on the agreed design of the GUI screens

The User Handbook will be the documentation of the developed GUI

Therefore, delivery of the handbook (with final screenshots) is planned by the end of the

development phase beginning of May 2020 to the TCCG/TSWG

TARGET Instant Payment Settlement (TIPS)

ECB

DeNederlandscheBank

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EUROSYSTEEM

Marc Bayle de Jessé
Director General
Market Infrastructure & Payments

TIPS –
TARGET Instant
Payment Settlement

De Nederlandsche Bank

Amsterdam, 28 February 2019

What is TIPS?

TIPS is the new service for the settlement of instant payments

TIPS enables payment service providers to offer their clients
payment transfers in real time, 24/7 and 365 days a year

Instant payment (IP) process

(2) TIPS validates the IP and reserves the relevant amount

(3) TIPS forwards the IP transaction

(1) The Originator Participant sends an IP transaction to TIPS

(4) The Beneficiary Participant answers with a reply message accepting the IP

TIPS

Instant payment originator

TIPS Participant

TIPS Participant

Instant payment beneficiary

(6) TIPS confirms settlement to the Originator Participant

(7) TIPS confirms settlement to the Beneficiary Participant

(5) TIPS settles the transaction

TIPS principles

Same participation criteria as for **TARGET2**

Instant payments **settlement in Central Bank Money**

24/7/365 operating hours

Operated on a **full cost recovery** basis

Supports participants to comply with the **SCT Inst scheme**

Multi-currency technical capability

Key benefits of TIPS

Key benefits of TIPS

🔒 **Resilient**

- Robust and resilient market infrastructure operated by the Eurosystem

- TIPS will adhere to the **Eurosystem oversight requirements** and the internationally applied CPMI-IOSCO Guidance on cyber resilience for financial market infrastructures

Key benefits of TIPS

⚙️ Efficient

- Instant **settlement in central bank money** will increase safety and eliminate credit risk

- **Simplified transaction processing** linking directly the sending and receiving PSPs

Key benefits of TIPS

⚡ **Fast**

- SCT Inst scheme defines 10 seconds to finalise an instant payment transaction, but TIPS participants will be able to **process transactions in a few seconds**

- **Sophisticated settlement engine**, allowing each component to reach its maximum speed

Key benefits of TIPS

Wide-reaching

- **Extension to TARGET2** which has a network of over 1,700 participants and more than 51,000 addressable Business Identifier Codes (BICs)

- All **TARGET2 participants can open an account**

- Others can connect as reachable or instructing party

Participant

Reachable Party

Instructing Party

48
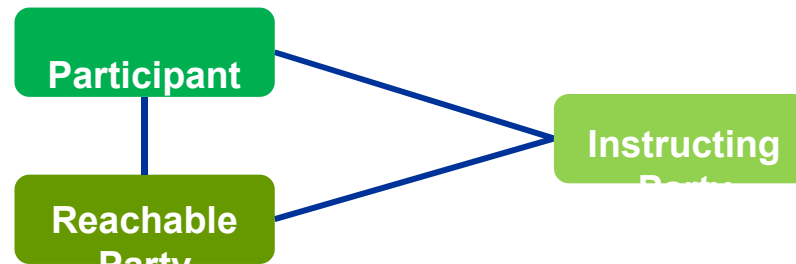
Key benefits of TIPS

Cheap

- Pricing policy based on **equality and non-discrimination**

- The TIPS account, as well as receiving payments and reporting, will be free of charge

- Only **0.2 eurocent (€0.002)** per payment sent

- **No charges for the first ten million payments** settled on each TIPS account by the end of 2019.

Key benefits of TIPS

Integrated

- TIPS account balances will count towards the **minimum reserve calculations**

- **Centralised account structure** between the different TARGET Services. Further integration of TARGET2 and T2S will automatically extend to TIPS
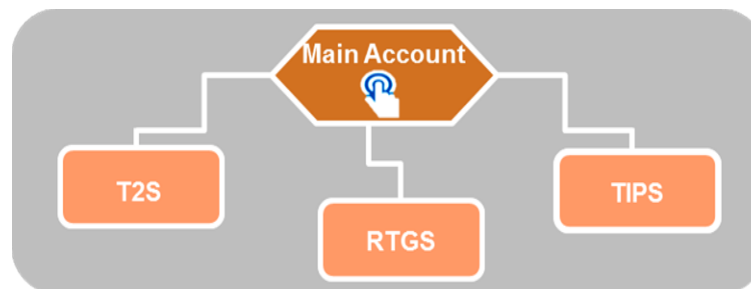
TIPS On-boarding Guide

Connectivity Guide
and **E-ordering**

TIPS **Registration
Forms** and **NSP**

Reference Data Guide (updated)
and List of **Roles and Privileges**

Setup Guide
(new version)

Thank you for the attention!

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ECB: market infrastructure and payments

The transformation of the European payments landscape

SWIFT

DeNederlandscheBank

The transformation of the European payments landscape

The Payments industry adopting ISO20022

	2019	2020	2021	2022	2023
		Nov	Nov	Nov	Nov

Instant Pay

Tips,RT1...		Live		

High & Low value Payments MIs

T2	Specs (UDFS)			Fully fledged ISO
EURO1				Fully fledged ISO
CHAPS	HVPS+ guidelines SR2019			Like4Like on YShape / Fully fledged ISO
Fed & TCH				Like4Like / Fully fled. ISO
HKICL	Specs (TBC)		Fully fledged ISO (timing TBC: between Oct.20 & mid 21)	

Many-to-Many

Corr. Bank		CBPR+ guidelines	Mandatory confirmation	ISO20022 co-existence
gpi			Specs / Testing on the network	gpi live on ISO20022

SWIFT

Future Eurosystem services – key aspects
High level functional domains

Central Liquidity Management (CLM)

| **T2S** Securities Settlement | **RTGS Services** High-value payments | **TIPS** Instant payments |

Common Reference Data

Shared Operational Services (Billing, Scheduler, etc.)

Data Warehouse*

Eurosystem Single Market Infrastructure Gateway

*for T2-T2S only

T2 (RTGS + CLM)
- Settlement of real-time interbank and customer payments
- Centralised Liquidity Management & monitoring
- Liquidity provisioning and allocation across different services
- Management of Central Bank Services and Central bank related interactions
- **Go-live of enhanced service in Nov 2021**

T2S
- Securities settlement in Central Bank money
- **Live since June 2015**

TIPS
- Settlement of instant payments in Central Bank money
- Supports the participants to be compliant with the SEPA Instant Credit Transfer scheme
- **Live since Nov 2018**

Shared Services & common components
- Single gateway access (ESMIG) to all Eurosystem TARGET services
- Common Reference Data Management
- Harmonised provisioning of support services
- Data warehouse
- **Go-Live in more than two phases between Nov 2018 and Nov 2021**

Eurosystem Vision 2020
What will be the impact on Financial Institutions

Connectivity and Integration

- Access to all Eurosystem services provided by authorized Network Service Provider in Application-to-application (A2A) and/or User-to-application (U2A)
- Integration with the Back-office applications, adoption of headers specificities
- Migration to new solution (i.e. user testing phase)

ISO 20022 V-shape

- Fully-fledged approach
- Big bang migration, i.e. no co-existence of FIN and ISO 20022
- Data flow changes: from Y-copy to V-shape
- Change of protocol: from FIN to ISO

New Liquidity Management model
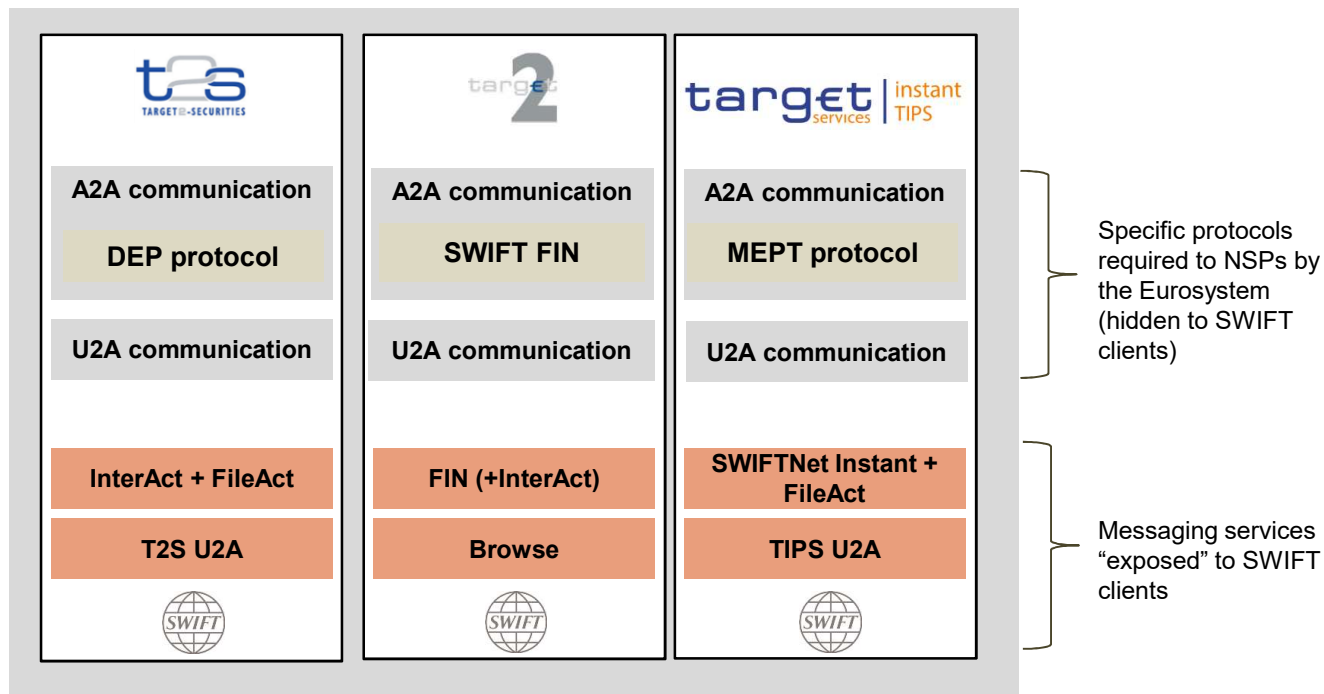
- Centralized Liquidity Management & monitoring
- New account structure
- Segregation of interaction with Central Banks from RTGS participation
- Operational changes through new functionalities & tools

Business changes

- Decision on participation model (direct vs. indirect)
- New business opportunities as a result of e.g. the centralization and outsourcing of payments/payment units

How does the "Eurosystem Single MI Gateway" operate like **today** with SWIFT

t2s TARGET2-SECURITIES	target 2	target services | instant TIPS	
A2A communication	**A2A communication**	**A2A communication**	⎫ Specific protocols required to NSPs by the Eurosystem (hidden to SWIFT clients)
DEP protocol	**SWIFT FIN**	**MEPT protocol**	
U2A communication	**U2A communication**	**U2A communication**	
InterAct + FileAct	**FIN (+InterAct)**	**SWIFTNet Instant + FileAct**	⎫ Messaging services "exposed" to SWIFT clients
T2S U2A	**Browse**	**TIPS U2A**	
SWIFT	SWIFT	SWIFT	

How will the "Eurosystem Single MI Gateway" operate like **tomorrow** with SWIFT

Connectivity & Integration

Specific protocols required to NSPs by the Eurosystem (hidden to SWIFT clients)

Messaging services "exposed" to SWIFT clients
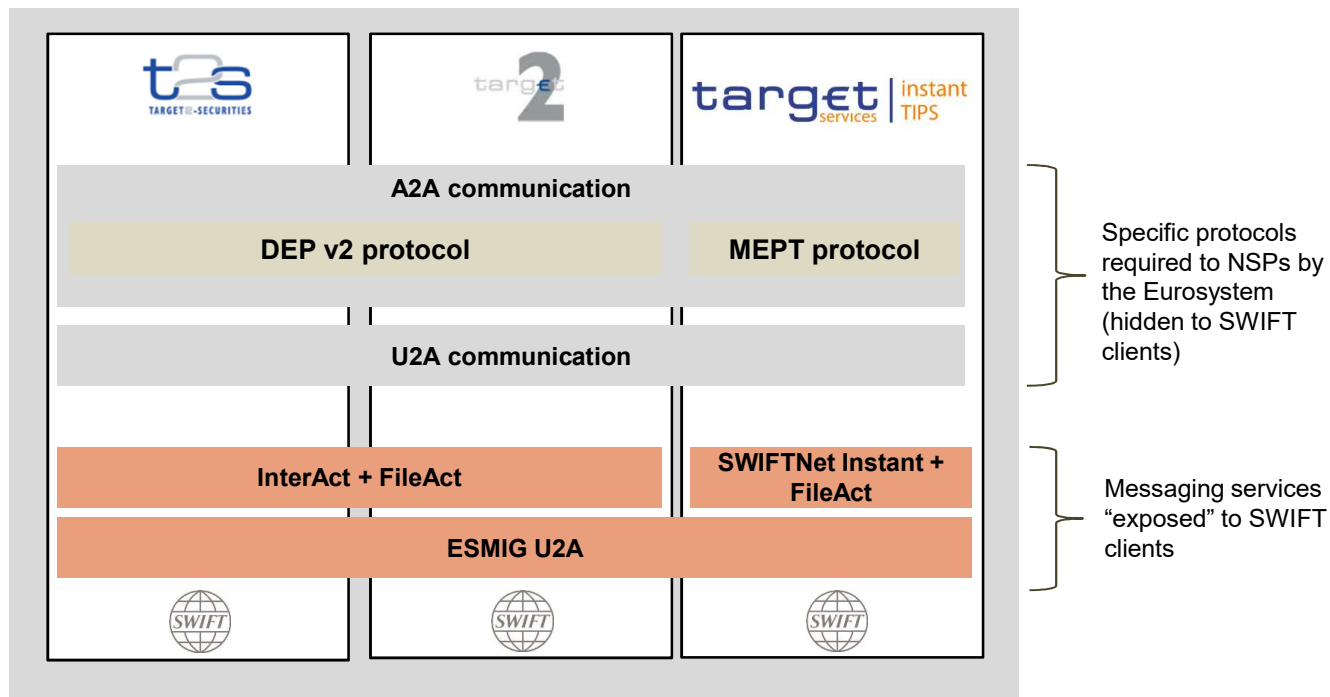
Message flows comparison *Y-copy versus V-shape*

V-shape

From Y-copy

MT103
MT202
MT204

Bank A
Sender

SWIFT

MT012

Bank B
Receiver

MT096

MT097

Market
Infrastructure (MI)
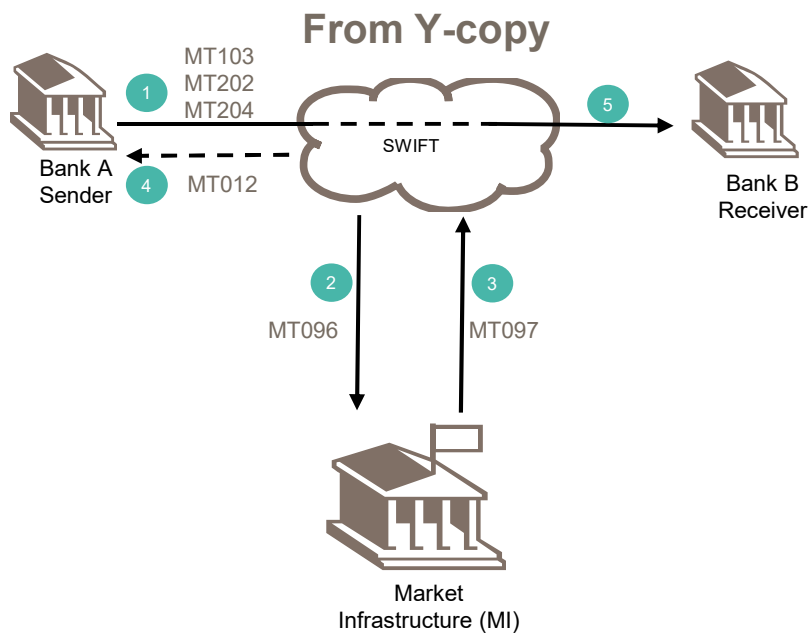
Y-copy processing steps:
1. Bank A sends a payment message to SWIFT
2. SWIFT copies the payment message to the MI platform for authorization
3. MI platform sends an authorization message to SWIFT
4. (Optional) SWIFT sends a Settlement notification message to Bank A
5. SWIFT delivers the payment message to Bank B

To V-shape

Bank A
Sender

pacs.008
pacs.009
pacs.010

pacs.002

Bank B
Receiver

pacs.008
pacs.009
pacs.010

Market
Infrastructure (MI)
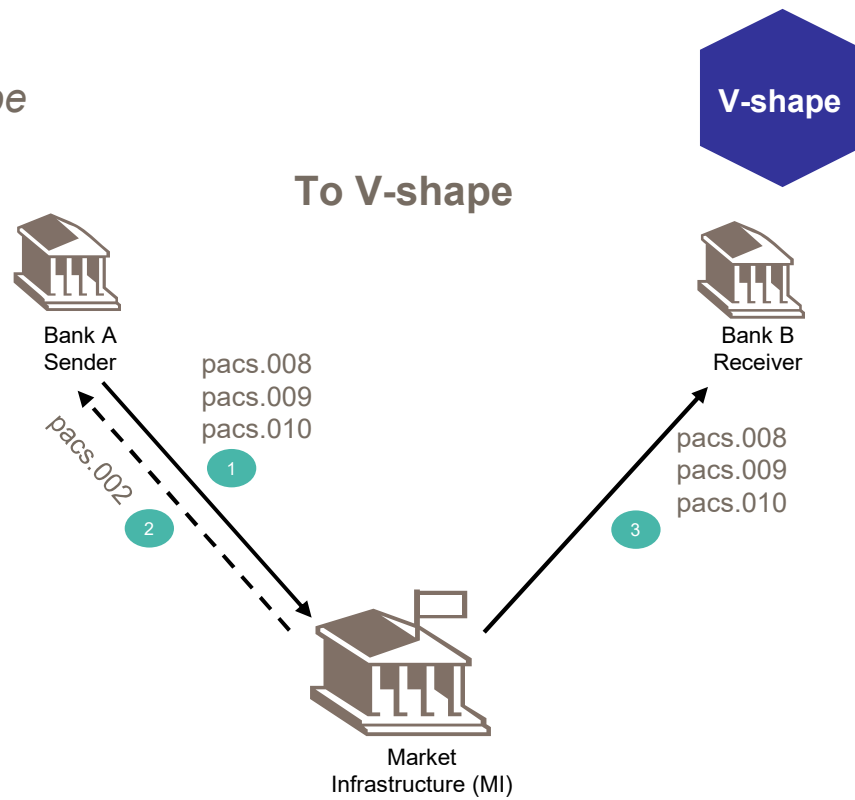
V-shape processing steps:
1 Bank A sends a payment message to the MI platform
2 (Optional) Upon successful validation, the MI platform sends a settlement Confirmation message to Bank A
3 The MI platform delivers the payment message to Bank B

Key characteristics for T2:
Impact of a migration from MT to ISO20022 Fully Fledged

- **Fully-fledged approach:** In T2, the ISO 20022 message standard shall be implemented to its full extent, i.e. no "like-for-like" approach is followed in order to allow the usage of additional fields supported by ISO20022.

- **Message portfolio:** More than 55 ISO messages including 14 new messages.

- **Message versioning:** T2 will support only one message version at a time.

- **Big bang:** All messages will be replaced at the same time at the migration weekend in Nov 2021, i.e. no phased implementation is foreseen. Moreover, the Eurosystem does not plan to offer any message conversion service.

Central Liquidity Management & New account structure

New account structure

Today: T2 as main account

T2

- Open market
- Standing facilities
- Cash operations
- Intraday credit
- Billing
- Ancillary systems
- RTGS Payments

T2S DCA

- Securities

TIPS DCA

- Instant Payments
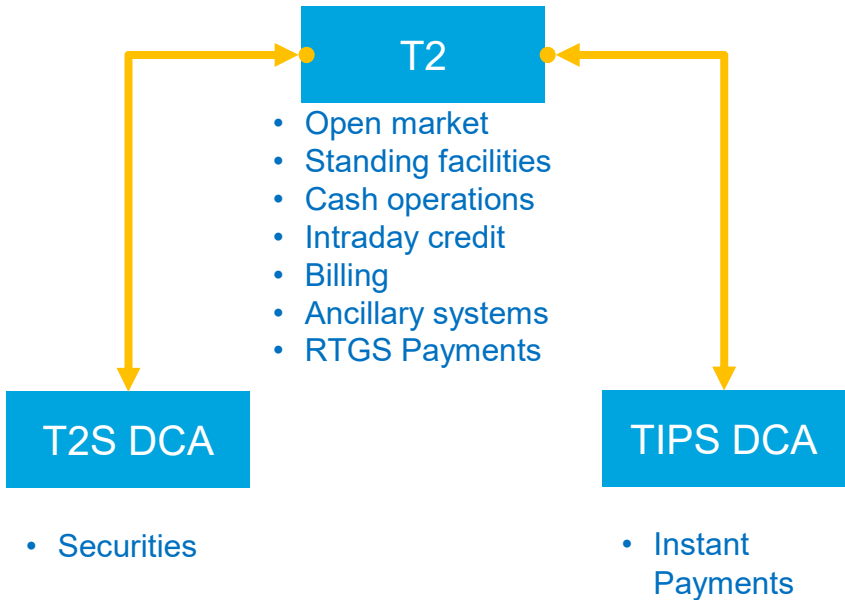
2021: Main Account & RTGS DCA

- Open market
- Standing facilities
- Cash operations
- Intraday credit
- Billing

MAIN ACCOUNT

T2S DCA

- Securities

RTGS DCA

- Ancillary systems
- High Value Payments

TIPS DCA

- Instant Payments
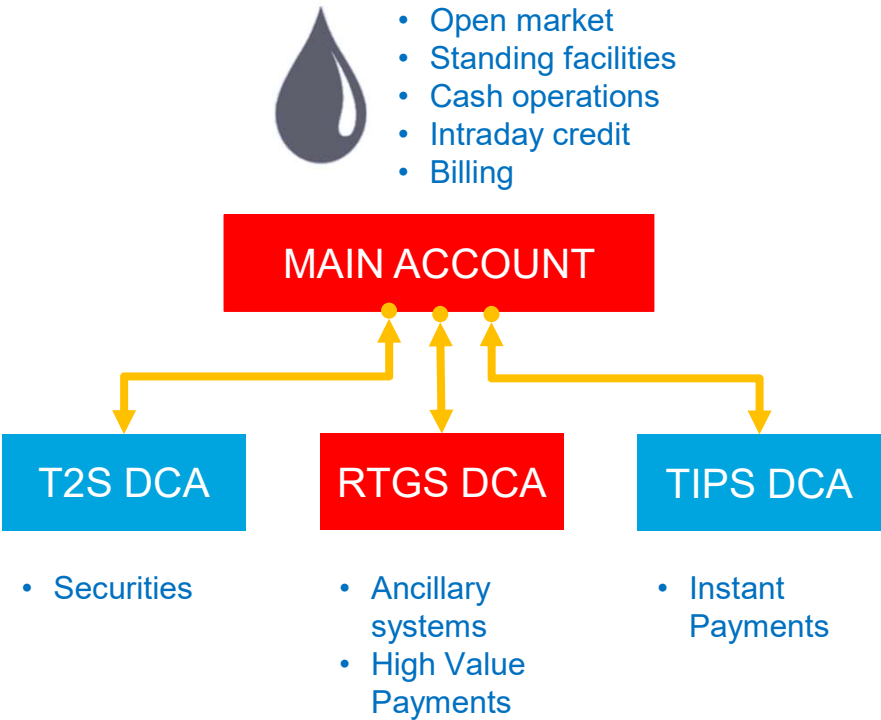
High-level ESMIG industry project for market participants

Project set-up
12/2018

Internal assessment has started
03/2019

NSP Selected by banks
07/2020

Completion of IT development
Q3/2020

Completion of internal testing/start user testing
12/2020

T2 Go-live
Weekend 21st Nov 2021

2018   **2019**   **2020**   **2021**

Preparation phase – define project plan

Realisation phase T2-T2S consolidation (development, functional specifications, internal & external testing)

User testing phase T2 (connectivity test, community testing)

Migration Activities

ISO 20022 migration of cross-border payments and reporting

ISO 20022 migration scope

Payments

SWIFT will facilitate industry migration of cross-border payments and cash.

Start date November 2021 (aligned with the adoption plans of High Value Payments Systems in the Eurozone)

Securities

ISO 20022 capability for cross-border securities flows to use on an opt-in basis

Decision not to set an end date for the use of ISO 15022 (MT category 5 messages) proposed

FX/ Treasury, Trade Finance

Responses to the consultation indicated little appetite to stop using MT messages at this time

No plans to migrate to ISO 20022 have been made

Migration will include all users of payments and cash management messages (MT categories 1, 2, and 9)

Migration timeline

2019: ISO 20022 for cross-border payments **specifications**

November 2021: start of migration aligned with HVP Systems in Europe

4 years coexistence

Coexistence and translation

During coexistence phase, all messages will be transmitted using the SWIFT network service native to the standard (FIN for MT and InterAct for ISO 20022)

Use of ISO 20022 for cross-border payments and cash management on the SWIFT network will be governed by market practice guidelines (newly established working group Cross-Border Payments and Reporting Plus CBPR+)
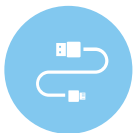
SWIFT will provide central translation service:

- SWIFT will implement and publish the rules formulated by the CBPR+ group
- Receiver will be responsible for triggering translation; users that translate ISO 20022 to MT will be required to manage risk of data truncation and to ensure that the original message is stored and screened
- All SWIFT users will be automatically enrolled to service, translation of received ISO 20022 to MT will be enabled by default

SWIFT gpi and ISO 20022

All MT and ISO 20022 payment messages will include mandatory, validated UETR and will be tracked by the gpi tracker. During the coexistence phase an end-to-end payments transaction may use any combination of the two standards.

Shared services and ISO 20022

Financial Crime Compliance (FCC) and Business Intelligence shared services products will be adapted to work with InterAct and ISO 20022 in time for the start of coexistence in 2021.

FCC Sanctions Screening for ISO 20022 will be offered to users with MT-based back-office systems to ensure that received messages can be fully screened before processing.
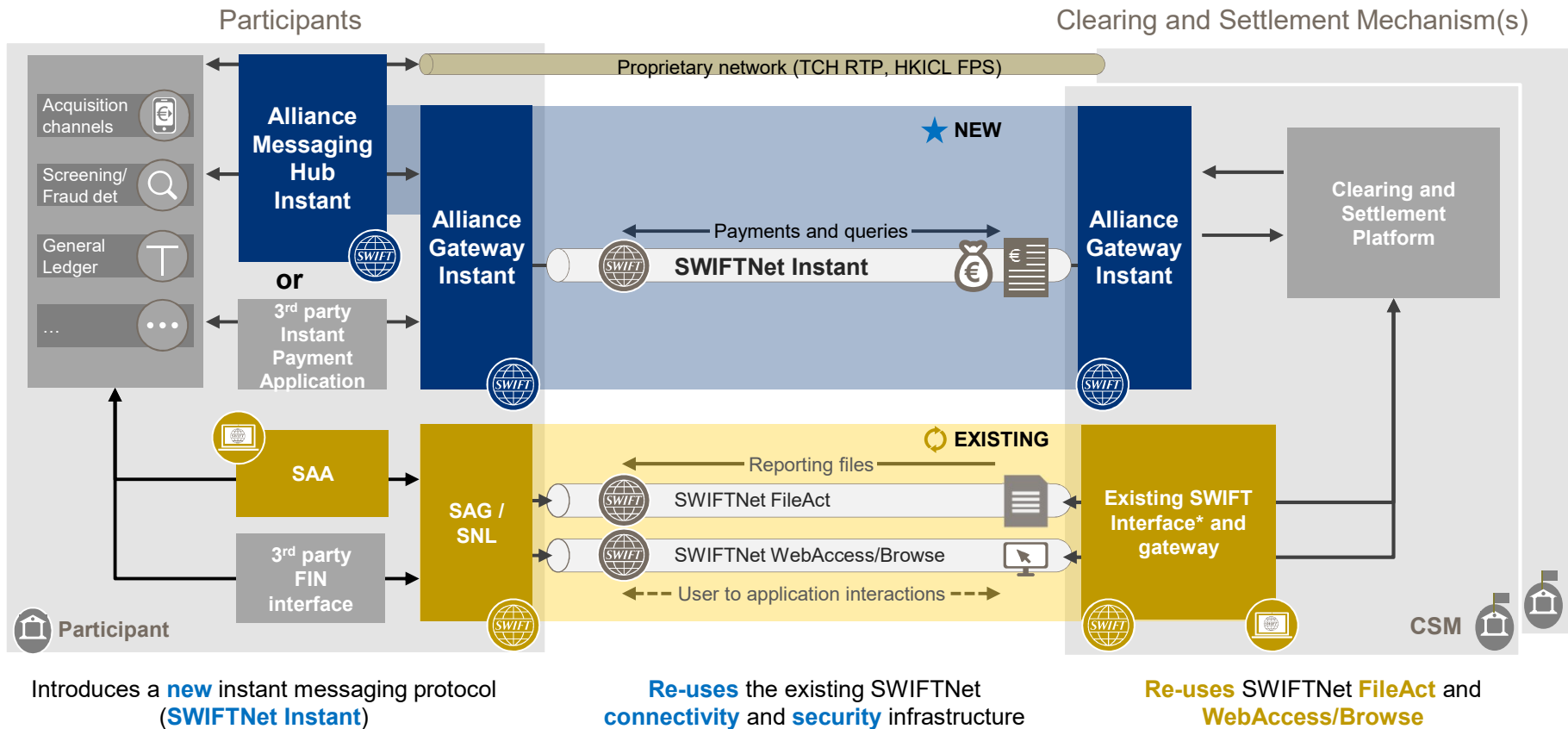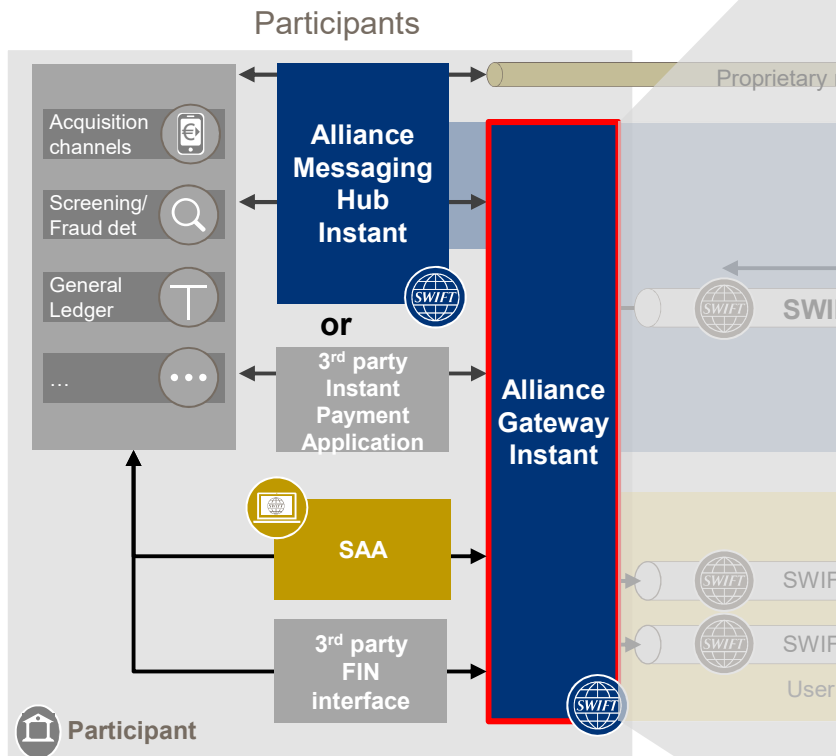
Instant Payments

Proposed solution for instant payments
Overview of key components

Participants

Clearing and Settlement Mechanism(s)

Proprietary network (TCH RTP, HKICL FPS)

Acquisition channels

Screening/ Fraud det

General Ledger

...

Alliance Messaging Hub Instant

or

3rd party Instant Payment Application

Alliance Gateway Instant

★ **NEW**

Payments and queries

SWIFTNet Instant

Alliance Gateway Instant

Clearing and Settlement Platform

SAA

3rd party FIN interface

SAG / SNL

↻ **EXISTING**

Reporting files

SWIFTNet FileAct

SWIFTNet WebAccess/Browse

◄--- User to application interactions ---►

Existing SWIFT Interface* and gateway

Participant

CSM

Introduces a **new** instant messaging protocol (**SWIFTNet Instant**)

Re-uses the existing SWIFTNet **connectivity** and **security** infrastructure

Re-uses SWIFTNet **FileAct** and **WebAccess/Browse**

Alliance gateway Instant
SWIFT technology evolution

Participants

Leverage instant payment knowledge from AU-NPP

Requirements related to 24x7 operations (graceful shutdown, distributed cluster of footprint…)

Create a new generic messaging capability to allow the support of other type of business

APIs in the context of open-banking, DLT….

Focus on the future state of the communication landscape in Europe

Multi-CSM solution, T2, T2S TIPS convergence

Trigger for a technology refresh of the footprint

New communication footprint, replacing SAG/SNL in the future

*It is SWIFT's ambition to have AGI replacing SAG/SNL. SWIFT will allow Eurosystem Target services users to **use AGI for all ESMIG connectivity** needs, including generic InterAct and FileAct messaging services, in production by November 2021. Other specific SWIFT messaging services will be enabled on AGI in the following years.*

What's next …. **Cross-border** real-time payments **with gpi**

SWIFT gpi tracker

Faster Payments

New Payments Platform

Use case 1 – Real-time cross-border payment, via gpi between 2 banks *In progress*

Use case 2 – Real-time cross-border payment, via gpi into domestic instant payment system *In progress*

Use case 3 – Real-time end-to-end payment, from one domestic instant payment system to another via gpi *Planned*

What's next?

How can SWIFT support the financial community with the European Market Infrastructures evolution agenda

Support all Eurosystem 2020 connectivity requirements *for TIPS, RTGS, CLM, T2S, etc. while allowing its community to re-use the generic SWIFTNet messaging services*

Standards expertise *consulting services: extensive understanding of the ISO20022 standards used for the future RTGS service*

Business expertise *consulting services to:*
- *Understand the new messaging flows and orchestration needs (FIN to ISO20022, Y-copy to V-shape)*
- *Understand the new Liquidity Management functions and Accounts structure*
- *Analyse the strategic impacts and opportunities of the T2-T2S consolidation*

Translation and integration products and expertise

Project management expertise *& experience in large migration projects*

Tailored training

www.swift.com

TARGET2 info session

TARGET2 SSP Release 12.0:

http://www.ecb.europa.eu/paym/t2/professional/nov_2018/html/index.en.html

T2-T2S Consolidation:

http://www.ecb.europa.eu/paym/cons/html/future_rtgs_t2-t2s.en.html

Meeting documentation of Contact Groups:

http://www.ecb.europa.eu/paym/initiatives/html/documents.en.html

Introductie BOS

Thank you!