

The ultimate prize

The decision to postpone migration to the eurozone's new consolidated platform for payments settlement has given banks some breathing space. They should make good use of it, says SVP of **TAS Group, Mario Mendia**



When the European Central Bank (ECB) fired the starting gun for banks to migrate to the new consolidated TARGET real-time gross settlement and liquidity management platform, Italy-based TAS Group was one of the first technology companies out of the starting blocks.

Already embedded at the heart of the central banking system, it offered a range of solutions and a partnership approach. To date, 40 commercial banks and a central bank have used the company's existing Aquarius and Network Gateway solutions and a new, Cloud-only product called PAGE, to manage a smooth changeover to the new infrastructure.

TAS was also one of the first to welcome this year's decision by the ECB to delay the deadline for migrating to the combined platform, due to several reasons, including COVID-19

diverting banks' resources and attention – although that shouldn't be read as an excuse to take a foot off the gas, says Mario Mendia, SVP of TAS Group, because the penalty for not finishing the race on time is severe. Any participant not ready by the revised implementation date of November 2022 will be excluded from central bank monetary operations, unable to pay or be paid in central bank money, or perform ancillary system settlements.

"According to the ECB, banks that are not able to migrate risk no longer being able to do business," says Mendia. "That's why the entire community is preparing for the project. That includes at least 11 months of community testing because the impact of this migration is seen as being as challenging as the one to the Single Euro Payments Area (SEPA)."

Nevertheless, the

postponement will help banks review and reassess some of their choices, he says.

TAS Group's Cloud and on-premise software solutions allow banks to leverage the new, rich features of the consolidated TARGET services – TARGET2 for bank-to-bank transfers, and TARGET2-Securities service for settling securities. The new infrastructure will also require banks to convert, if they haven't already done so, to using the ISO 20022-based messaging protocol.

There will be one more hurdle to jump once this is complete – by 2023, the Eurosystem, the European Monetary Authority, will be using a new collateral management system (ECMS), to which banks will also have to align.

"The ECB has been investing since 2009 in this new infrastructure. It manages the services and operates the platform, together with the Bank of Italy, the Bundesbank, Banque de France, and Banco de España," explains Mendia. "It is also the regulatory authority that, together with the national central banks, supervises implementation. It has the capability to play all these roles. »"

From euro to hero:

The infrastructure changes will strengthen the currency

» “The migration to the new infrastructure means a wider and more integrated European payment ecosystem, which has better funding and liquidity management capability, supported by secure and reliable central banking services, in real time, and for extended hours. This means also a more competitive European payments and banking industry, and stronger euro currency. It will, in the future, attract more counterparties from abroad, because of its stability and cost-efficiency,” he adds.

TAS also believes the consolidation project presents a clear opportunity for those ‘who haven’t yet worked on adopting ISO 20022, automating tasks, integrating information, scaling up their applications in real time and

opportunity to change your process and introduce more digital transformation into your payment processing.”

Having achieved all that, the next prize is ECMS, which will be implemented in 2023.

“It will allow better funding for all the European banks,” says Mendia. “After this, the only tool left to be implemented will be central bank digital currency.”

Off-the-peg solutions

While TAS has worked with banks on implementing on-premise solutions, Mendia sees Cloud technology as the real accelerator in payments modernisation, because it enables resilience, scalability,

Eurosystem, with a new service called PAGE, where everything is provided and delivered in the Cloud,” says Mendia.

PAGE, which is described as the first Cloud-native solution that allows banks to securely and quickly connect to the European TARGET services with a one-stop shop approach, also gives users the freedom to switch between the two network service providers that have been certified to provide access to the Eurosystem Single Market Interface Gateway – SIA-Colt and SWIFT.

While Mendia believes such European payments infrastructure and technology lead the world, within the eurozone itself there is still a lot of levelling-up to do.

“There are global trends for change that everybody knows,” he says. “Ecommerce, new integrated payment services, data management and analytics. All of these are setting new standards of customer expectation. Within this framework of global trends, Europe’s revised Payment Service Directive (PSD2) has forced the industry to evolve in a more competitive ecosystem, promoting innovation with application programming interfaces (APIs), as well as security standards, and pushing forward the SEPA integration, which



forecasting through adaptive intelligence. And that goes way beyond Europe.

“ISO 20022 has been embraced by payment infrastructures worldwide and will, in future be the standard used by others, including Fedwire and the Bank of England,” says Mendia. “The importance of this new standard is linked to capability in managing new data components and richer information, which, in turn, increases transparency of payments processing, helps compliance, and provides better customer service with rich data content.

“Being an open standard, ISO 20022 provides an ecosystem with a variety of tools and support, but requires design capabilities, and significant investment to be implemented, since it impacts internal business systems, databases, settlement and clearing systems, correspondent banking systems, etc.

“How to manage ISO 20022 is a strategic business decision. From a business perspective, if you have to invest a significant amount of money in a mandatory project, it gives you the

flexibility; so continuous improvement and faster market response.

“But there is no one-Cloud-fits-all,” he adds. “Everybody has a different reason for moving to the Cloud, and speed of execution and keeping costs manageable will be a priority for many banks. In our experience, the neobanks and fintechs are naturally Cloud-oriented; we have implemented a bank in a few months for Anglo-Gulf Trade Bank and it was fascinating how fast and simple that was. On the other hand, traditional banks are adopting the Cloud in steps, using a segmented approach, trying to differentiate by sector of business, data management and security risk, potential savings, and so on.

“Small banks have a particular interest in the Cloud, because they can acquire package solutions to deal with complex issues. We are, for example, offering small banks access to the TARGET services of the

“ This means a more competitive European payments and banking industry, and stronger euro currency

allows for the possibility of scaling up investments.

“PSD2 could have been more prescriptive in terms of technical standards, to avoid the present burden of different APIs, but it will enable the market to respond better to the COVID-19 crisis, which is accelerating some of the market dynamics towards a wider adoption of electronic payments. Europe has a bold infrastructure and technologies,

but is in some ways traditional and fragmented, which means there is less opportunity for scaling up initiatives and investments. Ecommerce has been lagging behind, compared to the US or other countries, and the adoption of electronic payments varies a lot from country to country. While in Italy, for example, we have seen low adoption, in other countries, like the Nordics, it is very high. These local differences are very common still.

“That said, with SEPA and PSD2, we have promoted common business and security standards. We have unlocked competition.”

Empowering the payments r-evolution

**FRAUD
MANAGEMENT**



**CARD
MANAGEMENT**



**OPEN
BANKING**



ISO20022



**BRANCH
TRANSFORMATION**



**INSTANT
PAYMENTS**

TAS Group delivers software solutions and services for cards, payment systems and financial markets in Europe and the Americas. We empower customers to leverage the latest technology and best fintech partnerships to become leaders in today's redefined payments ecosystem.



solutions@tasgroup.eu
www.tasgroup.eu