

Clearing of instant payments and interoperability

September 2017

In March 2015, the ECB convened a meeting of the Plenary group on clearing of instant payments. This group consisting of representatives from payments clearing infrastructures served as a forum for dialogue and informal consultation with the overall aim to help ensure the availability of clearing arrangements for pan-European instant payments in euro in line with the Eurosystem's expectations for instant clearing infrastructures, from the commercial launch of the SCTInst scheme in November 2017.

EACHA, and several members of EACHA, have been closely involved throughout the period of dialogue and evolving industry decision making, coordinated by the ECB in this group and in ad hoc groups.

Several important contributions made by EACHA are worth highlighting.

First, the participation in early stages of development of the SCTInst Scheme, with the EPC taskforce and technical working group, led to clear understanding of delineation of responsibilities between banks, clearing infrastructures and settlement infrastructures.

Second, the insights gained in this early work, together with the experience that EACHA could bring to bear from earlier experience with interoperability, could be usefully shared in the plenary group convened by the ECB, as well as in the taskforce which defined the business requirements and conditions for developing bilateral links, i.e. (a) a settlement procedure via Target2 (ASI6 real-time), (b) a single model for risk management: pre-funding by PSPs and (c) a common access policy that would not require cross-membership as a condition for reachability across infrastructures. ECB asked EACHA to lead this taskforce, and many members of EACHA contributed in a concerted effort to reach the shared conclusions which were adopted by the ECB.

Thirdly, EACHA recognised the opportunity to work as an Association in this formative period, to develop a new and practical framework to enable implementation of interoperability. Since adoption of the SCTInst payment instrument is not mandatory, it became clear early on that the moment in time, and the scale and speed of adoption by various communities could differ, and that therefore a flexible implementation and growth model to support evolving interoperability needs for these communities would be required.

The EACHA Instant Payments Interoperability Framework (EIPF) provides such a model to implement interoperability for instant payments in euro which conforms to the key requirements set by the Eurosystem:

- No cross-membership in multiple ACHs is needed for participating banks to achieve reciprocal access
- Participant banks, ACHs and Central Banks via which the ACH connects to Target2 have a choice of models to realize settlement, with ASI6RT as the common interface to Target2.

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- Interoperability can work for jurisdictions where the fiduciary construct is feasible, as well as for jurisdictions where the fiduciary construct is not feasible. This gives communities always the option to use the EIPIF model, if they wish to use it.
- It can co-exist easily with other solutions, notably with the central solution, TIPS, which the ECB has decided to implement - in order to have complete certainty of at least one pan-European solution in place by November 2017.

The EIPIF was ready and delivered in time with the publication of the EPC SCTInst Rulebook, in November 2016. It has subsequently been updated to include alignment with specifications on ASI6RT delivered in 2017 from the Eurosystem.

Looking back, EACHA is grateful to have had the opportunity to participate and is proud of its contributions throughout the formative period of interoperability solutions for instant payments.

To establish full transparency, the EIPIF is publicly available for all the industry and presents an encompassing and well-defined set of rules and standards, offering choice where possible for ACHs and national central banks, and at the same time being fully aligned with the central settlement models available from the Eurosystem. The EIPIF can be readily deployed by ACHs to realize bilateral links, supporting cross-community reach for instant payments. It will be kept updated and aligned with future versions of EPC Rulebooks and of Eurosystem ASI services.

Looking forward, initially the TIPS system will be the default system to deliver SEPA-wide reach. Volumes will be low and in the now approaching phase of national implementations at different speed, gradual build-up of volumes is expected in the various national communities. Over time, as instant payments become the ‘new normal’, volumes will grow and the business case will exist for some EACHA member CSMs to implement interoperable bilateral connections.

The EIPIF will form the basis for a solid alternative solution to deliver efficient and inherently “instant” clearing performance, and to support the emerging volumes of cross border instant payments.